ADM.
ARY
Bus. Adm.
Wahr.

Final Edition

ESTABLISHED OVER 100 YEARS

In 2 Sections—Section 1

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 163 Number 4452 New York, N. Y., Thursday, January 3, 1946 Price 60 Cents a Copy

Free Flow of World News Vital to Our Economy

By EUGENE LYONS

Former Editor "American Mercury," Author "Assignment in Utopia," "The Red Decade"

Well-Known Foreign Correspondent and Publicist Gives Vivid Picture of the News Blackout in Russia and Other Totalitarian Areas, Showing That Formal Censorship Is Only One of Many Barriers to Truthfulness. He Charges That Correspondents Are Maneuvered Into Propagandizing for the Countries Where They Are Stationed. Declares That Access to Reliable World News Is Indispensable to the United States in Fulfilling Its New Leadership in International Finance and Business.

Eugene Lyons

Recently certain of our newspapers did editorial handsprings of joy because Russia had suddenly "abolished censorship." Many of them even jumped to optimistic conclusions on the basis of this Soviet gesture. They professed to see in it signs of a more cooperative spirit in the Kremlin, a tendency to placate American public opinion and other comforting possibilities. The joy, however, was short-lived. The censorship was restored as suddenly and as arbitrarily as it had been lifted. The foreign correspondents in Moscow were not

(Continued on page 38)

Index of Regular Features on page 48.

Wages, Profits and Prices

By HARLEY L. LUTZ

Professor of Public Finance, Princeton University

Holding That Collective Bargaining Under Compulsion and Governmental Directives Destroys the Managerial Function, Dr. Lutz Calls for a Restoration of Genuine Voluntary Collective Bargaining Without Coercion. Denies That Under Present Conditions Labor Can Be Exploited or That Individual Profits Have Bearing on Wage Bargains. Contends That if Concerns Making High Profits Pay Higher Wages, Their Low Profit Competitors Will Be Unable to Operate, and Thus Unemployment Be Increased. Points Out That the Account Books Reveal Only Past Operations and Are Largely the Result of Judgment Rather Than Fact, and That Artificially High Wages Must Bring Higher Prices.

Dr. Harley Lutz

We have become so inured to topsy-turvy economics in recent years as to perceive nothing especially pathological about the current wage-price-profit controversy. Along with deficit financing, the debt that is no burden because "we owe it to ourselves," and taxation aimed at drying up the well-springs of enterprise, we now have a proposal that the workers shall set their own wages after an examination of the employer's books of account.

A little consideration of some elementary, but fundamental economics would be enlightening in the present situation, as it usually is when a fantastic scheme is presented to the people. To this end let us review briefly some of the elementary principles involved.

The process of producing goods and services requires the use, in some combination, of land, labor, and capital. These productive factors are brought together and directed, as a team, by a fourth productive factor which we call management. Corresponding to the several factors of production are the respective shares of the product, namely, economic rent, wages, interest, and profits. The first three of these shares, that is, rent, wages, and interest, constitute definite charges against the receipts from the sale of the goods or services pro-

(Continued on page 43)

The Supremacy of Law

By DAVID A. SIMMONS*

President of the American Bar Association

Denouncing Uncertainties and Confusion Arising From Neglect of the Concept of the Supremacy of Law, Mr. Simmons Points to the "Double Talk" Decisions of the Supreme Court and the Abandonment of "Stare Decisis" by This Tribunal as Substituting Personal Opinions for Recognized Legal Principles. Lists as Phases of Confusion: (1) the Uncertainty in Judicial Decisions; (2) Administrative Procedure Which Creates a Fourth Branch of Government; (3) the Industrial Warfare Overriding Law; and (4) International Force as a Substitute for Law and Justice. Praises United Nations Organization and Suggests Legal Methods for Settling Labor Disputes.

David A. Simmons

Scientific search into atomic energy was a search for law. All scientific research is a search for law. Law is that which governs action. In every scientific laboratory in the world matter and energy are manipulated under controlled conditions until a law is made manifest. Conditions are then standardized and the functioning of the law is studied. The material is exactly analyzed, weighed and measured, as is the energy applied at a given pressure and temperature. The result is then uniform. Step by step,

*An address by Mr. Simmons before the 68th annual meeting of the American Bar Association at Cincinnati, O., Dec. 17, 1945.

(Continued on page 41)

Gaumont British
"A" & Ordinary Shares
Aerovox Corp.*
Nu-Enamel
* Prospectus on request
HIRSCH & Co.
Successors to
HIRSCH, LILIENTHAL & CO.
Members New York Stock Exchange and other Exchanges
25 Broad St., New York 4, N. Y.
HAnover 2-0600 Teletype NY 1-210
Chicago Cleveland London
Geneva (Representative)

Alaska Airlines
COMMON STOCK
Prospectus on request
R. H. Johnson & Co.
Established 1927
INVESTMENT SECURITIES
64 Wall Street, New York 5
BOSTON PHILADELPHIA
Troy Albany Buffalo Syracuse
Pittsburgh Dallas Wilkes Barre
Baltimore Springfield Woonsocket

MANHATTAN BOND FUND INC.
PROSPECTUS ON REQUEST
Wholesale Distributors
HUGH W. LONG and COMPANY
INCORPORATED
48 WALL ST. NEW YORK 5
634 SO. SPRING ST. LOS ANGELES 14

Bond Brokerage Service
for Banks, Brokers and Dealers
HARDY & Co.
Members New York Stock Exchange
Members New York Curb Exchange
30 Broad St. New York 4
Tel. DIgby 4-7800 Tele. NY 1-733

State and Municipal Bonds
Bond Department
THE CHASE NATIONAL BANK
OF THE CITY OF NEW YORK

BOND BROKERS
BULL, HOLDEN & Co
MEMBERS NEW YORK STOCK EXCHANGE
14 WALL ST., NEW YORK 5, N.Y.
TELEPHONE—RECTOR 2-6300

CORPORATE FINANCE
SECONDARY MARKETS
Kobbé, Gearhart & Co.
INCORPORATED
Members N. Y. Security Dealers Ass'n
45 Nassau Street New York 5
Tel. REctor 2-3600 Teletype N. Y. 1-576
Philadelphia Telephone: Enterprise 6015

Acme Aluminum Alloys, Inc.
Common & Conv. Preferred
Aireon Manufacturing Corp.
60c Conv. Preferred
Solar Aircraft Company
90c Conv. Preferred
Raytheon Manufacturing Co.
$2.40 Conv. Preferred
Prospectus on request
Reynolds & Co.
Members New York Stock Exchange
120 Broadway, New York 5, N. Y.
Telephone: REctor 2-8600
Bell Teletype NY 1-635

AMERICAN MADE MARKETS IN CANADIAN SECURITIES
HART SMITH & CO.
Members
New York Security Dealers Assn.
52 WILLIAM ST., N. Y. 5 HAnover 2-0980
Bell Teletype NY 1-395
New York Montreal Toronto

New England Public Service Co.
Analysis upon request
IRA HAUPT & CO.
Members New York Stock Exchange and other Principal Exchanges
111 Broadway New York 6
REctor 2-3100
Tele. NY 1-1920
10 Post Office Sq. Boston 9
Hancock 3750
Direct Private Wire to Boston

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Senatorial Reactions to U. K. Loan

Senator Taylor (D.) of Idaho Favors Loan While Senator Capper (R.) of Kansas Is Opposed. Both See Danger of Crisis Ahead, Sen. Taylor Warning That Nationalization or Fascism Is Ahead, and Sen. Capper Predicting That We Are Making Same Errors as After Last War in Making Political Loans.

WASHINGTON, D. C.—Following up the survey of reactions to the British Loan Agreement by members of the House of Representatives, (published in the "Chronicle," Dec. 13, page 2874) we publish herewith statements made by two leading Senators, both members of the Banking and Currency Committee, with reference to the transaction. As in the House, the opinions of Senators have a wide range, from unqualified approval to an out-and-out opposition.

Loan Repeats Mistakes of World War I

By. HON. ARTHUR CAPPER
U. S. Senator (R.) from Kansas

The President has not yet sent a message to Congress on the American loan to Britain, but from the terms recently released by Secretary Byrnes, I am very doubtful about the wisdom of the transaction.

Sen. Arthur Capper

I fear that we are going to repeat every mistake we made after World War I, on a ten times bigger scale. In 1919 we supported the foreign exchanges and we financed an export boom, just as we are now doing on a much larger scale through the Bretton Woods Monetary Fund and Bank and by the loans we are making to Britain and others. By similar devices after the last war we brought on inflation followed by depression at home, and when we stopped extending credits to

(Continued on page 31)

The Outlook for Business

By RAYMOND RODGERS*
Professor of Banking, School of Commerce, Accounts and Finance
New York University

Professor Rodgers, Contending That There Is No Turning Back to Discarded Economic Concepts, Holds That We Are in a New Era of Economic Evolution and Future Prospects and Policies Are Now Committed to the Political and Economic Cooperation of the "Big Three" Powers. Foresees Demands Abroad for a New Economic System Which Will Influence World Economy and States That Principal Problem in Labor Melee Will Be Attitude of Labor Toward Increased Productivity. Holds Immediate Trade Outlook Is Good, With Neither Sharp Inflationary or Deflationary Trends and With Increase in Volume of Both Domestic and Foreign Commerce.

In the year ahead, according to business soothsayers, we face: inflation or deflation, higher interest rates or lower interest rates, mass unemployment or labor shortage, return of many rationing controls or complete elimination of all restrictions, higher taxes or lower taxes, increased foreign trade or negligible foreign trade, increased Government controls over business or reduction of such Government controls, and so on. Never has the business man been offered such widely differing estimates of what the future holds for him. In fact, the business man has the choice of forecasts which are diametrically opposed on nearly any of the important factors in our economy.

Raymond Rodgers

*An address by Professor Rodgers before the New Orleans Association of Commerce, New Orleans, La., Jan. 3, 1946.

What is there about the present situation which causes the economists to have such opposite views of the future? Well, as everyone knows, many basic economic factors, such as interest rates, taxes, national debt, bank deposits, and international organization, are far-changed from what they were before the war. Now, I am going to let you in on a professional secret: The large majority of the economists, particularly the older ones, admit these changes but insist that we must return to the old economic pattern or face doom and disaster. On the other hand, a small minority maintains that we must go forward on the basis of the present—that in a democracy, where many economic matters are determined at the ballot box, there is no turning back. In fact, many of this group will not even concede the desirability of turning back. They feel that the "good old days" were largely a folk myth and that, in any event, they are singularly uninviting in comparison with the glorious days which lie ahead.

Let me reassure you. I belong to the latter group. I do not propose to spend the rest of my life "viewing with alarm"! Perhaps I am not old enough to know any better! Certainly, I am not suffering from hardening of the "economic arteries." This ailment, however, is a serious occupational malady of economists—so serious, in fact, that some sort of euthanasia, so far as their economic utterances are concerned, would contribute greatly to the peace of mind of the general public. No, gentlemen, I don't believe you brought me all the way from New York to hear me croak for 30 minutes. Just relax. I shall

(Continued on page 18)

Trading Markets in:
Chicago R. I., Old Pfds.
Wm. Simon Brewery
Differential Wheel
Seeger Sunbeam
American Barge
KING & KING
Established 1920
Members
New York Security Dealers Ass'n
Nat'l Ass'n of Securities Dealers, Inc.
40 Exchange Pl., N.Y. 5 HA 2-2772
BELL TELETYPE NY 1-423

Elk Horn Coal
Common & Preferred
Jonas & Naumburg
Kearney & Trecker
Kingan & Co.
Linn Manufacturing
Mayflower Hotel
Mitchell & Company
Members Baltimore Stock Exchange
120 Broadway, N. Y. 5
WOrth 2-4230
Bell Teletype N. Y. 1-1227

*International Power Securities
7s, 1952-1957
Savoy Plaza
3/6s, 1956
* Traded on N. Y. Curb Exchange
Vanderhoef & Robinson
Members New York Curb Exchange
31 Nassau Street, New York 5
Telephone COrtlandt 7-4070
Bell System Teletype NY 1-1548

Bankers & Shippers Ins.
Capital Stock
Byrndun Corporation
Common
A. S. Campbell
Common & Preferred
Caribbean Sugar
Common Stock
Panama Coca Cola
Common Stock
H. G. BRUNS & CO.
20 Pine Street, New York 5
Telephone: WHitehall 3-1223
Bell Teletype NY 1-1843

Bates Manufacturing
Boston & Maine R. R.
Stamped Preferreds
Kaiser-Frazer
Missouri State Life Insurance
United Piece Dye Works
Common & Preferred
U. S. Sugar, Common
Greene and Company
Members N. Y. Security Dealers Assn.
37 Wall St., N. Y. 5 Hanover 2-4850
Bell Teletypes—NY 1-1126 & 1127

Pressed Steel Car
4½% Conv. Pfd.
Bought—Sold—Quoted
McDONNELL & Co.
Members
New York Stock Exchange
New York Curb Exchange
120 BROADWAY, NEW YORK
Tel. REctor 2-7815

We Maintain Active Markets in U. S. FUNDS for
ABITIBI POWER & PAPER, Common & Preferred
BROWN COMPANY, Common & Preferred
BULOLO GOLD DREDGING
MINNESOTA & ONTARIO PAPER
STEEP ROCK IRON MINES
Canadian Securities Dep't.
GOODBODY & Co.
Members N. Y. Stock Exchange and Other Principal Exchanges
115 BROADWAY NEW YORK 6, N. Y.
Telephone BArclay 7-0100 Teletype NY 1-672

P. R. MALLORY & CO., INC.
Bought — Sold — Quoted
Analysis on Request
STEINER, ROUSE & Co.
Members New York Stock Exchange
25 Broad St., New York 4, N. Y.
HAnover 2-0700 NY 1-1557
New Orleans, La.-Birmingham, Ala.
Direct wires to our branch offices

Pressurelube
Gaumont British
Rademaker Chemical
Federal Asphalt
Greater N. Y. Industries
Textron Warrants
Edward A. Purcell & Co.
Members New York Stock Exchange
Members New York Curb Exchange
50 Broadway WHitehall 4-8120
Bell System Teletype NY 1-1919

Central States Elec. (Va.)
Common Stock
Smith & Wesson
Nat. Commercial Title & Mortgage Guar. Pfd.
Frank C. Masterson & Co.
Members New York Curb Exchange
64 WALL ST. NEW YORK 5
Teletype NY 1-1140 HAnover 2-9470

WE BUY
BONDS
WITH
Coupons Missing
GUDE, WINMILL & Co.
Members New York Stock Exchange
1 Wall St., New York 5, N. Y.
DIgby 4-7060 Teletype NY 1-955

Haytian Corp.
Eastern Sugar Associates
Punta Alegre Sugar
Quotations Upon Request
FARR & CO.
Members
New York Stock Exchange
New York Coffee & Sugar Exchange
120 WALL ST., NEW YORK
TEL. HANOVER 2-9612

R. W. PRESSPRICH & CO.
Members New York Stock Exchange
68 William Street, New York
BOSTON: 201 Devonshire St.
GOVERNMENT, MUNICIPAL, RAILROAD, PUBLIC UTILITY & INDUSTRIAL BONDS
INVESTMENT STOCKS
Knowledge • Experience • Facilities . . . for Investors

Harrisburg Steel Corp.
Kingan & Company, Com.
Segal Lock & Hardware, Pfd.
Wellman Engineering Co., Com.*
*Circular Upon Request
Bought—Sold—Quoted
Simons, Linburn & Co.
Members New York Stock Exchange
25 Broad St., New York 4, N. Y.
HAnover 2-0600 Tele. NY 1-210

For Banks, Brokers & Dealers
Utah Southern Oil
Bought — Sold
Troster, Currie & Summers
Members N. Y. Security Dealers Ass'n
74 Trinity Place, N. Y. 6 HA 2-2400
Teletype NY 1-376-377
Private Wires to Cleveland
Detroit - Pittsburgh - St. Louis

ALL AMERICAN AVIATION CORP.
Common Stock
BOUGHT — SOLD — QUOTED
J. G. WHITE & COMPANY
INCORPORATED
37 WALL STREET NEW YORK 5
ESTABLISHED 1890
Tel. HAnover 2-9300 Tele. NY 1-1815

Jefferson-Travis Corp.
Western Union Leased Line Stocks
International Ocean Telegraph Co.
Pacific & Atlantic Telegraph Co.
Southern & Atlantic Teleg. Co.
Empire & Bay States Teleg. Co.
bought - sold - quoted
Arnhold and S. Bleichroeder
INC.
30 Broad St. New York 4
WHitehall 3-9200 Teletype NY 1-515

Digitized for FRASER
http://fraser.stlouisfed.org/

Current Low Bond Yields a Dangerous Cause of Bullishness

By FRANCIS W. LA FARGE

Analyst for the Tri-Continental Group of Investment Cos.

Market Analyst Traces the Long-Term Relationship Between Bond and Stock Yields. While He Expects Further Short-Term Narrowing of the Spread, He Doubts a Repetition of the 1920's Experience When Common Stocks Yielded Less Than Bonds. He Therefore Warns Investors Not to Let the Relatively Low Income Obtainable From Bonds Mislead Them Into Eventually Overstaying the Current Bull Stock Market.

Of all of the arguments on the bullish side of the stock market one that has been as widely and consistently used as almost any other during the past three and a half years has been the favorable relationship between stock and bond yields. It is the purpose of this article to raise the question of whether a long term unfavorable trend in the bond-stock yield ratio does not make it dangerous to overemphasize this argument.

F. W. La Farge

It was an obviously strong argument in April, 1942 when Barron's index of best grade corporate bonds yielded only 2.75% in comparison with yields on the Dow Jones industrial and rail average of 7.91% and 8.35% and one on the utility average of 11.08%. As the long and now sizable advance in stock prices from the lows of April, 1942 has progressed the argument has steadily lost some of its force. Instead of yielding 3 to 4 times as much as best grade bonds, common stocks, as measured by the Dow Jones averages, now yield only 1⅓ times as much.

The argument, however, has not lost all of its force by any means, and for two main reasons. The first is that even with good industrial stocks selling to yield only roughly 1% more than best grade bonds this is not an historically unfavorable relationship. The second and possibly more immediately potent reason is that the year 1946 should see an overall rise in common stock dividends. The tendency was in that direction in 1945 and may reach sizable proportions in 1946. Obviously this will make the relationship between stock and bond yields more favorable to stocks unless stock prices rise in proportion.

There is no disagreement here with the thesis that 1946 should bring higher corporate profits and larger dividend payments than were seen in 1945. The questions of the extent and timing of the increases are still very much open ones but they do not fall into the content of this article. The trend is all that we need be concerned about here and that appears to be favorable.

The question is whether or not too much dependence is being placed upon past relationships between bond and stock yields in

(Continued on page 22)

Should Congress Accept the Anglo-American Agreement?

By HERBERT M. BRATTER

Correspondent, Noting the Bitter Comment That the Proposed Loan to Great Britain Has Aroused on Both Sides of the Atlantic, Poses a Number of Questions That Have Suggested Themselves for Consideration and Has Offered Answers to Many, the Answers Not All Pointing One Way. Holds Loan Will Increase Rather Than Allay Bitterness Between the Two Great Trading Nations and That It Will Not Bind Great Britain to Our Commercial Philosophy.

The Anglo-American agreement of Dec. 6, including: settlement of lend-lease, war claims, and surplus property; a large and in many respects unprecedented loan of $4.4 billions; and far-reaching questions of commercial policy—is perhaps the most important peacetime program which has ever arisen in the relations of these two dominant trading nations. Congress will now have to decide on implementing the loan portion of the agreement. In view of all of the facts presently available to a Washington observer, it seems most unlikely that Congress will fail to make the money available.

Herbert M. Bratter

The agreement has aroused much bitter comment on both sides of the Atlantic, especially in London. Echoes of the controversy doubtless will be heard for many a year. Generally speaking, American and British public opinion view the agreement from almost opposite poles. So far as the two publics are concerned there seems to be a wide area of disagreement, which bodes not well for future happy relations between the United States and Britain. In the dust and confusion of the current clamor, various questions are being thrown about and answered with loudness and definiteness. Fortunate are those who can take a final position on the wisdom or unwisdom of the British loan on the basis of some single criterion. To the Washington correspondent who is accustomed to looking at all arguments, and especially press releases, in the mouth, the process of making up one's mind is not always so simple.

In recent years the resort by Washington public relations offi-

(Continued on page 28)

Test of SEC Powers

Proceeding on NASD Registration Not Finally Concluded. Order of Disposition Refused by SEC. District Court of U. S. Orders SEC and NASD to Show Cause Why Such an Order Should Not Be Directed. Commission's Refusal Significant and Leaves Proceeding in Mid-Air.

On the petition of some 30 securities dealers throughout the country, Judge Mandelbaum of the U. S. District Court for the Southern District of New York has just signed an order to show cause, returnable Jan. 11, 1946, directing the Securities and Exchange Commission and the National Association of Securities Dealers, Inc., to indicate why the SEC should not be compelled to enter an "order of disposition," terminating the recent proceedings conducted before it in connection with the amendment of the NASD by-laws, which provided for the registration of salesmen, traders, etc., and which gave authority to the NASD Governors permitting them in the future to sumit to the membership by-law amendments controlling "profits, commissions, and other charges."

This current proceeding in the United States District Court highlights a controversy between the petitioners and the SEC.

Abraham M. Metz and Edward A. Kole, the attorneys for the petitioners, also represented them in the initial proceedings and hearing before the Commission, which was held on Aug. 29, 1945, at Philadelphia.

The Commissioners rendered their "Findings and Opinions," in which they held that they would not disapprove the proposed amendments.

Since the Securities Act of 1934 provides that an appeal lies from an order of the Commission, the attorneys for the present petitioners requested that such an order be entered and the Commission replied in effect that it would not enter an order. Its refusal was predicated upon the contention that it need not have directed the holding of any hearing in connection with the subject matter, and if it had not done so, the proposed by-law amendments would have become effective within 30 days.

(Continued on page 6)

Reilly Installs Phone to Boston, Mass.

J. F. Reilly & Co., Inc., 40 Exchange Place, New York City announce the installation of an open-end telephone to Boston, Mass.—Liberty 2990.

B. S. LICHTENSTEIN AND COMPANY

THE RAILROADS: WHITHER NOW?

Reprints of above article from "Business Week" available on request.

99 WALL STREET, NEW YORK
Telephone WHitehall 4-6551

United Artists
United Piece Dye Works
Polaroid Corp.
Taylor Wharton Iron & Steel

L. J. GOLDWATER & CO.
Members New York Security Dealers Assn.
39 Broadway
New York 6, N. Y.
HAnover 2-8970 Teletype NY 1-1203

AMERICAN BANTAM CAR
Common & Preferred
*INTERNTL. DETROLA CORP.
*Circular on Request

J. F. Reilly & Co., Inc.
Members New York Security Dealers Assn.
40 Exch. Pl., New York 5, N. Y.
HAnover 2-4785
Bell System Teletype, NY 1-2733-34
Private Wires to Chicago & Los Angeles

TRADING MARKETS
Kingan Co.
Haloid Corp.
Thiokol Corp.
Sargent & Co.
Bausch & Lomb
Billings & Spencer

Est. 1926
HERZOG & Co.
Members New York Security Dealers Assn.
170 Broadway WOrth 2-0300
Bell System Teletype NY 1-84

Punta Alegre Sugar
Eastern Sugar Assoc.
Lea Fabrics
U. S. Sugar
Pressurelube, Inc.

DUNNE & CO.
Members New York Security Dealers Assn.
25 Broad St., New York 4, N. Y.
WHitehall 3-0272—Teletype NY 1-956
Private Wire to Boston

Public National Bank & Trust Co.
Republic Pictures
Income 4s, 1965
Bonds and Odd Pieces
National Radiator Co.
Analyses available to dealers only

C. E. Unterberg & Co.
Members N. Y. Security Dealers Ass'n
61 Broadway, New York 6, N. Y.
Telephone BOwling Green 9-3565
Teletype NY 1-1666

TITLE COMPANY CERTIFICATES
Bond & Mtge. Guar. Co.
Lawyers Mortgage Co.
Lawyers Title & Guar. Co.
N. Y. Title & Mtge. Co.
Prudence Co.

Newburger, Loeb & Co.
Members New York Stock Exchange
40 Wall St., N.Y. 5 WHitehall 4-6330
Bell Teletype NY 1-2033

Nationwide
MARKETING FACILITIES
for
Blocks of
UNLISTED SECURITIES
Inquiries invited from dealers, estates, corporations, banks, institutions and individual holders

STRAUSS BROS.
Members New York Security Dealers Ass'n
32 Broadway NEW YORK 4 DIgby 4-8640 Teletype NY 1-832, 834
Board of Trade Bldg. CHICAGO 4 Harrison 2075 Teletype CG 129
Direct Wire Service
New York—Chicago—St. Louis
Kansas City—Los Angeles

We are interested in offerings of
High Grade
Public Utility and Industrial
PREFERRED STOCKS
Spencer Trask & Co.
25 Broad Street, New York
Telephone HAnover 2-4300 Teletype NY 1-5
Members New York Stock Exchange

American Bantam Car
Common and Preferred
Bought—Sold—Quoted
HOIT, ROSE & TROSTER
ESTABLISHED 1914
74 Trinity Place, New York 6, N. Y.
Telephone: BOwling Green 9-7400 *Teletype:* NY 1-375

Digitized for FRASER
http://fraser.stlouisfed.org/

WARD & Co.
EST. 1926

ACTUAL MARKETS IN 250 ACTIVE ISSUES

INDUSTRIALS

Air Cargo Transport†
Alaska Airlines†
American Bantam Car
Com. & Pfd.
American Hardware
Amer. Window Glass*
Com. & Pfd.
S. F. Bowser
Cinecolor, Inc.
Dayton Malleable Iron*
Du Mont Lab. "A"
Douglas Shoe*
Gt. Amer. Industries*
Hartford-Empire Co.
Kaiser-Frazer†
Kingan Co.
Lamson & Sessions*
Michigan Chemical
Mohawk Rubber
Natl. Vulcanized Fibre†
Oxford Paper
P. R. Mallory
Com. & Pfd.
Polaroid Com.
H. H. Robertson
Taca Airways*
United Artists
U. S. Truck Lines
Waltham Watch
Warren Bros. "C"

TEXTILES

Alabama Mills*
Aspinook Corp.
New Jersey Worsted
Textron Wrnts. & Pfd.
United Piece Dye

UTILITIES

American Gas & Pow.
Iowa Southern Util.
New Eng. Pub. Serv.
North'n New Eng. Co.

†Prospectus Upon Request
*Bulletin or Circular upon request

WARD & Co.
EST. 1926

Members N.Y. Security Dealers Assn.
120 BROADWAY, N. Y. 5
REctor 2-8700
N. Y. 1-1287-1288
Direct Wires to Chicago and Phila.
ENTERPRISE PHONES
Hartf'd 6111 Buff. 6024 Bos. 2100

Economic Fallacies of The Ability-To-Pay Wage

By IVAN WRIGHT

Dr. Wright, in Pointing Out That a System of Wage Rates Based on the Ability of Individual Employers to Pay Will Destroy the Free Enterprise System, Cautions Against Fixing Wages Under Conditions of Economic Maladjustments Arising From War, Inflation, Price Controls and Subsidies. Holds Only Workable Solution of Present Wage-Price Problem Is to Keep Prices and Costs in Balance, and He Proposes That Both Labor and Management Resume Full Production and That an Institute, Composed of Representatives of All Factors in Production Be Set Up With Full Power To Decide Labor Disputes.

The present wage-price conflicts with all their complications are in part, at least, the results of maladjustments growing out of the war regulations. While these conflicts should be settled without prejudice and as equitably as possible, it is of the utmost importance that they be settled on sound economic principles for the general welfare of the country and the best interests of all concerned in the long run.

Dr. Ivan Wright

1. Labor's demands for an increase in wages equal to the increase in the cost of living seem logical enough.

2. Management's reply that wages can only come out of production is equally logical.

Both workers and stockholders have some war gains and both should be equally ready to face the changed conditions of reconversion and peacetime enterprise. Neither labor nor capital can count on war profits for permanent policies or agreements.

The maladjustments created by holding down some prices and letting other prices rise or by the use of subsidies are unfortunate and the sooner these maladjustments are eliminated, and free competition restored the sooner peacetime production can go forward with confidence.

The maladjustments from wartime wages paid by the Government both directly and indirectly with the taxpayer's money have created extravagant living standards that will be difficult to live down and accept peacetime earning conditions.

The maladjustments created by the inflation of the money and credit available to spenders with great shortages of all kinds of buyer's wants are dangerous and antagonistic forces in bringing about a return to peacetime production, prices, wages and living

(Continued on page 21)

Changing Trends in Investment Banking

By BENJAMIN F. FELDMAN

Asserting That Investment Banking Need Have Little Concern Over Undesirable Competition From Government Financing, Mr. Feldman Points Out That Government Regulations Have Stimulated Internal Competition Among Investment Bankers and Created a Tendency Among Corporations to Shop Around Their Securities. Notes That Effect of Competitive Bidding Has Been a Drastic Reduction in Profit Margins on Strictly Underwriting Operations on High Grade Securities as Well as Standardization of Underwriting. Sees Growing Competition With Commercial Banks and Insurance Companies, but This Has Not Affected Equity Securities. Points to a New Field for Investment Bankers in Furnishing Advisory Services Involving Investment Judgment.

Since a basic operation in investment banking consists of a critical investigation and analysis of corporations in many diversified industries, an appraisal, in turn, of the changing trends in investment banking seems pertinent.

Ben. F. Feldman

Prior Conditions

The 1933 Securities Act, the creation of the Securities and Exchange Commission in 1934, and the Public Utility Holding Company Act of 1935 may be regarded as the outstanding events for promoting important changes in the competitive and operating aspects of the investment banking field. Before commenting upon such changes, it is helpful to summarize very briefly certain conditions which prevailed previously:

(1) Viewed overall, Government interference, regulation and control of investment banking operations were formerly very limited in scope and degree; and while the issuance and sale of railroad securities was, as now, subject to the approval of the Interstate Commerce Commission, and similarly with respect to utility securities subject to approval by State Utility Commissions, the net effect on underwriting activities was not burdensome or material.

(2) Competitive bidding for municipals and railroad equipment trusts was carried on without misgivings or contemplation that such procedure might some day be extended to other classes of securities.

(3) Individual relations between an investment banking firm and a corporation, whether railroad, utility or industrial, were usually of a continuing nature, although not bound by written contract. Any changes in such relations were much the exception and then almost entirely at the instance of the corporation or its controlling interests, and not by direct encroachments or open competition from other investment banking houses.

(4) Advertising the particular services and qualifications of a banking firm through any media was not utilized, and, besides, not in good taste. It is noteworthy that commercial banks at one time also looked with disdain upon advertising.

(5) Pure underwriting operations were much more profitable, actually and tax-wise.

(6) External competition from life insurance companies and commercial banks was not too significant.

(7) Corporations generally were not so well informed as today on investment banking operations.

An approximate and condensed evaluation of the foregoing conditions would be that in prior years the investment banking industry conducted its affairs largely under its own set of rules and with relatively little interference and control by Federal or State Government agencies, that the

(Continued on page 31)

The COMMERCIAL and FINANCIAL CHRONICLE
Reg. U. S. Patent Office

William B. Dana Company
Publishers
25 Park Place, New York 8
REctor 2-9570 to 9576

Herbert D. Seibert,
Editor and Publisher
William Dana Seibert, *President*
William D. Riggs, *Business Manager*

Thursday, January 3, 1946

Published twice a week
every Thursday
(general news and advertising issue)
and every Monday
(complete statistical issue—market quotation records, corporation, banking, clearings, state and city news, etc.)

Other Offices: 135 S. La Salle St., Chicago 3, Ill. (Telephone: State 0613); 1 Drapers' Gardens, London, E. C., England, c/o Edwards & Smith.

Copyright 1945 by William B. Dana Company

Reentered as second-class matter February 25, 1942, at the post office at New York, N. Y., under the Act of March 3, 1879.

Subscriptions in United States and Possessions, $26.00 per year; in Dominion of Canada, $27.50 per year; South and Central America, Spain, Mexico, and Cuba, $29.50 per year; Great Britain, Continental Europe (except Spain), Asia, Australia and Africa, $31.00 per year.

Other Publications
Bank and Quotation Record—Mth. $25 yr.
Monthly Earnings Record—Mth... $25 yr.

NOTE—On account of the fluctuations in the rate of exchange, remittances for foreign subscriptions and advertisements must be made in New York funds.

†Le Roi Company
*Simplicity Pattern
†York Corrugating
†American Insulator
*M. H. Lamston, Inc.
†Pittsburgh Railways

**Prospectus and Special Letter Available*
†Statistical Study or Special Letter on Request

FIRST COLONY CORPORATION
Members New York Security Dealers Association
70 Pine Street New York 5
Hanover 2-7793 Teletype NY 1-2425

SPORT PRODUCTS, Inc.
A LEADING SPORTS MANUFACTURING COMPANY AND MAKER OF MacGREGOR GOLF CLUBS
UNINTERRUPTED DIVIDENDS FOR 20 YEARS WITH THE EXCEPTION OF 1933
No reconversion problems . . . No funded debt . . .
No preferred . . . 150,000 Common

EARNINGS		NET WORKING CAPITAL	
1944	$1.46	1944	$1,595,818
1943	1.40	1943	1,565,044
1942	1.59	1942	2,131,638
1941	1.24	1941	1,884,670
1940	1.42	1940	1,268,046

Circular on request

HARDY & HARDY
11 Broadway, New York 4, N. Y.
Teletype NY 1-960 WHitehall 3-4490

WALT DISNEY PRODUCTIONS
KENDALL COMPANY
WELLMAN ENGINEERING CO.
SHATTERPROOF GLASS
FASHION PARK, INC., Common
THE FOUNDATION COMPANY
SEGAL LOCK & HARDWARE 7% Pfd.

Descriptive Circulars on request

Seligman, Lubetkin & Co.
Incorporated
Members New York Security Dealers Association
41 Broad Street, New York 4 HAnover 2-2100

*National Vulcanized Fibre
*Kaiser-Frazer Corp.
Kingan & Co. Com. & Pfd.
Central Hanover Bk. & Tr.
Chemical Bank & Trust

**Prospectus on request*

J.K.Rice,Jr.&Co.
Established 1908
Members N. Y. Security Dealers Assn.
REctor 2-4500—120 Broadway
Bell System Teletype N. Y. 1-714

Harvill Corp.
Jeff. Lake Sulphur Com. & Pfd.
Lane Cotton Mills Corp.
Reda Pump
Standard Commercial Tobacco
Standard Fruit & S/S
Com. & Pfd.
United Piece Dye Works

T. J. FEIBLEMAN & CO.
Members New Orleans Stock Exchange
New York 4, N. Y. New Orleans 12, La.
41 Broad St. Carondelet Bldg.
Bo. 9-4432
Bell Tel.—NY-1-493

Digitized for FRASER
http://fraser.stlouisfed.org/

Has War Increased Investment Capital?

By A. M. SAKOLSKI

Economist Discusses Question Whether There Has Been Capital Accumulation During War, and Whether Such Accumulation May Offset the Largely Increased Burden of the National Debt. Points Out That Capital Accumulation Is Possible, Despite Heavy War Wastes, Because of Increased Productivity Under the War Economy. Holds Large Individual Savings Is No Clear Indication of Increased National Wealth or of Increased Funds for Investment and That a Postwar Stock Market Boom Cannot Be Said to Be Always the Direct Result of Surplus Individual Savings or Increased Purchasing Power.

Investment Banking is the creature of capital accumulation. When liquid capital increased in nations where free enterprise existed, and when individuals controlled the use of their possessions, investment banking came into existence and generally prospered and developed. When individual and national wealth or its efficiency declined, investment banking underwent deterioration. Accordingly, American investment bankers should have a deep and serious interest in the question: "Has the war increased or diminished capital accumulation? Is the country or the individual richer or poorer because of the conflict? Were the expenditures on war a loss or a gain to the resources available for future production and consumption? And, lastly, is the vast national debt created for war purposes just so much waste of our productive capital; or does it represent an actual accretion to wealth merely because it produces income to the bond holder, for it should not be forgotten that economists have figured debts as additional capital creation and have maintained that a "national debt is a national blessing." These are questions that have never been satisfactorily answered and comparatively little success has been achieved in solving them.

A. M. Sakolski

War Destruction and Capital Growth

Modern wars are exceedingly destructive both to victor and vanquished. Yet, in the last three centuries, civilized industrial nations have been almost continuously at war, and during the war period have accumulated progressively more capital. In fact, the growth of capital seems to have been most conspicuous in those nations which have been most frequently engaged in major wars, as, for example, Great Britain, Germany, France and Japan. The terrific strain of the Napoleonic wars did not impede Britain's industrial growth, and at the end of the quarter century conflict British capital, represented both by productive equipment and consumers' goods, was greater than ever before. Her national debt, which was then regarded as an almost unbearable burden by such serious and thoughtful economists as David Ricardo, was borne with less difficulty than in the years which preceded the conflict.

The more recent experience of Germany following the First World War is another case in point. In spite of the costly conflict, the loss of German manpower and the reparation payments, Hitler succeeded (albeit at the cost of the living standards

(Continued on page 17)

The Costs of Compulsory Military Training

By JOHN M. SWOMLEY, JR.
Editor "Conscription News"

Mr. Swomley, After Considering Four Choices in Providing for National Defense, Contends That Compulsory Military Training Is the Most Costly. Points Out That Taking Into Consideration Both Direct and Indirect Costs, the Total Expense Would Exceed $4 Billions Annually or More Than Was Expended for Relief by State and Local Governments During the '30s. Holds a Large Trained Reserve Will Require Heavy Expenditure for Arms and Armaments and Concludes That if Adopted, Compulsory Military Training Will Fail in Its Purpose.

The probable cost of compulsory military training in peacetime is an important factor in any discussion of the postwar security of the United States. It is important because we must discover whether there are less costly ways of providing security. It is also important for us to know whether the added economic burden will actually harm the United States.

John M. Swomley, Jr.

With respect to security and defense the United States has at least the following four choices:

International agreements for disarmament and the abolition of conscription. There is no question but that this would involve the least cost for all nations—and certainly for the United States.

A world police force. Under any united nation set-up short of actual world government and a yielding of sovereignty by the nations, it is clear that sovereign nations could have an international police force only by pooling their resources. Under an international security council whose purpose was to prevent aggression, each nation would have to make only a small contribution in terms of armed forces. Of course this would require that nations not have an independent armed force. This would be relatively cheap economically.

Military alliances. This would involve arrangements whereby two or more nations pooled their military resources and acted as a unit in time of crisis. This is a

(Continued on page 23)

Towbin Returns to C. E. Unterberg Co.

C. E. Unterberg & Co., 61 Broadway, New York City, announce that Belmont Towbin, Lieutenant Commander U.S.N.R., has been released from active duty and has returned to the firm.

Vilas & Hickey Admit Thos. J. Hickey, Jr.

Vilas & Hickey, 49 Wall Street, New York City, members New York Stock Exchange, announce that Thomas J. Hickey, Jr., has been admitted to the firm as a general partner.

AMERICAN MADE MARKETS IN CANADIAN SECURITIES

Dom. of Canada, Internal Bonds

Abitibi P. & P. 5, 1953
Aldred Inv. 4½, 1967
Assoc. Tel. & Tel. 5½, 1955
Brown Company 5, 1959
Foreign Pow. Securities 6, 1949
Gt. Brit. & Can. Inv. 4½, 1959
Intl. Hydro Elec. 6, 1944
London & Cdn. Inv., 4½, 1949
Mont. Lt. Ht. & Pr. 3½, '56, '73
Montreal Tramway 5, '51, '55
Power Corp. of Cda. 4½, 1959
Steep Rock Iron Mines 5½, '57

HART SMITH & CO.
52 WILLIAM ST., N. Y. 5 HAnover 2-0980
Bell Teletype NY 1-395
New York Montreal Toronto

Farrell-Birmingham Company
ANALYSIS ON REQUEST

W. J. Banigan & Co.
50 Broadway, N. Y. 4 HAnover 2-8380

Direct Private Wire Service
COAST-TO-COAST
New York - Chicago - St. Louis - Kansas City - Los Angeles

STRAUSS BROS.
Members New York Security Dealers Ass'n

32 Broadway
NEW YORK 4
DIgby 4-8640
Teletype NY 1-832-834

Board of Trade Bldg.
CHICAGO 4
Harrison 2075
Teletype CG 129

White & Company
ST. LOUIS

Baum, Bernheimer Co.
KANSAS CITY

Pledger & Company, Inc.
LOS ANGELES

General Public Utilities
Common

Mission Dry

Republic Pictures
Common and Preferred

ALLEN & COMPANY
Established 1922
30 BROAD STREET
NEW YORK 4, N. Y.
Telephone: HAnover 2-2600
Teletypes: NY 1-1017-18 & 1-573
Direct Wires to Los Angeles and New Orleans

General Public Utilities Corp.
(Successor Company to Associated Gas & Electric)
Common Stock — When Issued

Associated Gas & Electric—All Issues

G. A. Saxton & Co., Inc.
70 Pine Street, New York 5, N. Y.
WHitehall 4-4970 Teletype NY 1-609

PANAMA COCA-COLA
Quarterly dividend payable January 15, 1946 — $.75
DIVIDENDS:
1945 $2.25 — 1944 $2.75 — 1943 $4.50
Approximate selling price — 28½
New Analysis on request

HOIT, ROSE & TROSTER
ESTABLISHED 1914
Specialists in Soft Drink Stocks
74 Trinity Place, New York 6, N. Y.
Telephone: BOwling Green 9-7400 Teletype: NY 1-375

KOLD-HOLD MANUFACTURING COMPANY
Manufacturer of Electric Refrigeration Equipment
A low priced speculation
PROSPECTUS ON REQUEST

FRANKLIN COUNTY COAL
COMMON
CIRCULAR ON REQUEST

F. H. KOLLER & CO., Inc.
Members N. Y. Security Dealers Ass'n
111 BROADWAY, NEW YORK 6, N. Y.
BArclay 7-0570 NY 1-1026

Crescent Public Service 6s 1954
Minneapolis & St. Louis Ry. Issues
Securities Co. of N. Y. 4% Consols

American Cyanamid Preferred
Eastern Sugar Associates, Common
Missouri Pacific old common & preferred
N. Y. N. H. & H. old common & preferred
Petroleum Heat & Power Co.

FREDERIC H. HATCH & CO.
Incorporated
MEMBERS N. Y. SECURITY DEALERS ASSOCIATION
63 Wall Street, New York 5, N. Y. Bell Teletype NY 1-897

Carbon Monoxide Eliminator

American Insulator
Preferred & Common

Gilbert & Bennett

PETER BARKEN
32 Broadway, New York 4, N. Y.
Tel. WHitehall 4-6130 Tele. NY 1-2500

Digitized for FRASER
http://fraser.stlouisfed.org/

Laird Co. Announces Partnership Changes

Laird & Co., 61 Broadway, New York City, members of the New York Stock Exchange, announces that William G. Jones, Jr., David Craven and N. Matthew Nilssen have been admitted to general partnership and that Henry H. Silliman has withdrawn as a limited partner and has been admitted to general partnership. Partnership changes were previously reported in the "Financial Chronicle" of Dec. 6.

Ronald Brindley V.-P. of Doremus & Co.

Ronald Brindley, manager of the San Francisco office of Doremus & Co., has been elected a Vice President of the firm, according to an announcement made by W. H. Long, Jr., President.

Brindley joined Doremus & Co. in Los Angeles in 1930. He was transferred to the San Francisco office of the firm in 1938, where he has served as manager since October, 1942.

Announcing that

Campbell, Phelps & Co., Inc.

have discontinued business as of December 31, 1945

Announcing the formation of

Campbell, Phelps & Co.

a partnership
specializing in Municipal Bonds
at the same address

70 PINE STREET, NEW YORK 5, N. Y.

Roger S. Phelps

We are pleased to announce that

Mr. Kenneth C. Ebbitt

has joined our firm
as a partner

Campbell, Phelps & Co.

70 PINE STREET, NEW YORK 5, N. Y.

UNITED STATES GOVERNMENT SECURITIES

Utilities - Railroads - Industrials
Stocks - Bonds

Bank and Insurance Stocks

Foreign External and Internal Securities

NEW YORK HANSEATIC CORPORATION

120 Broadway
New York 5, New York

Telephone: BArclay 7-5660
Teletype: NY 1-584

Announcing the installation of an open-end telephone to Boston, Massachusetts

Phone Liberty 2990

J. F. Reilly & Co., Inc.

Members New York Security Dealers Association

40 Exchange Place **New York 5, N. Y.**

Direct Wires to Boston — Chicago — Los Angeles

Test of SEC Powers

(Continued from page 3)

The court issue now to be decided is whether the Commission may leave a proceeding hanging in mid-air or whether under the Securities Act and the Rules of Practice of the Commission there exists a fixed duty on its part in every instance to have a final order which disposes of any proceeding pending before it.

We see no distinction in so far as an order of disposition is concerned between this proceeding and any other which is brought before the Commission.

While it is true that the Commission had the prerogative of taking no action at all, once it fixed a hearing of its own motion and thereby instituted the proceeding, in our opinion, fairness required that such hearing take its customary course and be terminated by an order.

Whether or not such an order is the subject of an appeal, is a matter which the courts may ultimately pass upon.

In any event, the issue should not be left suspended and the order should be entered. The Commission's failure and refusal to do so up to now is significant.

We take pleasure in announcing that

MR. A. PAM BLUMENTHAL

has been admitted to our firm as a General Partner.

We also announce the opening of a

NEW YORK OFFICE
30 BROAD STREET

Telephone HAnover 2-8645 *Teletype:* NY 1-1059

A. W. MORRIS & CO.

Members New York Stock Exchange
Associate Members New York Curb Exchange
Members Los Angeles Stock Exchange

LOS ANGELES, CALIFORNIA

We are pleased to announce that

BELMONT TOWBIN

Lt. Commander U. S. N. R.

has been released from active duty
and has returned to our firm.

C. E. UNTERBERG & CO.

Members New York Security Dealers Association

61 Broadway, New York **BOwling Green 9-3565**

Bell System Teletype NY 1-1666

WE TAKE PLEASURE IN ANNOUNCING THAT

MR. ERIC G. MELLGREN

HAS THIS DAY BECOME A GENERAL PARTNER OF OUR FIRM

W. J. BANIGAN & CO.

50 BROADWAY, NEW YORK 4, N. Y.

TELEPHONE HANOVER 2-8380

WILLIAM J. BANIGAN
JOHN B. FOWLER, JR.
JOHN S. HUTCHINSON
PHILIP L. MORRISON
LIMITED

8 SO. HANOVER STREET
CARLISLE, PA.

FIRST NAT'L BANK BLDG.
SCRANTON, PA.

JANUARY 2, 1946

Broker-Dealer Personnel Items

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH. — **Donald I. Creech** has rejoined the staff of **Goodbody & Co.**, New Penobscot Building, after serving in the U. S. Army.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH.—**Robert E. McElliott** has been added to the staff of **Baker, Simonds & Co.**, Buhl Building. He was formerly serving in the U. S. Navy.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH. — **Aaron P. Dennis** is with **Mercier, McDowell & Dolphyn**, Buhl Building. In the past he was with Guider, Gilmore & Co.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH. — **Ruth S. Montgomery** has joined the staff of **Moreland & Co.**, Penobscot Building. She was previously with the Michigan Corporation and Securities Commission.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH. — **Jack H. Miller** has become affiliated with **Paine, Webber, Jackson & Curtis**, Penobscot Building, after serving in the U. S. Army.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH.—**Richard M. Patterson** is now connected with **Charles A. Parcells & Co.**, Penobscot Building. He was previously in active duty with the U. S. Naval Reserve.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH. — **Archer Smith** is with **Slayton & Co., Inc.**

(Special to THE FINANCIAL CHRONICLE)

MIAMI BEACH, FLA.—**David M. McLellan** is with **Bache & Co.**, 2469 Collins Avenue.

(Special to THE FINANCIAL CHRONICLE)

OMAHA, NEB.—**Ray L. Edmisten** and **Hubert R. Nelson** are with **Herrick, Waddell & Co., Inc.**

(Special to THE FINANCIAL CHRONICLE)

PALM BEACH, FLA.—**John W. Van Ryn** has joined the staff of **Merrill Lynch, Pierce, Fenner & Beane**, Bassett Building.

Wood Struthers Admit Colgate & Langreth

Wood, Struthers & Co., 20 Pine Street, New York City, members of the New York Stock Exchange, announce that Henry A. Colgate and George L. Langreth have been admitted as general partners in the firm.

Redden & Co. Opening in St. Louis as Dealer Firm

ST. LOUIS, MO.—Redden & Co. will engage in the securities business from offices in the Arcade Building. Officers are Tarleton L. Redden, President; Sim B. Comfort and Alison B. Ideson, Vice-Presidents; and Samuel M. Hassan, Secretary and Treasurer. In the past Mr. Redden was President of Redden & Co.

Sincere & Co. Appoints Co-Mgrs. in New York

Sincere and Company, members of the New York Stock Exchange and other principal exchanges, announce that Miss Mary Valerie Corrigan and Nelson Johnstone are now co-managers of the New York office at 25 Broad Street.

Digitized for FRASER
http://fraser.stlouisfed.org/

Credit Men's Survey Points To Prosperity in 1946

Henry H. Heimann, Executive Manager of National Credit Men's Association, Gives Summary of Opinions of Leaders in Organization Which Points to Three Years of Full Employment Ahead. In Year-End Review, he Holds Industry Faces 1946 With Good Prospects. Sees a Balanced Budget by 1948.

Prosperity for industry in 1946 is shown in opinions expressed by the past and present officers of the National Association of Credit Men, members of the Board of Directors and the officers of the Secretarial Council of that organization in response to a questionnaire submitted by Henry H. Heimann, Executive Manager of the national credit men's organization. Mr. Heimann announces the results of this survey in his Monthly Business Review. The men replying to the questionnaire represented at least 25 major industries. They were representatives from almost every state. They are recognized as the leading credit and financial executives in the manufacturing and wholesaling field.

Henry H. Heimann

Fifty per cent of these top executives expect the earnings of their companies in 1946 to be higher than in 1945; 30% expected lower net earnings and 20% looked for no change in the earnings figures. These estimates were based on net figures after taxes.

Plant expansion will figure prominently in the 1946 program of 60% of the companies covered in this survey. The question asked was: "Is your company planning any unusual plant expansion or other unusual capital outlays in 1946?" Only 40% reported no increase on these items.

New products or important changes in prewar products were indicated by 75% while only 25% reported no plans for changes in products.

On the matter of collection of accounts receivable, 90% indicated that this feature of their work would be more difficult as they swung back to a peacetime production. This was not an unexpected reply Mr. Heimann pointed out, as during the war years, turnover of accounts receivable has been at a rapid pace with a noticeable reduction in collection problems.

The number of business failures will increase in 1946, according to the opinions of 98% of those replying to the questionnaire. This report, Mr. Heimann said, was in line with the history of business in all periods following wars. He also pointed to the fact that the number of bankruptcy cases filed during 1945 registered an all-time low.

Turning from the affairs of their companies to their personal plans Mr. Heimann asked the credit executives if they planned to buy a new automobile in 1946. "In answering this question" stated the questionnaire "assume the car you could buy would be the latest prewar model with minor changes in

(Continued on page 19)

NASD District No. 8 Elects New Officers

CHICAGO, ILL.—L. Raymond Billett, Kebbon, McCormick & Co., and Wallace E. Kistner, A. C. Allyn and Co., Inc., were elected to the board of governors of District No. 8 of the National Association of Securities Dealers, succeeding Ralph Chapman, Farwell, Chapman & Co., and R. Winfield Ellis, Lee Higginson Corporation, whose terms expire on Jan. 15.

Herbert B. White, Peoria, Ill.; Howard E. Buhse, Hornblower & Weeks, Chicago; Elwood H. Schneider, E. H. Schneider & Co., Kalamazoo, and Milton A. Manley, M. A. Manley & Co., Detroit, were elected to the district committee to succeed William E. Clegg, Hurd, Clegg & Co., Champaign, Ill.; George F. Noyes, The Illinois Co., Chicago; John R. Schermer, John R. Schermer and Company, Grand Rapids, and Max J. Stringer, Watling, Lerchen & Co., Detroit. All six of the electees will serve for three-year terms.

Crouse & Company Opens in Detroit

DETROIT, MICH.—Announcement is made of the formation of Crouse & Company, members of the Detroit Stock Exchange, with offices in the Penobscot Building, to transact an investment business, specializing in municipal and corporate bonds and stocks. Partners are Charles B. Crouse and R. Lockhart Wilbur, general partners, and Hugh McMillan, special partner. Mr. Wilbur was associated with Mr. Crouse in the past at Crouse, Bennet, Smith & Co.; he has recently been in government service.

The Future of the Sterling Area

By DONALD F. HEATHERINGTON*

British Empire Unit, Department of Commerce

Commerce Department Expert Holds That Because the Economic Forces Which Gave Rise to the Creation of the Sterling Area Before and During the War Will Have No Important Bearing Thereafter, the System Is Not Likely to Become a Permanent Objective of British Policy. Holds Sterling Area Need Not Be Restrictive or Discriminatory if Sterling Becomes Freely Convertible Into Other Currencies, and Therefore Urges That Steps Be Taken to Insure Complete Convertibility of the Pound. Says Dissolution of Sterling Area as Such Would Not Automatically Expand but Might Merely Shift Our Exports.

The question most frequently asked by those concerned with international trade and finance is whether the sterling area will be perpetuated. The answer of course depends upon the meaning attached to the term. If their concern is with the wartime system, one type of reply may be given, whereas another type would be required if reference is being made to the prewar bloc. When reduced to its simplest expression, the question revolves around two factors: Will sterling be freely convertible after the war, and will there be a continuation of the existing dollar pool arrangement?

Sterling Convertibility

Exchange convertibility may, but does not necessarily, mean the complete absence of all controls over trade or the movement of funds. For the United Kingdom the removal of many of the barriers to convertibility which now exist will not mean a return to the prewar situation when funds could move in and out of the United Kingdom without particular difficulty. Article VI, section 3 of the International Monetary Fund Agreement, for example, specifically provides that a mem-

*Reprinted from International Reference Service of the U. S. Department of Commerce, November 1945.

(Continued on page 24)

WE TAKE PLEASURE IN ANNOUNCING THAT
MISS MARY VALERIE CORRIGAN
AND
MR. NELSON JOHNSTONE
ARE NOW CO-MANAGERS OF
OUR NEW YORK OFFICE
SINCERE AND COMPANY
ESTABLISHED 1906
MEMBERS NEW YORK STOCK EXCHANGE
AND OTHER PRINCIPAL EXCHANGES
25 BROAD STREET, NEW YORK 4, N. Y.
Bowling Green 9-8404

We are pleased to announce that
MR. KENNETH B. GEORGE
and
MISS CATHERINE M. LOVRICH
have been admitted to
general partnership in our firm.
VAN TUYL & ABBE
72 Wall Street, New York 5, N. Y.
Telephone HA 2-6622 Teletype NY 1-1499
January 1, 1946

*U. S. SUGAR
Com. & Pfd.
**MAJESTIC RADIO
Com. & Pfd.
GREATER NEW YORK INDUSTRIES
KAISER-FRAZER CORP.
BENDIX HOME APPLIANCES
Bought—Sold—Quoted
*Circular on Request
**Prospectus on Request
J. F. Reilly & Co., Inc.
Members
New York Security Dealers Assn.
40 Exch. Pl., New York 5, N. Y.
HAnover 2-4785
Bell System Teletype, NY 1-2733-34
Private Wires to Chicago & Los Angeles

ACTIVE MARKETS
Great American Industries
Common
United Drill & Tool
("B")
Kingan Co.
Common & Pfd.
Dayton Malleable Iron
Common
Air Cargo
Common
SIEGEL & CO.
39 Broadway, N.Y. 6 DIgby 4-2370
Teletype NY 1-1942

BURMA CORP.
I desire to get the names and addresses of the holders of the *Guaranty Trust Company American Depository Receipts** for the stock of the Burma Corporation.
By working together, it is believed that the American holders can secure for their Receipts considerably more than the present Curb price.
Arthur C. Babson
Care American Consulate
Madras, India
New York Correspondent
Howard G. Peterson
Room 768-1775 Broadway, New York City. CI 6-0650.
*These receipts have no vote and hence there will be no call for proxies.

WE ARE PLEASED TO ANNOUNCE THAT
MR. WILLIAM G. JONES, Jr.
MR. DAVID CRAVEN
MR. N. MATTHEW NILSSEN
HAVE BEEN ADMITTED TO GENERAL PARTNERSHIP
AND THAT
MR. HENRY H. SILLIMAN
HAS WITHDRAWN AS A LIMITED PARTNER
AND HAS BEEN ADMITTED TO GENERAL PARTNERSHIP
LAIRD & COMPANY
Members New York Stock Exchange
Members New York Curb Exchange
Members Chicago Stock Exchange
Members Chicago Board of Trade
Members Commodity Exchange, Inc.
61 Broadway Wilmington
New York 6, N. Y. Delaware

Telephone Bond & Share
7% Preferred
Telephone Bond & Share
Class A
Associated Tel. & Tel.
7% Preferred
Associated Tel. & Tel.
6% Preferred
JAMES M. TOOLAN & CO.
67 Wall Street, New York
Telephone HAnover 2-9335
Teletype NY 1-2630

We believe cement companies will operate at capacity for several years.
WE SUGGEST
Oregon Portland Cement
Consolidated Cement
Riverside Cement
Spokane Portland Cement
Circulars Available
LERNER & CO.
Inactive Securities
10 POST OFFICE SQUARE
BOSTON 9, MASS.
Tel. HUB 1990 Teletype BS 69

Curb and Unlisted Securities
MICHAEL HEANEY, Mgr.
WALTER KANE, Asst. Mgr.
Joseph McManus & Co.
Members New York Curb Exchange
Chicago Stock Exchange
39 Broadway New York 6
Digby 4-3122 Teletype NY 1-1610

We are pleased to announce that
MR. THOMAS J. HICKEY, JR.
has this day been admitted as a
general partner in our firm.
VILAS & HICKEY
Members New York Stock Exchange
Members New York Curb Exchange
49 Wall Street New York 5, N. Y.
January 1, 1946

Digitized for FRASER
http://fraser.stlouisfed.org/

The First Constructive Peacetime Year Begins

Business Trends This Year Will Be Determined Largely by Economics Rather Than by War, for the First Time in Six Years—Reconversion Being Rapidly Completed in Most Plants—In Spite of Unsettling Conditions, Relative Stability in the General Average of All Activity.

(From the "Business Bulletin," issued by the LaSalle Extension University, a Correspondence Institution, Chicago, Illinois.)

Business enters the new year with the rate of activity still declining but holding up better during the reconversion period than was generally expected. Production in some industries has increased from the low point of a few weeks ago and other industries are about ready to go ahead unless prevented by shortages and work stoppages. In terms of fundamental economic conditions, the stage is set for a good year. If everyone works together it can be a satisfactory one for all and at a level far above that of the prewar years.

Production Down; Sales Up

The movement of trade and industry during 1945 was about the same as was forecast a year ago. In many significant respects it was even more favorable than was anticipated. The indicators which show the current situation best are those of business volume and industrial production. Both have

(Continued on page 32)

Says Strikes Handicap Full Production Efforts

John D. Small, CPA Administrator, in Releasing Report of His Analytical Staff, Maintains That Reconversion Is Virtually Completed, and That Pessimistic Forecasts of Unemployment Have Not Materialized, but That Full Speed Ahead for Production Has Been Prevented by Industrial Disputes. Says Textile Shortage Is Most Serious Problem.

Industrial production turned upwards in November for the first time since V-E Day with gains being registered in practically every industry, Administrator John D. Small of the Civilian Production Administration announced Dec. 26 in presenting his monthly report on civilian production.

J. D. Small

"All-out production can be expected rapidly after settlement of present labor-management differences," he said, pointing out that "reconversion is now virtually completed in most plants with some production already reaching satisfactory proportions."

Commenting on the November rise in industrial production, CPA Administrator Small said "gains were registered in practically every industry, but raw materials and basic services were principally responsible for the sharp November rise. Production of such basic materials as steel and bituminous coal is running about equal to or ahead of the 1941 rate. This is also true of such basic indexes of industrial activity as freight car loadings and electric power output.

"Despite the high level of industrial activity, the heavy demands of both consumers and producers are not being met in all cases. Current demands for sheet steel, textiles, clothing, housing and many consumer items, for example, are far in excess of supply," Mr. Small stated.

In describing the progress of reconversion, Mr. Small said "the facts have not borne out the pessimistic forecasts of mass idleness and of a general unwillingness on the part of the public to start buying until goods of peacetime quality were available. Munitions production has dropped off sharply, the flow of civilian goods has not yet had time to increase, and national income has dropped 10% to 15% since last July; yet consumer expenditures have shown no tendency to decline and employment has held up well. Financial markets continue to reflect the utmost optimism and provide the most favorable possible monetary conditions for business expansion."

Accompanying the unemployment figures, was a word of caution that these figures may not reflect the whole picture; for many housewives who were engaged in war work have returned to housekeeping, while many veterans and war workers are voluntarily taking long and much-needed vacations and will be seeking jobs later on.

On the debit side, Mr. Small's report stated that numerous industries, vital to over-all production, are seriously handicapped by the loss of skilled and unskilled workers who went over to war work and who now seem reluctant to return to their old jobs. Among the industries needing workers, he mentioned textiles, lumber, building materials and foundries.

Also, he said, there are still critical shortages of certain bottleneck parts slowing down the production of consumer goods for which the public is clamoring.

"Full-speed ahead cannot be achieved," Mr. Small emphasized "until after settlement of widespread labor-management differences. This is doubly important, as a manufacturer and his workers may be in complete agreement and still be shut down by a work stoppage in the plant of one of their suppliers."

Mr. Small explained in his report that the Civilian Production Administration is doing everything in its power to speed production and break bottlenecks. The report outlined seven principal steps which the Civilian Production Administration is taking. They are:

(1) A careful study of the demand-supply positions of key basic materials has been made and, in cases where it is evident that supply will fall far short of the demand, and threaten the possibility of widespread production slow-downs, the Civilian Production Administration has been able to do much to assist increased production by granting special ratings or in certain cases by recommending some justifiable price increases.

(2) The Civilian Production Administration has also taken steps to limit the use of scarce basic materials, such as tin and rubber, to essential needs so as to avoid dangerous depletion of our stockpiles.

(3) Through Priorities Regulation 32, CPA does its utmost to prevent hoarding and pre-emptive buying by strict controls in inventories.

(4) One of the most powerful instruments for clearing up crippling bottlenecks is CPA's Priorities Regulation 28 by which CC ratings may be granted. Although this rating is, and will continue to be, used very sparingly, it has enabled many factories to get into production, that were formerly stopped for lack of some one item which they could prove could not be secured without priorities assistance.

(5) A close check is kept on our export market, both to see to it

(Continued on page 42)

20 Pine Street, New York

December 31st, 1945

We take pleasure in announcing that

Mr. Henry A. Colgate

and

Mr. George L. Langreth

have this day been admitted as general partners in our firm

Wood, Struthers & Co.

We take pleasure in announcing that

MR. WILLIAM J. FALSEY

MR. PAUL L. SAMPSELL

have been admitted to our firm as general partners

CHAS. W. SCRANTON & CO.

Members New York Stock Exchange

NEW HAVEN

January 2, 1946.

We are pleased to announce that

JOHN P. GAHAN

is now associated with us as Manager

CORPORATE TRADING DEPARTMENT

New York Office

SCHOELLKOPF, HUTTON & POMEROY, INC.

BUFFALO NEW YORK

January 2, 1946

WE REGRET TO ANNOUNCE THE WITHDRAWAL OF

MR. HARRY GRABOSKY

AS A GENERAL PARTNER OF THIS FIRM

WE ARE PLEASED TO ANNOUNCE THAT

MR. HERMAN P. LIBERMAN

MR. JAMES W. WOLFF

MR. S. NATHAN SNELLENBURG

MR. ROBERT S. THANHAUSER

HAVE BEEN ADMITTED AS GENERAL PARTNERS

NEWBURGER & HANO

39 BROADWAY NEW YORK 6, N. Y.

MEMBERS NEW YORK STOCK EXCHANGE

MEMBERS PHILADELPHIA STOCK EXCHANGE

MEMBERS NEW YORK CURB EXCHANGE (ASSOCIATE)

PHILADELPHIA • HARRISBURG, PA.

ATLANTIC CITY, N. J. • LEBANON, PA.

JANUARY 1, 1946

WE TAKE PLEASURE IN ANNOUNCING THAT

MR. GUSTAVE L. LEVY

MR. WALTER J. CREELY

WHO HAVE BEEN ASSOCIATED WITH US FOR MANY YEARS HAVE THIS DAY BEEN ADMITTED AS GENERAL PARTNERS IN OUR FIRM. MR. CREELY WILL BE RESIDENT PARTNER IN ST. LOUIS.

GOLDMAN, SACHS & CO.

NEW YORK BOSTON CHICAGO PHILADELPHIA ST. LOUIS

JANUARY 1ST 1946.

We are pleased to announce that

Paul A. Zizelman Jr.

recently returned from Active Service with the U. S. Army is now Manager of our Trading Department

Clark & Co.

Members New York Security Dealers Association

National Association of Security Dealers

40 Wall St., New York 5 Telephone WHitehall 3-1885

Digitized for FRASER
http://fraser.stlouisfed.org/

Sees Solution of International Problems

Dr. Max Winkler, Stating That Though Present Conditions Do Not Appear Encouraging, if the Harmony Among Allies, as During War, Will Prevail in Present Period, There Will Be Marked Activity in International Economics and Finance.

Dr. Max Winkler, of Bernard, Winkler & Co., members of the New York Stock Exchange, says that "examining developments which are likely to occur within the coming year in the realm of international politics and economics, the adoption of optimism in regard to a satisfactory solution of most of the problems confronting the world appears amply warranted.

Dr. Max Winkler

"To be sure, in the political field," Dr. Winkler continues, conditions at the moment do not appear particularly encouraging: The question of creating a central government in Germany, acceptable to all, or at least to the principal Allied powers; the dispute over territorial arrangements, especially in Eastern Europe and the Adriatic and Balkan areas; the problem of displaced populations and the economic and financial reconstruction of the European continent; the controversies in the Near East, including Palestine and Iran; the recognition of the importance of the Azerbaijan area to Russia, because of the proximity of that region to the Baku oil fields upon which depends Russia's security and economic well-being; the problem of the unification of China; questions arising from the existing controversy in India and the Australasian sphere, particularly as regards the British, French and Dutch colonies; the settlement of political disputes and the establishment of a unified government in Korea; the problem arising from the attempted rehabilitation and democratiztaion of Japan—all these are problems with which the Council of Foreign Ministers will occupy themselves during the present and coming meetings, and which the United National Organization (UNO) will endeavor to cope with during the coming year.

"It is hoped and confidently expected," says Dr. Winkler, "that the harmony which characterized the action of the Allied Nations during the conflict, will also be in evidence during the existing crisis which is the inevitable result of almost six years of war and the disorganization and dislocation caused thereby.

"Since it is generally conceded," Dr. Winkler concludes, "that the economic well-being of the world is wholly or very largely dependent upon political peace and tranquility, the solution of all, or most of the above problems should result in marked activity in the realm of international economics and finance."

F. I. duPont Co. Opens Tenth New York Branch

Francis I. duPont & Co., members of the New York Stock Exchange, announce the opening of a new branch office in the Biltmore Hotel, 44th Street and Vanderbilt Avenue, with Earl T. Shaw as manager. The new office, the firm's tenth in New York City, will offer midtown investors complete facilities, with personalized service for each client.

The firm, with main offices at 1 Wall Street, is also a member of the New York Curb Exchange and leading commodity exchanges.

Billings Olcott to Admit

Billings, Olcott & Co., 26 Broadway, New York City, members of the New York Stock Exchange, will admit Charles Frederick Hummel and Thomas H. Hughes to partnership as of Jan. 10. Mr. Hughes has been with the firm for some time in charge of the investment department.

Prescott & Co. Admit Towell and Jones

CLEVELAND, O.—Prescott & Co., Guardian Building, members of the New York Stock Exchange, are announcing the admission of Thomas H. Jones, Jr., and Bernard A. Towell as general partners.

Mr. Jones has returned to Cleveland after nearly four years of army service, being stationed for some time with the Fifteenth Air Force in Italy as lieutenant and squadron combat intelligence officer for a Liberator bombardment group. He formerly headed the investment firm of T. H. Jones & Co., which in 1941 was merged into Prescott, Jones & Co., underwriting affiliate of Prescott & Co. He attended Princeton University, class of 1937.

Mr. Towell, after attending Wharton School of the University of Pennsylvania and the Babson Institute, entered the security business in 1929 with Otis & Co. From 1931 to 1942 he was associated with the Stock Exchange firm of E. A. Pierce & Co. and its successor, Merrill Lynch, Pierce, Fenner & Beane. Three years ago he went to Washington as chief of the fats salvage section of the War Production Board. He later served with the Office of Strategic Services as liaison officer with the Navy and State Departments.

Partners Edward P. Prescott and Morton J. Stone have also recently returned to Prescott & Co. after three years of war service in Washington, Mr. Prescott as Colonel with the Army Service Forces and Mr. Stone as Lieut. Commander with the Navy. Other partners in the firm, which was formed in January, 1934, are Lloyd O. Birchard and Harvey A. Gotschall, Cleveland, and Gilbert L. King and Edward D. Untermyer, New York, the latter a special partner.

WE TAKE PLEASURE IN ANNOUNCING THAT

ON JANUARY 2, 1946, THE FOLLOWING

WILL BE ADMITTED TO THE FIRM

AS PARTNERS

MR. CHARLES W. D. QUINE

MR. LESLIE E. ROWELL

MR. CHARLES P. BURGESS

MR. CHARLES C. HORTON

* * *

MR. EDWARD L. TURKINGTON

LIMITED

* * *

KAISER & CO.

MEMBERS

NEW YORK STOCK EXCHANGE

NEW YORK CURB EXCHANGE

SAN FRANCISCO STOCK EXCHANGE

SAN FRANCISCO NEW YORK

JOHN H. BARRET

HOWARD H. FITCH

AND

FRANK W. NORTH

ANNOUNCE THE FORMATION OF

BARRET, FITCH & CO., INC.

TO ENGAGE IN THE UNDERWRITING AND DISTRIBUTION OF INVESTMENT SECURITIES

PERMANENT QUARTERS TO BE OCCUPIED ON OR ABOUT FEBRUARY 1, 1946 AT 815 DWIGHT BUILDING

1004 BALTIMORE AVE. KANSAS CITY 6, MISSOURI

Announcing the Formation of

THOMAS L. HUME SONS

INCORPORATED

Successor to the Proprietorship

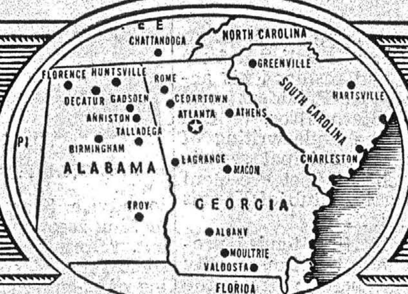
THOMAS L. HUME

(ESTABLISHED 1899)

Specialists in Washington, D. C. Securities

Members Washington Stock Exchange

917 15TH ST., N. W. WASHINGTON 5, D. C.



Courts & Co.

INVESTMENT BANKERS

TAKE PLEASURE IN ANNOUNCING THAT

MALON C. COURTS, Lt. Comm., U. S. N. R.

AND

JACK F. GLENN, Lt., U. S. N. R.

HAVE BEEN RELEASED FROM ACTIVE DUTY AND HAVE RESUMED AS GENERAL PARTNERS IN THIS FIRM

Private Wires • Home Office: Atlanta • Phone LD-159

We take pleasure in announcing that

DON W. MILLER

and

HAROLD R. CHAPEL

have been admitted to general partnership in our firm

McDONALD-MOORE & CO.

Members Detroit Stock Exchange

Flint Detroit Grand Rapids

Jan. 2nd, 1946

Digitized for FRASER
http://fraser.stlouisfed.org/

Halladay Admitting Dietz

Kenneth F. Dietz will become a partner in Halladay & Co., 14 Wall Street, New York City, members of the New York Stock Exchange, on Jan. 10.

BALTIMORE

Bayway Terminal
Davis Coal & Coke
Emerson Drug
Common

STEIN BROS. & BOYCE
Members New York & Baltimore Stock Exchanges and other leading exchanges
6 S. CALVERT ST., BALTIMORE 2
Bell Teletype BA 393
New York Telephone Rector 2-3327

BOSTON

Railway and Light Securities Co.
COMMON STOCK
The oldest leverage investment company in United States
Outstanding Record of paying dividends on common shares each year since 1910, except 1933-1935.
Selling about 28% below net asset value.
Descriptive memorandum on request

du Pont, Homsey Co.
Shawmut Bank Building
BOSTON 9, MASS.
Capitol 4330 Teletype BS 424

TRADING MARKETS
Boston Edison
Boston & Maine Prior Pfd.
New England Lime Common
Submarine Signal

Dayton Haigney & Company
75 Federal Street, Boston 10
Private New York Telephone
REctor 2-5035

We Suggest
Oregon Portland Cement Co.
Common Class "A"
- Capacity—900,000 barrels annually.
- Book value—around $18.
- Good earnings all through war period.
- Company would benefit substantially from tax reduction.
- Oregon's huge highway program ready to start.

Market about 12½
Circular available
LERNER & CO.
10 POST OFFICE SQUARE
BOSTON 9, MASS.
Tel. HUB 1990 Teletype BS 69

CINCINNATI

CINCINNATI SECURITIES

Horan & Grischy
UNION TRUST BLDG.
CINCINNATI 2
Teletype CI 347

Van Tuyl & Abbe Admit Partners

Kenneth B. George and Miss Catherine M. Lovrich have been admitted to general partnership

Miss C. M. Lovrich Kenneth B. George

in the firm of Van Tuyl & Abbe, 72 Wall Street, New York City.

DES MOINES

WHEELOCK & CUMMINS
INCORPORATED
Iowa Power & Light Co.
Preferreds
United Light & Rys.
Preferreds
Rath Packing Co.
Common
EQUITABLE BUILDING
DES MOINES 9, IOWA
Phone 4-7159 Bell Tele. DM 184

DETROIT

Electromaster, Inc.
Sheller Manufacturing Corp.
Reports furnished on request
MERCIER, McDOWELL & DOLPHYN
Members Detroit Stock Exchange
Buhl Bldg., Detroit 26
Cadillac 5752 Tele. DE 507

GRAND RAPIDS

Michigan Securities
Dependable Markets
Inquiries Invited
WHITE, NOBLE & CO.
Members Detroit Stock Exchange
GRAND RAPIDS 2
MICH. TRUST BLDG.
Phone 94336 Teletype GR 184

LOUISVILLE

American Barge Line
American Turf Ass'n
Girdler Corporation
Hialeah Race Course
Louisville Gas Pref.
Winn & Lovett Grocery

THE BANKERS BOND CO.
Incorporated
1st Floor, Kentucky Home Life Bldg.
LOUISVILLE 2, KENTUCKY
Long Distance 238-9 Bell Tele. LS 186

Barret, Fitch & Co. Formed in Kansas City

KANSAS CITY, MO.—John H. Barret, Howard H. Fitch and Frank W. North announce the formation of Barret, Fitch & Co., Inc., to engage in the underwriting and distribution of investment securities. Offices of the firm will be located at 1004 Baltimore Avenue.

John H. Barret came to Kansas City from Kentucky 25 years ago. He was educated at Lawrenceville School and Princeton University, from which he graduated in 1918. He served overseas in World War I for 10 months in the Medical Corps. In Kansas City he was first identified with the investment business with W. C. Sylvester Investment Company. From 1928 to 1932, he was statistician for Prescott-Wright-Snider Company. From 1932 until he resigned in June, 1945, he was associated with Stern Brothers and Company as sales manager and secretary.

Mr. Barret has been a member of the Executive Committee of The Southwestern Group of Investment Bankers Association and he has also been a member of the Board of Governors of the National Association of Securities Dealers. In January, 1945, he was elected Treasurer of NASD, a position which he resigned in June of same year.

Howard H. Fitch came to Kansas City from Lawrence, Kansas, upon graduation from the University of Kansas in 1924. Prior to attending the University of Kansas he graduated from Shattuck School, Faribault, Minn. In October, 1924, he became associated with Stern Brothers & Co., Investment Bankers, in Kansas City, as a member of the municipal department, of which he has been a member until his resignation Dec. 10, 1945. During his association with Stern Bros. & Co. he became Manager of the Municipal Department, Vice-President and member of the board of directors. He has participated in the activities of the Investment Bankers Association of America and the National Association of Security Dealers, having been member of the Municipal Securities Committee of the Investment Bankers Association several terms and a member of District Board No. 5 of the National Association of Security Dealers.

Mr. Fitch, on leave of absence from Stern Bros. & Co., was commissioned in the Army of the United States in May, 1942, serving in various administrative capacities until June 1, 1945, at which time he was relieved from active duty and resumed his activities as Vice-President and Director of Stern Bros. & Co., engaging in the underwriting of corporate and municipal securities. Mr. Fitch is a past President of the University Club of Kansas City, Missouri.

Frank W. North attended preparatory school in Kansas City and upon graduation from the Wharton School, University of Pennsylvania, in 1934, he returned to this city. In 1935 he became a member of Stern Bros. & Co. sales organization. This association continued until the late Spring of 1941 when Mr. North joined the Army of the United States. He was commissioned in the Field Artillery and served with an Infantry Division through the Italian Campaign. He has just been released from active duty with the Army.

ST. LOUIS

STIX & CO.
INVESTMENT SECURITIES
509 OLIVE STREET
ST. LOUIS 1, MO.
Members St. Louis Stock Exchange

New NAM Head Pledges More Production

Robert R. Wason Says 1946 Can Set a New High in Civilian Production. R. J. Dearborn, Chairman of NAM Patent Committee, Looks for Reform in Patent Situation and Favors Creation of a National Research Foundation.

Robert R. Wason, newly elected President of the National Association of Manufacturers, says that in 1946 the American people can set a new all-time record for production of civilian goods. They can create a larger number of jobs in productive enterprise. They can provide a higher standard of living for all of us.

Robert R. Wason

"To attain these goals the public must demand that every policy, every law, and every government rule and regulation be designed to encourage production.

"Government, management, labor and agriculture must recognize that they are running a race against inflation, and that this race can be won only by drastic curtailment of Federal expenditures and by permitting nothing to stand in the way of unparalleled production.

"American industry is determined to do its part in bringing forth this flow of goods. With equal determination and with the cooperation on the part of labor, agriculture, and the government, 1946 will become the year in which America wins the Peace for its people, and for the world."

R. J. Dearborn, Chairman of the Committee on Patents of the National Association of Manufacturers, stated that this year promises to be the most critical year for this country's patent system.

R. J. Dearborn

"Among the most pressing problems which will confront this country's patent system in 1946, Mr. Dearborn said, will be: (1) the report of the Patent Survey Committee appointed by President Truman last May to advise Secretary Wallace in making recommendations for patent reforms; (2) proposals for some form of compulsory licensing of patents; (3) the role of the Government in research, especially in connection with the proposed formation of the National Research Foundation and Atomic Energy Commission for control of research in atomic energy; (4) modernization of this country's trade-mark laws.

"NAM, through its Committee on Patents, has led the country in advocating sound and constructive patent reform legislation," stated Mr. Dearborn. "In the last few years the Association has supported 12 patent bills. At the same time it has most vigorously opposed the passage of any act which would tend to weaken or destroy the foundations of the U.S. Patent System which is the best in the world and has largely contributed to making this country the leading industrial nation of the world."

"Important patent reforms which NAM supports and urges early passage, Mr. Dearborn said, are the following:

1. The 20-year bill which provides for the expiration of a patent not more than 20 years after application but retaining the term of a patent at 17 years.
2. Simplification of appellate procedure.
3. Simplification of accounting procedure.
4. Improvement of the Trademark Act.
5. Recording of agreement relating to patents.
6. Passage with appropriate amendment of the Patents Priority Bill.
7. Simplification of the patent document.
8. Simplification of Patent Office procedure.
9. Establishment of a public register of patents available for licensing.

"With the report of Secretary Wallace's patent survey committee expected early in 1946, the question of compulsory licensing of patents will assume increased importance. NAM, Mr. Dearborn stated, believes that compulsory licensing in any form is undesirable as it would strike at the very fundamentals of the patent system.

"Compulsory licensing of patents, he declared, would: (1) force an inventor to give up his exclusive rights before he has an opportunity to reap any reward; (2) be most damaging to small business and independent inventors as it would destroy their strongest weapon of competition and would legitimatize piracy of inventions; (3) influence adversely the character of research and (4) mean, in effect, a sharing of inventions by placing the emphasis on the division rather than the multiplication of wealth which is essential to higher living standards.

"NAM favors the creation of a National Research Foundation," Mr. Dearborn declared. "However, the Association believes that the director of the proposed Foundation should be responsible to and appointed by a board, named by the President, and which should comprise outstanding scientists with power to formulate the overall policies of the Foundation. Moreover, legislation with respect to Government patents should not be in a bill for a National Research Foundation and such legislation should be considered separately."

Two Join Staff of Tripp & Co. in N. Y.

Tripp & Co., Inc., 40 Wall Street, New York City, announce that Marshall H. Wood, formerly of Lionel D. Edie & Co., Inc., is now associated with them in charge of Municipal Research, and Kenneth H. Wood is with them in the retail sales department.

Now Stern & Kennedy

Effective Jan. 1 the firm name of Allison Stern & Co., 25 Broad Street, New York City, members of the New York Stock Exchange, was changed to Stern & Kennedy.

igitized for FRASER
ttp://fraser.stlouisfed.org/

Sees Slow Reconversion Progress

Guaranty Trust Company of New York Lays Difficulty to Endeavor to Reconcile the Objective of Price Stabilization With Maximum Production. Says Government's Wage-Price Policy Contains Potential Elements of Danger but Holds in Spite of Difficulties, Present Conditions Warrant Moderate Optimism on Near-Term Outlook.

The year-end issue of "The Guaranty Survey" published by the Guaranty Trust Company of New York discusses the developments in 1945 and some factors in the immediate outlook. Noting that the heavy decline in war production following V-J day has been offset only to a very limited extent by industrial production for civilian use, which the Survey states is at the lowest level since middle of 1941, the comment is made that "the decrease in current production, however, does not accurately measure the recessions in industrial activity, employment and income. Many plants are going through what the Department of Commerce terms the 'organizational phase' of the transition, during which a considerable amount of activity is generated that creates employment but does not find immediate reflection in the output of finished products."

Continuing, the Survey points out that: Unemployment, accordingly, does not appear to have reached the levels indicated by earlier official forecasts. Since a considerable part of the physical process of reconversion has already been completed, there are grounds for the hope that transitional unemployment will at no time attain the volume that was feared a few months ago. Whether this hope is realized will depend primarily on whether the remaining preparations for large-scale peacetime production can be made quickly enough to absorb a large proportion of the returning veterans, who have been reentering civilian life at the rate of more than a million a month.

Reconversion has unquestionably been stimulated by the promptness with which war controls have been lifted, contracts terminated and settled, and plants cleared of war inventories and equipment. Considerable progress toward the relaxation of controls was made even before the end of the war, including the liberalization of manpower regulations and the "open-ending" of the Controlled Materials Plan. Within a few days after the Japanese surrender the great majority of the remaining controls were abolished, with the outstanding exception of the maximum price regulations, the continuance of which had been clearly forecast by official statements. Aside from price control, the principal restrictions now remaining are those applying to international commodities still in short supply, such as tin, lead, antimony, natural rubber, and hard fibers. These materials are expected to remain scarce for some time; but it is believed that, with careful allocation, the shortages can be prevented from becoming a serious handicap to reconversion.

The Wage-Price Question

More threatening is the outlook presented by the wage-price controversy and the general situation as regards industrial relations. While the Government is determined to continue to "hold the line" on prices, it has not only relaxed its control over wage rates but also endorsed the view that, as a general rule, wages can and should be raised without corresponding price increases. Thus encouraged, organized labor, particularly in the large and highly unionized industries, has launched a campaign for higher wage rates. The result is that a number of industries, including automobile manufacture, one of the most crucial divisions of reconverting industry, have been seriously impeded in their return to peacetime operation; and even more widespread interference is in prospect if the nation-wide steel strike occurs, as scheduled, on Jan. 14, and if the threat of a strike in the electrical equipment industry is carried out.

The situation contains several potential elements of danger. If industry offers strong opposition to the wage demands, the consequence may be a series of strikes delaying reconversion for months. If wage increases are granted without corresponding price increases, the result will be that profit margins, already restricted by the Government's reconversion pricing policy, will be further narrowed, and may prove insufficient in many cases to provide the necessary incentive to reconversion. If price increases occur, consumers who have not benefited by the higher wage rates may be unwilling or unable to buy freely, and there may ensue a "consumers' strike" similar to that which took place after World War I and which was partly responsible for the crisis of 1920-21.

Stabilization and Production

Tangible evidence of the extreme difficulty of reconciling the objective of price stabilization with that of maximum production, which appeared continually during the war, continues to accumulate. A striking illustration of this conflict of aims was revealed on December 17, when the Ford Motor Company announced that only about 30,000 of the 80,000 cars it had expected to produce before Christmas would actually be turned out, because of insufficient supplies of materials. Some suppliers had canceled their contracts because price ceilings on their products resulted in a loss on every sale. Others were unable to fulfill their commitments because they could not raise wages and were therefore losing their employees to other industries. The result was that the production of cars was "limping instead of galloping along."

The labor-management conference that was held in Washington in November under Government sponsorship represented an effort to avert the most serious threat arising from the wage-price issue—the threat of prolonged and widespread strikes. The resolutions adopted by the conferees contain little to encourage the

(Continued on page 35)

FOR

HELP WANTED • POSITIONS WANTED

OTHER CLASSIFIED ADS

SEE INSIDE BACK COVER

British Loan Facilitates Anglo-Canadian Export Credit Says Bank of Montreal

The United States-British loan agreement, according to the Bank of Montreal's year-end business summary released Dec. 22 has cleared the way for discussions between the Canadian and British governments leading to the provision of a large export credit by the Dominion. Exploratory talks have already been held in Ottawa, the Bank states, and these will be renewed early in the new year, when the general trade situation will be considered. Trade conferences between the United States, Canada and Britain also will begin at an early date.

The Bank's summary also says: Employment conditions in the Dominion are described by the review as uncertain and unsatisfactory, partly because of the rapid demobilization of armed service personnel. Although 760,122 placements were made by the National Employment Service between May 1 and Nov. 30, there were 173,800 unemployed persons registered with the Service on Nov. 23.

The increase in unemployment is declared to be general throughout Canada. The 6,150 manufacturing firms making returns to the Dominion Bureau of Statistics report decreases of 6.2% in the number of hourly-rated wage earners, 5% in total hours worked and 6.8% in weekly wages paid at the beginning of October (the latest period for which statistics have been compiled) compared with a month earlier.

Kobbe, Gearhart Offers Wilcox-Gay Debentures

Kobbe, Gearhart & Co., Inc., on Dec. 31 offered $300,000 20-year 5% convertible debentures of The Wilcox-Gay Corp. The debentures, maturing Dec. 31, 1965, are priced at 100% and accrued interest.

Of the total proceeds to be received by the company, $60,000 will be used to retire the presently outstanding 15-year 4% debentures and the balance will be added to working capital.

In addition to the present offering, the outstanding capitalization of the company will consist of 350,000 shares ($1 par) common stock and a $650,000 outstanding regulation V-Loan.

The original company was organized under the name of Wilcox Laboratories, Inc., in 1919. The company manufactures several different models of a recording phonograph unit and a recording radio-phonograph unit under the trade name of "Recordio."

August Belmont V.-P. Of Dillon, Read & Co.

Dillon, Read & Co., Inc., 28 Nassau Street, New York City, announce that Lt. Commander August Belmont USNR, recently released from active duty, has been elected a Vice-President. Mr. Belmont, who graduated from Harvard University in 1931, was, prior to the war associated with Bonbright & Company, Incorporated, entering the buying department in 1932, and becoming a Vice-President and Director in 1939. His Navy service began in February 1942 with duty in the Office of Chief of Naval Operations at Washington and later included 20 months in the Pacific on the staff of Commander Air Force, Pacific Fleet.

Lt. Com. A. Belmont

Real Estate Securities

1946

Hotels—We look for another good year of hotel business: Tourist business is beginning in good volume. While demand for rooms is not as great as before, guests are remaining for longer duration than heretofore.

Office Buildings—We anticipate higher rents than current rentals. Many leases will expire this May 1st, and landlords will be entitled to at least 15% more than expiring leases call for. We look for continued 100% occupancy for the current year.

Apartment Houses—With rentals fixed by law and rising operating costs, we do not see much benefit to this type of property this year despite 100% occupancy.

Loft Buildings—Current flush earnings we believe will carry through for another year.

Real Estate Bonds—We believe 1946 will see still higher prices because of sinking fund operations occasioned by large earnings. We prefer selected hotel bonds and office building securities.

Hamilton Rejoins Burt

DALLAS, TEXAS—C. N. Burt & Company, Kirby Building, announces that John Max Hamilton has rejoined their organization after serving three years in the Navy Air Corps.

Parrish Admits Watson

Parrish & Co., 40 Wall Street, New York City, members of the New York Stock Exchange and other Exchanges have admitted George E. Watson to partnership.

REAL ESTATE SECURITIES

Primary Markets in:

Hotel St. George, 4's

165 Broadway, 4½'s

870 - 7th Ave. 4½'s
(Park Central Hotel)

Savoy Plaza 3-6's, '56

Beacon Hotel, 4's

★ ★ ★

SHASKAN & CO.

Members New York Stock Exchange
Members New York Curb Exchange
40 EXCHANGE PL., N.Y. Digby 4-4950
Bell Teletype NY 1-953

SPECIALISTS
in
Real Estate Securities
Since 1929

Seligman, Lubetkin & Co.
Incorporated
Members New York Security Dealers Association
41 Broad Street, New York 4 HAnover 2-2100

TITLE COMPANY CERTIFICATES

BOUGHT - SOLD - QUOTED

Complete Statistical Information

L. J. GOLDWATER & CO.

Members New York Security Dealers Assn.
39 Broadway
New York 6, N. Y.
HAnover 2-8970 Teletype NY 1-1203

TRADING MARKETS IN

Beacon Hotel 4s 1958 W. S.	Mayflower Hotel Corp. Stock
Broadway Barclay 2s 1956	N. Y. Majestic 4s 1956 W. S.
Broadway Motors 4s 1948	Roosevelt Hotel 5s 1956
Gov. Clinton 2s 1952 W. S.	Roosevelt Hotel Common
Hotel Lexington Units	40 Wall St. 5s 1966 W. S.
Hotel Lexington Common	165 Broadway 4½s 1958
Hotel St. George 4s 1950	870 7th Ave. 4½s 1957 W. S.

AMOTT, BAKER & CO.
Incorporated
150 Broadway New York 7, N. Y.
Tel. BArclay 7-2360 Teletype NY 1-588

Offerings Wanted:

Broadway New St. 4/46
Industrial Office Bldg. 6/47
Trinity Bldg. Corp. 3-5/49
Wall & Beaver St. 4½/51
Westinghouse Bldg. 4/48

J. S. Strauss & Co.
155 Montgomery St., San Francisco 4
Bell Teletype SF 61 & 62

Digitized for FRASER
http://fraser.stlouisfed.org/

Pressed Steel Car Preferred Stock Placed

Kuhn, Loeb & Co. and associates on Dec. 28 announced that the unsubscribed 8,598 shares of 4½% cumulative preferred stock series A (par $50) of Pressed Steel Car Co. have been purchased by the underwriters. Company offered 85,955 shares of preferred stock for subscription to common stockholders at par ($50). Rights expired Dec. 21 and 77,357 shares were subscribed for. The 8,598 shares were sold in the over-the-counter market for the account of the several underwriters.

Trading Markets

Delta Electric
Globe Steel Tubes
Kropp Forge

C. L. Schmidt & Co.
Established 1922
120 South La Salle Street
CHICAGO 3
Tel. Randolph 6960 Tele. CG 271

CARTER H. CORBREY & CO.
Member, National Association of Securities Dealers
Wholesale Distributors
Middle West — Pacific Coast
For
UNDERWRITERS
SECONDARY MARKET DISTRIBUTION
CHICAGO 3 — 135 La Salle St. — State 6502 — CG 99
LOS ANGELES 14 — 650 S. Spring St. — Michigan 4181 — LA 255

Consolidated Gas Utilities Corp.
The Chicago Corp.
Circular on Request
HICKS & PRICE
Members Principal Stock Exchanges
Chicago Board of Trade
231 SO. LA SALLE ST., CHICAGO 4
Randolph 5686—CG 972
New York Office - 1 Wall St.

*Burton-Dixie Corp., Com.
Central Steel & Wire, Com.
Globe Steel Tubes Co., Com.
*Wells-Gardner & Co., Com.
*Woodall Industries, Inc., Pfd.
*Prospectus Available on Request.
Paul H. Davis & Co.
Established 1916
Members Principal Stock Exchanges
Chicago Board of Trade
10 So. La Salle St., Chicago 3
Tel. Franklin 8622 Teletype CG 405
Indianapolis, Ind. - Rockford, Ill.
Cleveland, Ohio

SINCE 1908
FRED. W. FAIRMAN CO.
Members
Chicago Stock Exchange
Chicago Board of Trade
Midland Utilities
Midland Realization
Write For M-3—
A study of Midland Utilities
208 SOUTH LA SALLE ST.
CHICAGO 4, ILLINOIS
Telephone Randolph 4068
Direct Private Wire to New York
Bell System CG 537

Dealer-Broker Investment Recommendations and Literature

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

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.

Nickel—Memorandum discussing International Nickel which offers interesting possibilities at present prices—Estabrook & Co., 15 State Street, Boston, Mass., and 40 Wall Street, New York 5, N. Y.

Railroads: Whither Now?—Reprints of the article from "Business Week"—B. S. Lichtenstein & Co., 99 Wall Street, New York 5, N. Y.

Valuation and Appraisal of Railroad Equipment Certificates—Stroud & Co., Inc., 123 South Broad Street, Philadelphia, Pa.

Also available on request are copies of **Valuation and Appraisal of City of Philadelphia Bonds** and a compilation of **Pennsylvania Legal Bonds.**

Year-end Valuations of Canadian Securities — Pamphlet — Wood, Gundy & Co., Inc., 14 Wall Street, New York 5, N. Y.

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

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

Bowser, Inc. — special study—Goodbody & Co., 115 Broadway, New York City.

Also available is a special study of **Oxford Paper.**

Chicago, Milwaukee, St. Paul & Pacific RR. Co.—Circular—Bendix, Luitweiler & Co., 52 Wall Street, New York 5, N. Y.

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

Also available are circulars on **Oregon Portland Cement, Riverside Cement,** and **Spokane 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.; Douglas Shoe; TACA Airways; American Window Glass; Lamson & Sessions; 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.

Gisholt Machine—Memorandum—Buckley Brothers, 1529 Walnut Street, Philadelpha 2, Pa.

Also available is a memorandum on **Gruen Watch Company.**

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.**

Kendall Company—Descriptive circular—Seligman, Lubetkin & Co., 41 Broad Street, New York 4. New York.

Also detailed circulars on **Fashion Park, Shatterproof Glass, Wellman Engineering Co.; Walt Disney Productions; Foundation Company;** and **Segal Lock & Hardware.**

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.**

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

Merchants Distilling Corp.—recent analysis—Faroll & Co., 208 South La Salle Street, Chicago 4, Illinois.

Also available is an analysis of **Standard Silica Corp.**

Midland Utilities and **Midland Realization** — detailed study—write for circular M-3—Fred W. Fairman & Co., 208 South La Salle Street, Chicago 4, Ill.

Missouri Pacific Bonds — Outlook—McLaughlin, Baird & Reuss, 1 Wall Street, New York 5, N. Y.

New England Lime Company—Descriptive circular — Dayton Haigney & Co., 75 Federal Street, Boston 10, Mass.

New England Public Service Co.—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

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

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

Also for dealers only are analyses of **National Radiator Co.** and **Republic Pictures.**

Railways & Light Securities Co.—Descriptive memorandum on oldest leverage investment company in the United States—Du Pont, Homsey Co., Shawmut Bank Building, Boston 9, Mass.

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.

Sport Products, Inc.—Detailed circular — Hardy & Hardy, 11 Broadway, New York 4, N. Y.

U. S. Sugar—Circular — J. F. Reilly & Co., 40 Exchange Place, New York 5, N. Y.

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

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

Chicago Personnels

CHICAGO, ILL.—**Raymond C. Wauchop** has rejoined the staff of **Doyle, O'Connor & Co., Inc.,** 135 South La Salle Street, after serving in the armed forces.

CHICAGO, ILL.—**S. Albert Trimarco** has become associated with **Fred W. Fairman & Co.,** 208 South La Salle Street. In the past he was with Hemphill, Noyes & Co.

Donald Stern Heads Dept. at Cohu & Torrey

Cohu & Torrey, 1 Wall Street, New York City, members New York Stock Exchange, announce the association with them of Donald M. Stern as manager of the firm's public utility division. Mr. Stern was previously manager of the public utility department of Hettleman & Co.

Frederick Housman Dead

Frederick Housman, eighty-one, an investment banker with offices at 70 Pine Street, New York City, died at his home after suffering a heart attack about ten days ago. He had been in Wall Street since 1900. He was originally a member of A. A. Housman & Co., but a number of years ago became a special partner in Merrill Lynch, Pierce, Fenner & Beane. At one time he held a seat on the New York Stock Exchange.

White, Weld & Co. Will Admit New Partners

White, Weld & Co., 40 Wall Street, New York City, members of the New York Stock Exchange, will admit William C. Hammond, Jr. and E. Jansen Hunt to partnership on Jan. 10. Mr. Hammond will make his headquarters at the firm's Boston office, 111 Devonshire Street.

ANNOUNCING THE FORMATION OF
ROBINSON & Co.
Members
New York Stock Exchange
Chicago Stock Exchange
Chicago Board of Trade
For the transaction of a general investment and commission business in securities and commodities with offices at
231 SOUTH LA SALLE STREET
CHICAGO 4, ILLINOIS
Telephones State 1700 and State 7970
George A. Robinson Arthur C. Harrison
Karl H. Schewe
Member New York Stock Exchange
January 2, 1946

SHILLINGLAW, BOLGER & Co.
MEMBERS
CHICAGO STOCK EXCHANGE
CHICAGO BOARD OF TRADE
UNDERWRITERS and DISTRIBUTORS
INVESTMENT SECURITIES
120 SOUTH LA SALLE STREET, CHICAGO 3
Telephone State 5850 Teletype CG 1070

—We Maintain Active Markets In—
CHICAGO SO. SHORE & SO. BEND RR. Com.
DEEP ROCK OIL CORP. Com.
NORTHERN STATES POWER CO. 6 & 7 Pfds.
H. M. Byllesby and Company
Incorporated
135 So. La Salle Street, Chicago 3
Telephone State 8711 Teletype CG 273
New York Philadelphia Pittsburgh Minneapolis

Digitized for FRASER
http://fraser.stlouisfed.org/

Attacks Purchasing Power Theory

First National Bank of Boston Says Its Chief Peril Is Inflation Arising From Deficit Financing and That the Doctrine Is Like a Mirage With the Final Outcome, Regimentation and Serfdom.

The year-end "New England Letter" of the First National Bank of Boston devotes considerable space to an attack on the so-called "Purchasing Power" theory of prosperity as advocated by certain government officials and New Deal economists during last fifteen years.

"Since the early part of the 1930's, the creation of purchasing power by the Government has been advocated as a panacea for our economic ills," the letter states. "This theory has become deeply implanted in the public mind and has formed the basis of our national policy. During this period it has found expression in many forms, but the general theme has remained unchanged."

Continuing its anaysis, the article goes on to say:

In the early days of the New Deal, public expenditures were to be used to prime the business pump, solve unemployment, and balance the budget from the rising tide of business activity. But this proved to be an illusion. After spending about 25 billion dollars for pump-priming purposes in the 1930's the decade ended with about the same number without jobs as when the program began.

A new approach was necessary. In consequence a theory was formulated, which in effect was that we need not worry about the debt since we owe it to one another and that interest payments represent merely distribution of money within the country. Hence, it is not necessary to balance the Federal monetary budget.

But the mounting Federal debt despite reassurances in some quarters was causing public concern, and the heavy deduction from pay envelopes for taxes failed somehow to square with the theory that public expenditures did not involve a burden to the taxpayer.

A Shift of Scenery

Recently it was necessary to change the scenery and shift public attention from thinking in terms of money to jobs. Accordingly, the so-called full employment bill was drawn up. Under this proposal the President was to prepare an annual production and employment budget, including specific estimates of the number of persons to be employed, together with expected private and public expenditures for the year and the total amount that it would be necessary to spend in order to provide full employment. Any gap between the expected and required expenditures to provide jobs for all was "to be regarded as a prospective deficiency in the National Budget" of employment, and this gap was to be guaranteed by the Federal Government.

Since 1933, therefore, the purchasing power theory has undergone a complete cycle and has finally reached the point where the dollar sign is to be erased and the budget expressed in terms of jobs instead of money. In other words, debt and taxes are to be considered old-fashioned terms belonging to the horse and buggy

(Continued on page 39)

Smith to Quit as Pres. Of Chicago Exchange

CHICAGO, ILL.—Kenneth L. Smith has announced his resignation as president of the Chicago Stock Exchange, effective April 30. Mr. Smith has held his post as head of the Exchange for seven years, and has been a member of the Exchange for seventeen years. Mr. Smith stated that he had made no plans for the immediate future, but if he should be absent for any length of time up to April 30, he would name James E. Day, Vice-President, as chief executive officer of the Exchange.

Paragon Stock Sold By Loewi & Company

The Paragon Electric Company, Two Rivers, Wisconsin, a well-known manufacturer of electrical time switches and other electrical products, has sold 10,500 shares of $10 par 5% convertible preferred stock and 21,000 shares of common stock through Loewi & Co., Milwaukee.

Paragon Electric Company was recently incorporated in Wisconsin to succeed to an Illinois corporation established in 1910.

The proceeds will be used primarily for additional working capital to keep pace with the company's rapid growth in its field.

Straus & Blosser To Admit Edwin Moeller

CHICAGO, ILL. — Edwin G. Moeller will be admitted to partnership in Straus & Blosser, 135 South La Salle Street, members of the New York Stock Exchange, as of Jan. 10. Mr. Moeller has been with the firm for some time; he was an officer of Straus Securities Company.

Sherwood Is Partner In Comstock & Co.

CHICAGO, ILL.—Comstock & Co., 231 South La Salle Street, announces that Donald B. Sherwood has been admitted to partnership in the firm. Mr. Sherwood was formerly associated with Hickey, Doyle & Co. and later with Doyle, O'Connor & Co. In 1942 he joined Stifel, Nicolaus & Co. as manager of their trading department.

J. A. Ludlow Admits

J. A. Ludlow & Co., 120 Broadway, New York City, members of the New York Curb Exchange, have admitted Vincent J. Rosso to partnership in the firm.

NSTA Notes

Howard Morton

BOND TRADERS' CLUB OF CHICAGO

The Bond Traders' Club of Chicago has elected the following to hold office during the 1946-1947 fiscal year.

President—Howard Morton, McMaster, Hutchinson & Co.

Vice-President—Glenn Darfler, Keenland & Company.

Secretary—John McHugh, Ames, Emerich & Company.

Treasurer—Charles Matz, Harriman Ripley & Co.

Gammack to Admit Thomas

Gammack & Co., 40 Wall Street, New York City, members of the New York Stock Exchange, will admit Newell E. Thomas to partnership as of Jan. 10. Aldo R. Balsam retired from limited partnership in the firm on Dec. 31.

Howard Tracy Dies

Howard Van Sinderen Tracy is dead at the age of 58. He was a partner in A. E. Butler & Co. until 1916, when he became an executive and director of John Burnham & Co. From 1924 to 1937 he was President of the Chicago investment firm of Rogers & Tracy.

Metropolitan Invest. Company Is Formed

CHICAGO, ILL. — Announcement is made of the organization of the Metropolitan Investment Company, wholly owned by the Metropolitan Trust Company, to act as dealers in United States Government securities. Officers of the new company, which is located at 11 South LaSalle Street, are Barnet L. Rosset, President, and Charles A. Lees, Jr., Vice President. Mr. Lees was formerly in charge of Government bond activities of Merrill Lynch, Pierce, Fenner & Beane, New York City.

W. J. Banigan Admits Mellgren as Partner

W. J. Banigan & Co., 50 Broadway, New York City, announces that Eric G. Mellgren has become a general partner in the firm.

TRADING MARKETS
CLIFFS CORP.
COMMON
CLEVELAND CLIFFS
PFD.

KITCHEN & CO.
135 South La Salle Street
Chicago 3, Ill.
Tel. STAte 4950 Tele. CG 573

We are pleased to announce that
MR. DONALD B. SHERWOOD
has been admitted to partnership in our firm.

COMSTOCK & CO.
231 South La Salle Street
Chicago 4, Illinois
January 1, 1946
Erling J. Hansen
Edward P. Renier
Daniel F. Comstock

Active Trading Markets
*American Service Co.
Preferred, Class A and Common
R. Hoe & Co., Inc.
Common
Mich. Steel Casting Co.
Common
Interstate Aircraft & Engineering Corp.
Common
*Recent circular on request
ADAMS & CO.
231 South La Salle Street
Chicago 4, Illinois
Teletype CG 361 Phone State 0101

Announcing the installation of a direct private wire to the
PACIFIC COMPANY OF CALIFORNIA
623 South Hope St., Los Angeles
Offices in 9 Other California Cities
William A. Fuller & Co.
Members of Chicago Stock Exchange
209 S. LA SALLE STREET • CHICAGO

FINANCIAL ADVERTISING
In All Its Branches
Plans Prepared—Conference Invited
Albert Frank - Guenther Law
Incorporated
131 Cedar Street New York 6, N. Y.
Telephone COrtlandt 7-5060
Boston Chicago Philadelphia San Francisco

PICKERING LUMBER
AMERICAN BOX BOARD
JEFFERSON ELECTRIC
GENERAL CRUDE OIL
DOYLE, O'CONNOR & CO.
INCORPORATED
135 SOUTH LA SALLE STREET
CHICAGO 3, ILLINOIS
Telephone: Dearborn 6161 Teletype: CG 1200

CONTINUOUS INTEREST IN:
THE SECURITIES OF
Koehring Co.
Nekoosa-Edwards Paper Co.
Central Paper Co., Com.
Cons. Water Pwr. and Paper Co.
Wisconsin Power and Light Co.
La Plant Choate Mfg. Co.
Standard Silica Co.
National Tool Co.
Northern Paper Mills Co.
Froedtert Grain & Malt. Co.
Hamilton Mfg. Co.
James Manufacturing Co.
LOEWI & CO.
Members Chicago Stock Exchange
225 EAST MASON ST. MILWAUKEE (2), WIS.
PHONES—Daly 5392 Chicago: State 0933 Teletype MI 488

Macfadden Publications
Gisholt Machine
All Wisconsin Issues
HOLLEY, DAYTON & GERNON
Member—Chicago Stock Exchange
105 So. La Salle St., Chicago 3, Ill.
CG 262 Central 0780
Offices in Wisconsin
Eau Claire - Fond du Lac - La Crosse
Madison Wausau

Digitized for FRASER
http://fraser.stlouisfed.org/

PHILADELPHIA

*Gisholt Machine
American Pulley
*Gruen Watch Company
*Memos on Request

BUCKLEY BROTHERS
Members New York, Philadelphia and Los Angeles Stock Exchanges
1529 Walnut Street, Philadelphia 2
New York Los Angeles
Pittsburgh, Pa. Hagerstown, Md.
N. Y. Telephone—WHitehall 3-7253
Private Wire System between Philadelphia, New York and Los Angeles

Philadelphia Bank & Insurance Stocks

Philadelphia Transportation Co.
3-6s 2039, Pfd. & Common

H. N. NASH & CO.
1421 Chestnut Street, Philadelphia 2
Phila. Phone New York Phone
Locust 1477 HAnover 2-2280
Teletype PH 257

Inland Gas
1st 6½s 50% Paid
Iowa So. Utilities
Common
Midland Utilities
Common

GERSTLEY, SUNSTEIN & CO.
Members N. Y. and Phila. Stock Exch.
Members New York Curb Exch. (Assoc.)
213 So. Broad St., Philadelphia 7, Pa.
New York Phone Bell System Tel.
WHitehall 4-2300 PHLA 591

Industrial Trust Co.
(Philadelphia)
COMMON

LEWIS C. DICK CO.
1420 Walnut Street, Philadelphia 2
Tel. Pennypacker 1787 N.Y. Phone REctor 2-0037
Bell System Teletype PH 205

Dealer Inquiries Invited
Philadelphia Co. common
Botany Worsted Mills pfd. & A
Empire Steel Corp. com.
Central Steel & Wire
Vinco Corp.
John Irving Shoe common
Warner Co. common

H. M. Byllesby & Company
PHILADELPHIA OFFICE
Stock Exchange Bldg. Phila. 2
Phone Rittenhouse 3717 Tele. PH 73

Penna. Pr. & Lt.
COMMON STOCK
(when-issued)
Bought—Sold—Quoted

E. H. Rollins & Sons
Incorporated
Pennypacker 0100
1528 Walnut St., Philadelphia 2
New York Boston Chicago
San Francisco

Pennsylvania Brevities

Philadelphia Transportation Company

The issuance and sale, late last month, of $7,000,000 Philadelphia Transportation Co., 1st ref. 3¾s, 1970, marked another important step in the financial rehabilitation of Philadelphia's traction system. Proceeds were used for the redemption of higher-coupon underlying issues and further simplification of the capital structure.

Since 1940, the company, successor to the former Philadelphia Rapid Transit Co., has reduced funded debt in the hands of the public from $61,854,240 to $49,965,450, equivalent to 19%, involving a reduction in annual fixed interest requirements from $2,399,604 to $1,685,447, or 30%.

Hand in hand with capital improvements, the company has undertaken a continuing program of modernization of its physical equipment. Over the next five years the company plans to expend $19,500,000 for the purchase of 300 streamlined street cars, 320 buses, 250 trackless trolleys and the remodeling of 381 street cars. Maintenance facilities, terminals, repair shops have been modernized and improved. A two-way radio communication system between operating headquarters and supervisory personnel helps overcome delays resulting from traffic congestions, fires, storms and unavoidable tie-ups.

In the 12 months ended June 30, 1945, revenues increased to $56,771,305 from $56,384,922 in the preceding 12 months. A slight rise in the balance available for fixed charges resulted in a coverage ratio of 1.75 times.

While some recession in gross revenues is to be expected as a result of lessening of war industry activities, net operating results will probably remain satisfactory due to four offsetting factors: (1) Elimination of the Excess Profits Tax, (2) reduction in maintenance costs and operating expenses through replacement of obsolete equipment with new and modern facilities and the elimination of much overtime, (3) development of a large building and construction program throughout the Philadelphia area and (4) substantial savings in fixed charges due to improvement of the capital structure.

The new bond issue, selling at a premium above the issue price to yield approximately 3.20%, reflects a high degree of public confidence in the company's management.

Pittsburgh Railways Company

In contract with Philadelphia Transportation Co.'s clean-cut picture, the muddled affairs of the Pittsburgh system, second largest in the State, continue to fret the patience of the company, the courts and the owners of publicly-held securities. Yet, potentially, equally favorable factors are in evidence which, many speculatively-minded investors believe, are overly discounted marketwise because of the uncertainties of the time element.

Operated under Trusteeship since 1938, physical properties of the system have been modernized and rehabilitated second to none other in the country. Although Philadelphia Company, the parent holding company, has continued payment of rentals on certain issues which it guarantees, the Trustees of Pittsburgh Railways have made no payments on account of debt service or on account of lease rentals with the exception of service on the outstanding Car Trust Certificates. This has resulted in an accumulation of cash or equivalent in the hands of the Trustees which, at the year end, is estimated to be approximately $20,000,000.

No matter which way you slice it, owners of publicly-held divisional and underlying securities remain firmly convinced that the impounded cash belongs to them in accordance with their contractural rights. All principles of law appear to uphold this viewpoint. At this writing it seems possible that outside intervention may operate to accelerate a solution and settlement of the many conflicting claims.

According to Phillip C. Staples, President of Bell Telephone Co. of Pennsylvania, the company plans to spend $150,000,000 on an expansion program. An early objective is to provide service for 113,000 persons in the State who are now on waiting lists. Although 70,000 applications have been filled in the last six months, according to Mr. Staples, 57,000 additional applications were received in the same period. He listed the three principal "bottlenecks" as telephone instruments, central office switching equipment and outside cable connections. Of the company's 448 central offices in Pennsylvania, 250 are operating at capacity and cannot meet new demands until additional equipment becomes available.

Subject to year-end adjustments, net income of Pennsylvania Railroad is unofficially estimated at from $44,000,000 to $46,000,000 for 1945. This will be equivalent to $3.40 to $3.45 per share, compared with $4.91 earned in 1944. Included in the estimate, however, is a charge of $40,000,000 set up against balance of accelerated amortization of war emergency facilities and adjustment of Federal income and excess profits taxes. The Pennsylvania has obligations of $13,000,000 maturing in 1946 which it expects to meet without refunding operations.

The SEC has set Jan. 15 as the date for a hearing on the United Gas Improvement Co. plan to make further distribution of its portfolio securities. U.G.I. proposes to offer to exchange for each unit of ten shares of its outstanding capital stock, up to and including 750,000 shares, the following securities: 1 share American Water Works & Electric common, 12 shares Commonwealth & Southern common, 10 shares Niagara Hudson Power common, 1 share Niagara Hudson Power 5% 2nd preferred and 1 share Public Service Corp. of New Jersey.

A special meeting of the stockholders of Lit Brothers, Philadelphia department store, has been called for Jan. 4 to vote upon the proposed sale of the property, land and buildings which it owns and uses to the University of Pennsylvania for the sum of $4,150,000. The plan provides that Lit Brothers would continue to occupy and operate the properties under a long-term lease, which would be part of the contract of sale.

Piper Aircraft Corp. anticipates an output of between 6,000 and 10,000 small aircraft during 1946. The company has orders in hand for 3,000 Cub size, 3,000 cruiser type planes.

Reading Company has ordered 15,000 tons of steel rails from Bethlehem Steel Corp.

Directors of Germantown Trust Co., Philadelphia, have authorized the transfer of $375,000 from undivided profits and contingency reserve to surplus account, bringing latter to $1,400,000.

Charles S. Redding, president of Leeds & Northup Co., has been elected director of Philadelphia Electric Co.

Available Publications

Valuation and Appraisal
RAILROAD EQUIPMENT CERTIFICATES

Valuation and Appraisal
CITY OF PHILADELPHIA BONDS

Compilation of
PENNSYLVANIA LEGAL BONDS

Copies on Request

STROUD & COMPANY
Incorporated
123 SO. BROAD STREET 120 BROADWAY
PHILADELPHIA, PENNA. NEW YORK, N. Y.
Allentown Pittsburgh Reading Scranton Williamsport

Chas. A. Taggart Opens Branch in Allentown

ALLENTOWN, PA.—The Philadelphia investment firm of Charles A. Taggart & Company announces the opening of an office at Allentown, Pa., in the Dime Bldg., 7th & Hamilton Streets. William R. Croasdale will be manager of the new office and associated with him will be Frank C. Croasdale.

Robt. Bodine Resumes As De Haven Partner

PHILADELPHIA, PA. — The New York and Philadelphia Stock Exchange firm of De Haven & Townsend, Crouter & Bodine, Packard Building, announces that Robert C. Bodine has returned from active service with the U. S. Army and resumed his duties as a general partner of the firm.

L. Coleman Officer of Bank of Manhattan

Following a meeting of the Board of Directors of the Bank of Manhattan Company, F. Abbot Goodhue, President, announced the election of Leslie Coleman as a Vice-President effective Jan. 1, 1946.

Leslie Coleman

Mr. Coleman will be in charge of the Bank's Southern Division.

He comes to New York from the Second National Bank of Houston, Texas. After attending local schools he graduated from Rice Institute and Harvard Law School. He then joined the staff of the San Jacinto Trust Company of Houston, Texas. In 1933 this company became a National Bank.

When the war started he became a Major in the Army and was placed in charge of civilian personnel of the Army Air Forces, Central Flying Command, Randolph Field, Texas. During the time he was in the Army the San Jacinto National Bank merged with the Second National Bank of Houston. In April of 1945 he was placed on the Army's inactive list and was elected a Vice-President of the Second National Bank in charge of oil loans.

He is widely known throughout Texas. He is a member of the Houston Club and a member and director of the Houston Country Club.

Warner Adds Three

PHILADELPHIA, PA.—David Jester, Jr., manager of the Philadelphia office of the investment firm of J. Arthur Warner & Co., 142 Chestnut Street, announces that Thomas F. Harkins, Theron J. Hickey and Jess M. Reed have become associated with that office.

Evans Joins Trading Dept. Of Paul & Co., Inc.

PHILADELPHIA, PA.—Paul & Co., Inc., 1420 Walnut Street, announce that Edward H. Evans has become associated with them in the Trading Department.

Return from Service

Montgomery, Scott & Co., 123 South Broad Street, Philadelphia, announce the return from active service of William Coxe Wright, Com., U. S. N. R., and R. Alexander Montgomery, Lt. Com., U. S. N. R., and the resumption of their duties as general partners.

Lt. Col. John F. Fant has been released from service in the A. U. S. and will resume his association with Kennedy & Co., Land Title Building, Philadelphia.

George B. Zendt has returned from service with the armed forces and is again associated with Eastman, Dillon & Co., 225 South 15th Street, Philadelphia.

PHILADELPHIA TRANSPORTATION 3-6s 2039
PHILADELPHIA TRANSPORTATION PREFERRED STOCK
PHILADELPHIA ELECTRIC COMPANY COMMON STOCK
PHILADELPHIA ELECTRIC COMPANY $1 PREFERENCE STOCK
TEXAS PUBLIC SERVICE COMMON W. I.
WARREN COMPANY COMMON
PENNSYLVANIA GAS COMPANY COMMON

RAMBO, KEEN, CLOSE & KERNER, INC.
Investment Securities
1518 Locust Street, Philadelphia
Private telephone wires to New York and Baltimore

Digitized for FRASER
http://fraser.stlouisfed.org/

Pennsylvania Municipals

While wartime restrictions on new municipal financing again in 1945 served to greatly limit the amount of business available to dealers in Pennsylvania tax-exempts, the trade confidently and hopefully looks forward to a vastly greater measure of activity during the peacetime year of 1946. This much is clearly evident; local governments, on the average, have rarely, if ever, been in sounder position to undertake the financing of such municipal plant improvements and new projects as may be necessary.

As a matter of fact, it is more than likely that the financial condition of public bodies, particularly insofar as indebtedness is concerned, currently is better than has been the case at any time in the past decade. This is largely the product of the war years which, as a result of the enforced embargo on new debt creation, resulted in reducing net indebtedness to levels that would not ordinarily obtain. A concomitant effect, of course, has been a substantial improvement in the investment qualities of outstanding obligations and a comparable strengthening in credit positions.

For the great majority of debtors, of course, the circumstances served to materially accelerate the progress already in evidence toward solidifying the merits of their securities as desirable investments. In other cases, it made possible the rehabilitation of debt structures which, prior to the war, had been considerably impaired.

Accordingly, it is not without good reason that both potential borrowers and underwriters look forward to the events of the coming year with the utmost confidence. Naturally, it is not possible to say what the improvement in volume over the war years is likely to be.

However, it is more than safe to say that the output will be very much larger, thus affording dealers a greater area of activity than has been available in a number of years.

* * *

Attention of local dealers is presently focused on the forthcoming sale of $3,000,000 Allentown School District bonds. This is one of the several substantial municipal deals scheduled to develop in the opening month of the new year.

The district issue, bids for which will be opened on Jan. 9, will be dated Feb. 1, 1946 and mature serially on Feb. 1 from 1948 to 1974 inclusive. Bidder is required to name an interest rate of not more than 1½% and only one rate is permissible. The bonds are being issued pursuant to the authorization granted by voters at the Nov. 6 election and the proceeds will be applied by the district for new building construction and improvements to existing school facilities.

Like a great many other Pennsylvania communities, the Allentown School District has not appeared in the long-term capital market in a number of years, a fact that lends added market interest to the projected award. The district's bonds have always commanded a wide investor audience and the prospect is that competition for the new issue among dealers in Pennsylvania and elsewhere will be both broad and intense.

While the situation is by no means peculiar to the Keystone State, the fact is that the Federal government continues to enjoy all of the services of local government and at little, or slight cost, by virtue of its substantial holdings of realty throughout the State. The facts in the case are strikingly presented by H. F. Alderfer, Director of the Pennsylvania Bureau of Municipal Affairs, in the latest issue of the department's bulletin.

According to this source, 50 counties responding to a survey disclosed that government-owned property in 1945 had a valuation of $187,000,000, which was exempt from local taxation. This was only a part of the grand total for the State, however, as no figures were immediately available from 17 other counties, including such highly industrial areas as Allegheny, Beaver, Dauphin, Lebanon, Lawrence, Northampton, Washington and Westmoreland.

Even on the basis of the $187,000,000 figure, however, it is estimated that, on a basis of an average conservative millage rate of 25 mills, the loss in revenues to the counties and units of government therein, amount to $5,000,000 annually. For the State as a whole the loss in income on tax-exempt government property is estimated at from $7,000,000 to $10,000,000.

The City and County of Philadelphia reported an assessed valuation in 1945 of Federal holdings (post-offices, etc.) at $137,000,000, the tax loss on which is placed at $4,000,000.

Philadelphia, it may be added, continues to report excellent revenue returns from taxpaying sources, total income in the first eight months of 1945 having amounted to $94,779,598, an increase of $2,104,510 over receipts during the comparable period in 1944. Current real estate taxes advanced $326,426 over last year's intake, and wage and income tax receipts registered a gain of $643,543.

Frank M. Bush V.-P. Of Urban Alexander Co.

LOUISVILLE, KY.—Frank M. Bush of Paducah has been elected Vice-President of Urban J. Alexander & Co., Louisville Trust Building, it has been announced by Urban J. Alexander, President of the Company. Mr. Bush has been in charge of the Western Kentucky District for the firm since 1933.

It is planned to open a branch office in Paducah early in 1946 with Mr. Bush as Manager.

To Represent McCarley

GREENVILLE, S. C.—Harold C. McCarley will represent McCarley and Company of Asheville from offices at 115 Crescent Avenue.

Increase of 25 to 40% in Hotel Workers Pay Under New Contract

Contract Retroactive to June 1 and Runs to May 1948

Wages of 25,000 workers in unionized hotels of New York will be raised from 25 to 40% under a new contract, carrying no-strike and no lock-out clauses, signed on Dec. 19 by the Hotel Association of New York City and the New York Hotel Trades Council at the office of Edward P. Mulrooney, impartial chairman of the hotel industry, 41 East 57th Street. The New York "Herald Tribune" of Dec. 20, in reporting this added:

The contract is retroactive to June 1 and will run to May 31, 1948. The wage increases range from $3 to $11 a week, and, as the hotel employers' present pay roll has been running around $30,000,000 a year, it is estimated that the new rises will cost the industry a minimum of $7,500,000 annually.

Other provisions of the agreement, it was announced, include paid vacations up to two weeks according to length of service; four legal holidays off a year with pay, or double pay if employees are required to work on these days; establishment of a joint hotel employment agency; a ban against discrimination in employment because of race, creed, color or national origin, and time-and-a half for overtime on a daily basis instead of the present weekly average system under which employees received time off for overtime.

The new agreement supersedes the current contract, which would have expired May 31, 1946. Negotiations for the new agreement were begun last March. It will affect 140 hotels of the city which have had contractual relations with the Council since 1939. The document was signed for the hotel association yesterday by Fred O. Cosgrove, President of the association, Jay Rubin, President of the Council, signed for the union organization.

John B. Joyce Co. Is Formed in Columbus

COLUMBUS, OHIO—John B. Joyce & Company is being formed to trade in Government, municipal, corporate and public utility bonds; offices will be located in the Huntington Bank Building.

Officers of the new firm are: John B. Joyce, President and Treasurer; Herbert Welsh, Vice-President; and C. R. Joyce, Secretary. Mr. Joyce and Mr. Welsh were formerly officers of Lowry Sweeney, Inc.

New York Stock Exchange Weekly Firm Changes

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

Transfer of the Exchange membership of Harold C. Sears to Robert R. Lansburgh will be considered by the Exchange on Jan. 10. It is understood that Mr. Lansburgh will act as an individual floor broker.

Transfer of the Exchange membership of Courtlandt D. Barnes to Joseph A. Esposito will be considered by the Exchange on Jan. 10. Mr. Esposito will continue as a partner of Paul S. Zuckerman & Co.

De Forest Van Slyck retired from partnership in Fahnestock & Co. on Dec. 31.

John Granbery retired from partnership in Granbery, Marache & Lord on Dec. 31.

Harry R. Engeman retired from partnership in Pershing & Co. on Dec. 31.

Robert Ayres retired from partnership in Shields & Co. on December 31.

Theodore C. Sheaffer withdrew from Yarnall & Co. on Dec. 31.

Wheadon M. Grant, limited partner in Francis I. du Pont & Co. as trustee under a deed of trust dated May 21, 1945, retired Dec. 31, 1945; Thomas W. Phelps succeeded Mr. Grant as trustee under the above mentioned trust as a limited partner, effective January 1.

Interest of the late Ralph S. Richards in Kay, Richards & Co. ceased on Dec. 31.

Interest of the late Charles F. Haley in Thomson & McKinnon ceased on Dec. 31.

Banks Returns to Wall St.

Morton M. Banks has returned from Government service and resumed his active partnership in Luke, Banks & Weeks, 61 Wall Street, New York City, members of the New York Stock Exchange.

John K. Weeks, formerly lieutenant U.S.N.R., has been admitted to the firm as a general partner, as previously reported in the "Chronicle" of Dec. 20.

WESTERN PENNSYLVANIA

TRADING MARKETS
RETAIL DISTRIBUTION

C. S. McKEE & COMPANY
Members Pittsburgh Stock Exchange
Union Tr. Bldg.—Pittsburgh 19, Pa.
Telephone Court 2380 Teletype PG 496

Benjamin Franklin Hotel 5s 1960
Bellevue Stratford 5¾ 1935
Pittsburgh Hotels 5s 1967
Phila. Transportation Pfd.
Phila. Transportation 3-6s 2039
Phila. Suburban Water Co.
Pfd. & Com.

Samuel K. Phillips & Co.
Members Philadelphia Stock Exchange
Packard Bldg., Philadelphia 2
Teletype PH 375 N. Y. Phone REctor 2-0037

Southern Advance Bag & Paper Co.
Common Stock

Grinnell Corp.
Common Stock

BOENNING & CO.
1606 Walnut St., Philadelphia 3
Pennypacker 8200 PH 30
Private Phone to N. Y. C.
COrtlandt 7-1202

Trading Markets in
VINCO
Common

Established 1895
Geo. E. Snyder & Co.
Members Philadelphia Stock Exchange
Stock Exchange Bldg., Phila. 2, Pa.
N. Y. Telephone HAnover 2-4552
Bell System Teletype PH 220

We take pleasure in announcing that
EDWARD H. EVANS
has become associated with us in our
Trading Department.

PAUL & CO., INC.
Investment Securities
1420 WALNUT STREET, PHILADELPHIA 2, PA.
NEW YORK BOSTON

Complete Investment and Brokerage Services

Rakestraw, Betz & Co.
Members
New York Stock Exchange
Philadelphia Stock Exchange
123 S. Broad St., Philadelphia 9
Philadelphia Telephone Kingsley 3311
New York Telephone Hanover 2-2280

MUNICIPAL BONDS
PENNSYLVANIA NEW JERSEY

A. WEBSTER DOUGHERTY & CO.
Municipal Bonds
1421 CHESTNUT STREET : PHILADELPHIA 2
Philadelphia Rittenhouse 2580 Teletype PH 70 New York BOwling Green 9-8184

CLEARANCE FACILITIES

The Pennsylvania Company offers Brokers and Security Dealers the facilities of a department maintained especially for handling clearance of security transactions. Our experience is broad. Our service is fast. Our fees are moderate.

Teletype PH 222
15th and CHESTNUT STREETS
PHILADELPHIA 1
Member Federal Reserve System
Federal Deposit Insurance Corporation

The Pennsylvania Company
FOR INSURANCES ON LIVES AND GRANTING ANNUITIES Founded 1812

Pennsylvania and New Jersey Municipal Bonds

Dolphin & Co.
Fidelity Philadelphia Trust Building
PHILADELPHIA 9
Telephones:
Philadelphia—Pennypacker 4646
New York—HAnover 2-9369
Bell System Teletype—PH 299

Digitized for FRASER
http://fraser.stlouisfed.org/

Railroad Securities

St. Paul Income "B" 4½s, 2044

At long last the St. Paul reorganization was consummated, the new securities being delivered on Dec. 17 and Stock Exchange clearances being made on Dec. 21.

Reorganization of the St. Paul was unusually drastic, fixed charges being reduced from $13.6 million to $3.4 million and fixed and contingent interest from $22.8 million to $8.7 million. This is not the total extent to which fixed and contingent charges are likely to be reduced, since every indication points to working capital of the new company immediately prior to delivery of the new securities, totaling some $110 million, taking into account of course credits arising from acceleration of amortization of emergency facilities as authorized by the WPB.

Simultaneously with distribution of the new securities, 4½ points were distributed on both the Income A and B bonds, representing 1944 interest. This payment under current Treasury rulings will be considered a return of capital. On April 1st next an additional 4½ points, representing 1945 interest, will be distributed which again, under Treasury rulings, will be considered a return of capital. Since the payment due on April 1st will doubtless be considered a current liability, working capital will be reduced by $17 million through distribution of interest on the two income bond issues, as well as fixed interest on the first mortgage bonds.

Some time shortly after the first of the year, there doubtless will be authorized a distribution of $10 per share on the preferred stock, representing dividends for both 1944 and 1945 and there is the possibility that a substantial dividend will be paid on the common stock.

As contrasted with substantial cash payments made to senior bondholders in 1942 and an equally substantial amount paid last June to both the senior bondholders and the Gold 5s, 1975, it would appear that directors might take into consideration the fact that the new stock will be owned primarily by the old adjustment bondholders who did not receive any disbursement during the reorganization period. This, together with earning power of over $40 per share on the junior equity during the war years, suggests a liberal dividend, possibly as much as $7 per share.

If a $10 dividend were declared on the preferred and a $7 dividend on the common and if some $25 million of working capital was allocated for the use of the new company, the company would have some $35-40 million available for debt retirement or capital improvements, subject to the discretion of the Board of Directors. Since the company has already spent substantial sums during reorganization and during the war period for rehabilitation purposes, and since the physical condition of the St. Paul is probably the best in its history, it would seem a reasonable expectation that any surplus monies would be used for debt reduction purposes.

Assuming the correctness of these working capital projections and further assuming that the funds will be used primarily for debt reduction, we believe it probable that the company will soon call $8,056,000 of Chicago, Terre Haute and Southeastern First and Refunding 5s, 1960; $6,335,000 Chicago, Terre Haute and Southeastern Income 5s, 1960, and $250,000 Bedford Belt Railway 5s, 1938.

Additionally, there is a provision whereby 50% of such amount as is distributed to common stockholders must be used to retire the Income bonds, either Series A or B. Since the Series A bonds are virtually selling at their call price (101 plus 4½ points accruals) purchases will doubtless be concentrated in the Income B 4½s. If a $7 dividend were disbursed by the new Board of Directors, some $7 million from this source alone would be used for this purpose.

The Income B 4½s are an excellent bond in their own right, well supported by satisfactory net ton miles per dollar of debt and supported by an overall coverage of over three and one-half times during the war period and according to our estimate close to three times for the post-war period. At current levels, excluding 4½ points accruals which will be paid next April 1st, a yield of 5.02% is a very liberal return for a bond of this caliber. In addition to the liberal yield afforded there are possibilities of appreciation incidental to company purchases.

Direct Private Wires to:

CHICAGO
LOS ANGELES
and
BIRMINGHAM

Orders Solicited in
Listed and Unlisted Securities
with markets in these cities

ERNST & CO.
MEMBERS
New York Stock Exchange and other leading Security and Commodity Exchs.
120 Broadway, New York 5, N.Y.
231 So. LaSalle St., Chicago 4, Ill.

Specialists in
RAILROAD SECURITIES
Selected Situations at all Times

B. W. Pizzini & Co.
GUARANTEED RAILROAD STOCKS-BONDS
INCORPORATED
25 Broad Street New York 4, N. Y.
Telephone BOwling Green 9-6400
Teletype NY 1-1063

Beech Creek Railroad

Bought—Sold—Quoted

Adams & Peck
63 Wall Street, New York 5
BOwling Green 9-8120 Tele. NY 1-724
Boston Philadelphia Hartford

Railroad Bonds and Stocks

PFLUGFELDER, BAMPTON & RUST
Members New York Stock Exchange
61 Broadway New York 6
Telephone—DIgby 4-4933 *Bell Teletype*—NY 1-310

General Public Utilities Corporation
Seaboard Air Line R. R. Co.
St. Louis-San Francisco Railway Company
We will discount profits and assume losses in the above "when issued" contracts.

SUTRO BROS. & CO.
Members New York Stock Exchange
120 BROADWAY, NEW YORK 5, N. Y.
Telephone REctor 2-7340

BATES MANUFACTURING CO.
UNITED PUBLIC SERVICE, Com.
UNITED PUBLIC UTILITIES, Com.

l. h. rothchild & co.
Member of National Association of Securities Dealers, Inc.
52 wall street n. y. c. 5
HAnover 2-9072 Tele. NY 1-1293

Year-End Bond Survey

Halsey, Stuart & Co., Inc., Sees Trend Toward Socialized Government as Most Serious Problem. Says Private Capitalism and a Dynamic Competitive Economy Will Be Difficult to Maintain Under Profligate Public Spending and Industrial Regimentation, But Adds That if Wisdom Prevails There Will Be an Unparalleled Base for Future Prosperity. Looks for Highly Competitive Conditions in Transportation Fields and a Favorable Utility Situation, Despite Renewed Advocacy of Public Ownership. Foresees Contraction in Bond Activity but Even so the Demand Gives Promise of Exceeding the Supply of New Securities. Holds Continuation of Low Interest Reasonably Certain and Sustained High Prices for Both Primary and Secondary Investments.

The world-wide trend toward increasingly centralized and socialized government is cited by Halsey, Stuart & Co., Inc., in its Year-End Bond Survey as the most serious problem of the day. Reassurance is found, however, in the fact that in this country the conditions responsible for its development—the distress of the long depression and the necessities of the war period—are now largely removed, thus providing opportunity for correction.

"The result of both these conditions," the Survey states, "was to overload the Federal Government with debt, commitments and obligations so as seriously to impede progress and to make evident to thoughtful people the necessity of reduction in the existing excesses, or at least the avoidance of further additions to the current overloads. In contrast, individuals, corporations and local governments have meanwhile very generally reduced their direct obligations and otherwise improved their situations so that, except as the former are, of course, finally responsible for Federal commitments, all are better prepared to face the future and to resume their traditional positions and operations than at any time in recent years. The forced dependence on the Federal Government, in other words, and the compulsion to exchange hard-won rights for public bounty no longer exist and opportunity awaits for reassertion of individual initiative and local autonomy if but taken.

"Even with the will to do so," the Survey continues, "the road back to government economy, to effective democratic processes, to private capitalism and a dynamic competitive economy will not be easy. Certainly the goal will not be achieved by profligate public or private spending, by subsidizing idleness and inefficiency, nor by politically motivated foreign loans. It will be achieved only by providing incentive for effort, opportunity for accumulation, and development of an environment favorable to risk-taking and investment—which means, obviously, less government, both from the standpoint of intrusions and costs."

Eliminate Controls to Assure Activity

Commenting on the industrial situation, the opinion is expressed (Continued on page 37)

Chicago Milwaukee St. Paul & Pacific R. R. Co.
Preferred Stock
NEW
Circular on Request

BENDIX, LUITWEILER & CO.
MEMBERS
NEW YORK STOCK EXCHANGE
NEW YORK CURB EXCHANGE
VARIOUS COMMODITY EXCHANGES
52 WALL ST. — 730 5TH AVE.
NEW YORK, N.Y.

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

Railroad Bonds
Railroad Stocks
Industrial Stocks

O'CONNELL & JANARELI
120 Broadway, New York 5, N. Y.
Telephone REctor 2-7640 Teletype NY 1-2860

Digitized for FRASER
http://fraser.stlouisfed.org/

Has War Increased Investment Capital?

(Continued from page 5)

of the German people) in building up a productive capacity with domestic capital accumulation, which permitted him to wage the most destructive war in history. Our own Civil War is perhaps another instance that not only does war not impede capital accumulation, but may actually increase it. Even the defeated South within a few years could boast of more free and productive wealth than had ever existed in that region previously.

Yet all this proves nothing! It is quite possible that without wars the capital growth may have been greater. On the other hand, war may have been the stimulant to greater and more efficient production. Nothing is wealth, unless it (when limited in supply) can satisfy human needs and be used to create more wealth (i. e. produces income). One has only to contrast the natural wealth and income of undeveloped with developed industrial countries to prove that productive resources mean nothing unless they can be put to effective productive use. Therefore, capital or wealth cannot be adequately measured by quantity or value alone. What it produces or the effective use of it, is what gives it value. And what it produces or its effective use is dependent on the technique and efficiency of its manpower and industrial organization. Certainly, this has been demonstrated in our own "miracle of war production." The value of our industrial organization, created under the peacetime incentive of profit, proved greater in war than our possession of land, machinery and other physical materials wrought from nature. Nations can be rich and productively great and yet be poor in natural resources.

Fallacies of Capital Estimates

For centuries, statisticians and economists have labored over the problem of estimating the growth of capital. In England, this study was called Political Arithmetic. Sir William Petty, early in the 17th Century used the term in a series of tracts to prove the ability of England to match resources against her Continental rivals. Petty was followed by Gregory King, Sir William Davenant and a host of others down to the present time. Elaborate census-taking and other statistical investigation processes is an outgrowth of those efforts. The growth and accumulation of "free capital" as distinguished from fixed or "sunk capital" in recent years has been a further matter of serious study, and several statistical organizations, notably the Brookings Institution in Washington and the National Bureau of Economic Research in New York, have directed their investigations along these lines. In Great Britain and other countries similar studies have been and are still being made.

Sir Robert Giffen, the distinguished British statistician of the late 19th Century, in particular, devoted much of the work of his life to studying the growth of capital. His work on this subject published in London in 1889 is a masterpiece of statistical analysis. Yet, Giffen, like most professional statisticians, liked to express facts in quantities and values. He scarcely notes the effects of efficiency and productivity, or the influence of these factors on values and savings as elements in capital accumulation or in the computation of national wealth. Yet, more than a century before his time, the philosopher, David Hume, concerned indirectly with the same topic, pointed out the importance of incentives to productivity in national welfare, and even recommended high taxes on the workers to get them to labor harder and produce more. Taxation, in his estimation, meant no loss of national income to individuals, since more income was produced by them with it than without it.

Giffen, however, did not wholly neglect to point out the limitations of wealth valuations as a basis of figuring capital accumulation and debt burdens. Thus, he notes on page 139 of his "Growth of Capital":

"The relation between property and income, roughly as the figures may be done, must disclose something as to the economic condition of the communities, and help to render clearer the crude idea of that economic condition which might best be derived from other sources. It is obvious, for instance, that the income of the community of the United States is probably much larger in proportion to the property than it is in an older country. The fact that it is a community indebted to other communities instead of being a creditor community is, and is caused by, a national difference in their circumstances. It is because their income is so large, because their natural resources undeveloped or in progress of development are so large, that they can afford to borrow. Potential is quickly converted into actual capital, and the individual members of the community have less need for capital. But the circumstances are likely enough to change rapidly, and even now the different conditions of geographical groups within the greater community of a nation like the United States must present great variety."

Giffin therefore called attention to the need for great discretion in using property valuation as a measure of national resources or the growth of capital, but he failed to give sufficient weight to efficiency and industrial organization as a factor in capital accumulation and as a basis for estimating the burden of debts, both national and private. He fell into the error which is still so common among statisticians and economists of putting into definite quantities and values that which is still indefinite and indeterminate in both concept and form, viz., Wealth and Income. Neither can be accurately measured or ascertained and this accounts for the errors, revisions and controversies which have marked the progress of economic and statistical science since its inception.

Will Savings Lead to Increased Investment?

But what investment banking and investment bankers, as a whole, are interested in is the accumulation and use of what Giffin has called "free capital," i.e., liquid capital resulting from individual savings that is available for investment. Only a part of capital accumulation is in this form and the amount varies at different times and under different circumstances. At present much has been written and stressed regarding the existing large war savings accumulations. Estimates vary, but the amount is said to amount to some $100 billion or more.

Certainly, the wartime savings of individuals far exceed the additional capital accretions of corporations. But are these savings uninvested and do they really represent capital accumulations, considered on a national scale? If the savings are in banks or government bonds, they are certainly already invested and are no longer free capital. Only cash that is hoarded, or uninvested csah deposits can be "free capital," and if the savings are merely the result of creation of a national debt, i.e., an outgrowth of government borrowing for nonproductive purposes, such as war, they constitute no additional accumulation of capital. Therefore, there can be no gain in national income from them. If the National Debt can be redeemed from future income, and the savings remain intact, then they can be said to represent an addition to accumulated capital.

Yet, a part, and possibly a considerable part, of the war savings may represent increased productivity of individuals, with the flow of additional wealth into permanent form, such as fixed capital or in additional output of consumers' goods. In this respect, such savings are, other things being equal, an addition to national wealth. No one can, as yet, safely estimate what proportion of wartime savings is in this category. It would require a most detailed study and analysis to compute it, and the probability of error is high. Certainly, if the national dividend (i.e., the excess of national income over expenditure) throughout the war years was greater than the loss of wealth or capital used up in the war, there has been a "national increment," which means further capital accumulation in some form.

Another disturbing consideration in measuring the growth of capital is the altered purchasing power of the monetary unit. No one can deny that inflation is here. If the measuring unit of capital values, this inevitable "dollar" yardstick, has shrunk 30 or 50%, the vast wartime savings is not so vast as may seem. Money in circulation or deposits in banks is no gauge of the growth of liquid capital and the par or market values of stocks and bonds are not an indication of growth or decline in actual capital assets. All this is well recognized and perhaps has become platitudinous. But it is, nevertheless, overlooked by statisticians and politicians when they speak of "unprecedented funds seeking investment" and "the stupendous growth of liquid assets." It should be made plain that the calculations of capital growth, national wealth and national income are more or less of a metaphysical nature and are largely erroneous or merely rough estimations.

The Coming Speculative Boom

There is a great deal of wishful expectation on the part of the investment bankers and others concerned with the securities market that the accumulated savings of individuals and corporations will lead to intensive and expanded activity in stock market operations. There is, indeed, historical precedent of stock market booms coming in the aftermath of war. But whether this has been due to "accumulated savings," or to a mob psychology, or to careless fiscal and credit policies is still questionable.

Sir Robert Giffen, already quoted above, has not neglected to consider this point. Regarding savings as a source of capital accumulation and of additional investment, Robert Giffen remarked:

"Savings are made, as a rule, individually. A shopkeeper or merchant or manufacturer making profit adds to his stock or improves his premises, or buys a new house. In this way or some similar way, profits and savings are invested directly as they are made and they have no visible effect on the Money Market. The industrial world could not, in fact, go on unless by fixed arrangement for savings—a portion of the community being constantly employed by these savings directly to create the investments in which the savings may be put. It is only a certain part of the whole savings which goes to the Stock Exchange (i.e., into public investment) and seeks new securities of the kind dealt with there. Even a portion of this part is comparatively steady; but there is a varying surplus and the changes in this surplus or final margin are most significant of the general state of trade. When the surplus is at a maximum it is a sign of inflation, of great and unusual profits in trade, when it is at a minimum it is a sign of losses or discredit."

And to this he adds significantly:

"It is probable that the final margin (i.e., the amount of new investment) never varies as much as it seems to vary, difficulties arising through people, when prosperous, engaging to invest more than they afterwards find they can save, but the real savings not even then has been changed."

From this last statement, it is clear that Sir Robert Giffen has struck the nail on the head. For it distinctly means that increased activity in the investment market is not always a clear indication of an increased accumulation of capital in the form of savings. It may be and often is the result of enhanced confidence in the future; of a speculation fever; or of a political and fiscal policy which promotes undue credit expansion and a general spirit of false optimism. To this we can ascribe not only the speculation episodes of the Mississippi and the South Sea Bubbles, but the more recent unpleasantness in the financial history of our own nation.

Maj. A. H. Golding Dir. of Sterling Bank

At a meeting of the Board of Directors of Sterling National Bank & Trust Company of New York, Major Arnold H. Golding was elected a director. Major Golding, who was recently released by the Army, entered military service in November, 1940 and served with the Engineer Corps. He is reentering the investment field with offices at 500 Fifth Avenue, New York.

Maj. A. H. Golding

Erickson Heads Comm. Of NASD Dist. No. 2

LOS ANGELES, CALIF.—J. Lester Erickson of William R. Staats Co., Los Angeles, has been elected Chairman of District Committee No. 2 (California and Nevada) of the National Association of Securities Dealers, Inc., effective January 16th.

J. Paul Woolomes, Wulff, Hansen & Co., San Francisco, was chosen Vice-Chairman.

Chas. E. Pond in Spokane

SPOKANE, WASH.—Charles E. Pond has opened offices in the Peyton building to engage in the securities business as originator and distributor of mining, oil, and industrial stocks.

This advertisement 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 a solicitation of an offer to buy any of such securities.

Pressed Steel Car Company, Inc.

4½% Cumulative Preferred Stock, Series "A"

(Par Value $50—Convertible Prior to January 1, 1956)

Of the 85,955 shares of 4½% Cumulative Preferred Stock, Series "A", offered by the Company to its Common Stockholders for subscription at $50 per share, 77,357 shares were subscribed for upon the exercise of the Subscription Warrants which expired on December 21, 1945. The 8,598 unsubscribed shares have been purchased from the Company by the several Underwriters.

Kuhn, Loeb & Co.

December 28, 1945.

Digitized for FRASER
http://fraser.stlouisfed.org/

Public Utility Securities

Pensylvania Power & Light is a subsidiary of National Power & Light in the Electric Bond and Share system. National has been planning for several years to liquidate completely (having now only common stock outstanding). This has been delayed by the problem of "cleaning up" Pennsylvania. The FPC and SEC have desired to adjust the plant account and capital structure of Pennsylvania, and this has finally been worked out. A plant write-off of $26,200,619 is being effected and the company will amortize a further write-off of $25,930,121 over a 15-year period beginning Jan. 1, 1945. Thus plant account(either gross, or net after depreciation) will eventually have been written down by about 23%. A complete refunding of bonds and preferred stocks has been effected, and the latter has been reduced in amount by sale of new common stock for cash.

On a pro forma basis, for the 12 months ended Sept. 30, 1945 (pages 78-9 of the prospectus) the company reported adjusted Federal excess profits taxes of $5,-175,898 and Federal income taxes of $2,511,410. Under the new tax law, savings would amount to 55% of the first item and 5% of the latter, making an aggregate saving of $2,976,000 or $1.19 a share. In the same period on a pro forma basis, the company earned $1.08, so that had the new tax law been in effect, earnings might have been around $2.27 a share.

Pennsylvania Power & Light is more fortunate than many other utilities in that it seems well protected against any substantial cut in rates as a result of the big savings in taxes anticipated for next year. The Pennsylvania Utility Commission on Jan. 3, 1945 found that the "fair value" of the company's rate base as of Dec. 31, 1942, was $220,580,000 of which $202,000,000 was for the electric rate base. The Commission also found that 6% was the fair rate of return on the electric rate base. Earnings of $13,200,000 or more would apparently be permitted by these findings, before there would be any need to overhaul the rate structure. In the 12 months ended Sept. 30, net operating revenues were $9,363,009, and after inclusion of estimated tax savings would approximate $12,339,000, which is well within the earnings "ceiling." The company plans "such further rate reductions as operating and business conditions may warrant," but apparently need not fear any arbitrary and substantial cut next year.

The company serves some 759 communities in Eastern Pennsylvania (including Allentown, Wilkes-Barre, Harrisburg, Lancaster, Bethlehem, etc.) The electric generating stations are rather old, averaging about 22 years, and the company expects to spend about $65,000,000 over the next five years for additions to property. Of this amount, $21,300,000 is the estimated cost of constructing the initial 140,000 kilowatts to be installed at the Sunbury station, together with connections. It is estimated, based on 1944 operating costs, that this station alone will permit a saving of $2,000,000 in operating expenses. About half of the betterment program will be financed through cash, it is expected, and the remainder through sale of additional 3% bonds. So far as the Sunbury plant is concerned, therefore, it might be necessary to issue about $10,650,-000 bonds at an annual interest cost of some $320,000. Deducting this from the estimated savings would leave $1,680,000, and 38% income taxes would further reduce the saving to $1,041,000, equivalent to about 42c a share. This would raise estimated share earnings to $2.69 (although savings from the new station might not be fully realized for several years).

The company has, of course, enjoyed a considerable amount of war or war-related business, although it does not operate in the largest industrial cities. The loss of such business should not have any great effect on earnings, if the experience of the utilities as a whole thus far in the post-war period is any criterion (in the month of October all Class A and B utilities showed a gain in net income over last year of 8%). Pennsylvania Power in September showed a decline in the "balance after charges" of 14%, but this did not reflect the new refunding savings.

National Power & Light recently offered to its own stockholders rights to subscribe to 1,818,700 shares of Pennsylvania, which rights it had received from the latter. National is retaining for the present a balance of 682,033 shares, the remaining amount under the new set-up, and this will be distributed to its own stockholders (along with stocks of Carolina and Birmingham) when it liquidates.

The new Pennsylvania stock was offered at $10 in the ratio of one share for every three National shares held. In early trading the rights sold around 4 and the new Pennsylvania stock around 22 ($10 plus 3x4). Later the stock moved up to 24¾ and is currently around 24. It is still on a "when issued" basis on the Stock Exchange, although the rights have expired; "regular" trading will begin Jan. 2. At the recent price, the stock is selling at over 22 times the pro forma earnings of $1.08 shown in the prospectus, but at only about 10½ times the tax-adjusted earnings, and about 9 times the total earnings including estimated savings from the new projected plant.

PUBLIC UTILITY
PREFERREDS
* * *
PAINE, WEBBER, JACKSON & CURTIS
ESTABLISHED 1879

American Gas & P'r. bds., stk. & warnts.
Associated Gas & Electric Corp. bonds
Central Public Utility 5½s 1952
Crescent Public Service bonds & stock
General Public Utilities stock

GILBERT J. POSTLEY & CO.
29 BROADWAY, NEW YORK 6, N. Y.
Direct Wire to Chicago

The Outlook for Business

(Continued from page 2)

neither chastise you with the past nor frighten you with the future.

A New Era in Economic Evolution

The troubled "peace" which has descended on a warring world marks not only the end of the greatest conflict in history but also the end of a distinct period in the economic and political evolution of the United States. While I hate to say it, it is beyond question that a new era has arrived. The future which this new era offers us can only be glimpsed in dim outline but business men needs must attempt to visualize "the shape of things to come," imperfect though their conclusions may be.

Changes of a basic character have taken place in both the political and the economic spheres. Thus, we are committed, as never before, to cooperation, political as well as economic, in a world dominated by **three** Great Powers. Here at home, the powers of the Government over economic matters have increased and the Government is certain to play an important role in the future business life of our country. Thus, Democrats, Republicans, Socialists, and even the National Association of Manufacturers are all committed to a policy of "full employment" and a higher standard of living, differing only in the methods they advocate for attaining these goals. The productive capacity of our country has increased enormously—new industries have been born, new plant capacity has been developed, and the number of workers has increased. These are bound to cause great changes in competition.

The end of the shooting war practically brought to a standstill our gigantic war production industry and, at the same time, it left in the hands of the Government, huge stores of supplies of all kinds, distributed throughout the world—some usable and some expensive even to scrap! Billions of dollars worth of these goods hang over the markets of the world. Billions of dollars are also involved in the settlement of war contracts.

Added to all of the foregoing, is the further fact that we are undeniably on the threshold of a new power, which promises to be as significant and far reaching industrially as was the discovery of electricity. Although competent scientists estimate that atomic energy cannot be harnessed for productive purposes for another five or 10 years and that even then the utilization will be evolutionary rather than revolutionary, the fact remains that a new and basic form of energy has been broached. Research is now being directed toward wringing this power from the atoms of other, more common, mediums such as air or water, for instance!

Effects of Foreign Conditions

The problems which we face in the United States are further complicated by foreign conditions, which are chaotic indeed.

Europe is economically and politically in almost complete chaos. However, one thing is clear: *the people are groping for a new order in which Government direction and control constitute the keynote!*

All of Asia is in turmoil. China has not yet solved her serious civil strife. Java and Indo-China are in open revolt. Japan is being forcibly reduced to her economic status of 1870. India and the adjacent countries are literally seething with unrest.

In fact, throughout Europe, Asia and the Near East, misery, want, and hunger prevail and constitute a serious threat to political stability. Truly, the Four Horsemen of the Apocalypse ride over a large part of the world today!

Out of this world-wide maelstrom of death, discontent, and suffering there comes an insistent demand for the adoption of a new economic system. This desire for something better is subject to powerful but diametrically opposed influences—one, from Russia, which has captured the imagination of the younger generation and many intellectuals; the other from the United States which during the war so graphically demonstrated the power and productivity of the system of private enterprise. Which system will ultimately triumph in the other countries, no one can say; but the conflict is far more than an ideological one. Raw materials access, market organization and exports and imports, in general, as well as world political alignments will be determined by the choice which the countries of the world make. Clearly, these two opposing influences will play the decisive role in determining the form of the new world which has to be shaped out of the wreckage of war. *Humanity is indeed on the march.*

The Labor Problem

In the year ahead, labor will continue to be public problem number one. The "Little Steel" wage formula and similar wartime compromises have been broken. Labor is on the picket line for an increase in hourly wage rates which will compensate for the elimination of overtime payments. Various other demands are being made by the unions in an all-out effort to maintain and strengthen their position.

The other day, a business man friend of mine said, that some of the demands of labor on some corporations remind him of the forger who worked on a check for three months, only to have it come back marked "insufficient funds."

Nonetheless, these demands have already caused numerous strikes and still more are promised for the coming months. It seems certain that additional labor difficulties will arise when "downgrading" of jobs starts in on a large scale. Also, the disputes between the A. F. of L. the C. I. O. and the John L. Lewis unions will cause trouble. Many unions will have difficulties with internal controversies, particularly the fight between the right and left wings. Still other labor difficulties will arise between the unions and the returned veterans, many of whom will not be willing to become dues-paying members.

The labor force will be in a state of flux caused by the shift of labor from one locality to another and from one industry to another. This shifting will cause problems for Government, for employers, and particularly for the unions.

Labor legislation and legislation affecting labor will add to the problems ahead. Strikes against proposed legislation may be anticipated if bills to modify existing labor laws are pushed in the Congress. Organized labor will certainly strenuously oppose and, almost as strenuously advocate, legislation as it affects their interests.

So far as business is concerned, the principal problem in the entire labor melee will be the attitude of labor toward increased productivity, improved discipline, and new labor-saving devices. From an economic standpoint, this is even more important than any foreseeable possible increase in wages. Indisputably, any increase in wages which is offset by an increase in productivity is bound to have a beneficial and lasting effect on our economy. Conversely, any increase in wages which is not offset by an increase in productivity is bound to have an adverse effect on our economy. In the words of Professor Ludwig von Mises: "On an unhampered labor market, wage rates tend to reach a level at which all those eager to work finally find jobs. Unemployment is only temporary and never affects more than a small fraction of the working force. But if wage rates are raised above this level by the interference of Government or by the coercion of unions, things change. As long as only one part of labor is unionized, the wage rise enforced by the unions does not lead to unemployment, but to an increased supply of labor in those branches of business where there are no efficient unions or no unions at all. The workers who lost their jobs as a consequence of union policy enter the market of the free branches and cause wages to drop in those branches. But if fixing of wage rates above the potential market level becomes general, workers losing their jobs cannot find employment in other branches, and unemployment emerges as a mass phenomenon prolonged year after year."

Let us hope that the wage-cost-price problem of reconversion can be solved without jeopardizing our future welfare in this fashion.

Problem of Prices

The outlook for prices is quite confusing. Never in history has a nation been confronted with such powerful, and yet contradictory, economic influences as is the United States today with the forces of inflation on the one hand and the forces of deflation on the other. Never has there been such fantastic production capacity; never such effective demand. That these opposing forces will stage a mighty tug-of-war during the next 12 months is certain. That the final outcome will depend on the actions of Government, management and labor is equally certain, although not so widely recognized. (And, this is not a political speech!) No one can guarantee what actions will be taken by these three distinct and powerful factors in the situation, so no one can be certain of the final outcome. However, a careful analysis of the pressures toward inflation and the opposing pressures toward deflation, will warrant certain conclusions. And, while such conclusions cannot be guaranteed and are, obviously, subject to revision from time to time, they will be, at least, helpful in meeting the future as it unfolds.

During the coming year the chief inflationary forces will be the relative scarcity of civilian goods, particularly consumer goods (at least initially), and the

Digitized for FRASER
http://fraser.stlouisfed.org/

huge supply of purchasing power in the hands of the people. This maladjustment, in combination with the pent-up demand of the war years and the tendency of many veterans to go on spending sprees, points toward inflation. Furthermore, the relaxation of rationing and price controls and the much greater tendency to violate these controls are also definitely inflationary. Also, there are "floors" under many agricultural products which will prevent them from dropping in price even though a substantial surplus may exist. Moreover, higher wages and increased costs of production, in general, will have to be reflected in higher prices unless efficiency is increased.

Higher Prices Not Inflation

Higher prices, however, are not inflation. I do not fear inflation as the term is understood in Europe — a wild, unreasoning increase in prices. The United States is in the best position of any nation in the world because we have no direct war damage, our productive facilities are far beyond the needs of the country and we have by far the strongest financial position of banks, corporations, and individuals—both credit and capital. Goods can be produced in this country to meet even fantastic demands. And, **goods are the real antidote to inflation.** Furthermore, in the past, inflations have always arisen from depressions—never from booms. And, aren't we going to have a boom next year? Higher prices, yes; inflation, no.

The forces of deflation opposing the inflationary trend are likewise important, widespread, and powerful. The first deflationary influence, in order of importance, is, of course, the decrease in national income, particularly the item, wages and salaries paid out. The increased unemployment and the uncertainty of finding "satisfactory" new employment will discourage spending. Although many people will be out of work, I doubt that unemployment will be very large, statistically speaking. Certainly, it will not be as great as the Government estimated nor will it create the same problems it did in the early 1930's. Most families now have savings to fall back on. Furthermore, unemployment insurance with its reserves of $7 billion is also a new and powerful cushion to unemployment. The psychology of the displaced workers will be much better than in the '30's because they know that their unemployment will be only temporary. Many war workers and returning servicemen will welcome a prolonged vacation after long hours and privations of the war years. Hundreds of thousands of veterans, especially the younger ones, will take advantage of the G. I. Bill of Rights and return to school at Government expense. Large numbers of older men and women will disappear from the labor market. And, finally, there is an enormous backlog of odd jobs for people willing to do them.

The decreaese in hoarding and the probability that many hoarded commodities will be thrown on the market are also deflationary. Moreover, the efforts of merchants and manufacturers to dispose of sub-standard goods as rapidly as possible will have a deflationary effect. And, finally, there is the possibility, although probably remote, of a buyer' strike, particularly in view of the decreased income.

Prices of newly manufactured durable goods will be from 5% to 25% higher. On the whole, prices of basic agricultural commodities should not fluctuate materially unless new legislation is passed to increase the parity prices of many agricultural commodities. Prices of soft goods may tend to decline after six to nine months, but the decline cannot be very great because of the pegged price of cotton and higher wages. During the coming year, particularly the first six months, the inflationary forces will be much more pronounced than the deflationary ones. It seems fairly certain, however, that the remaining controls and the rapid increase in the supply of civilian goods (provided always that the labor difficulties do not disrupt production too much) will keep prices from a runaway, or even pronounced, upward movement. On balance, I do not anticipate a change of more than 10% either way in the Bureau of Labor Statistics index of commodity prices during the next 12 months—however, the chances favor an increase rather than a decrease.

Trade Outlook Good

The outlook for trade is good. Certainly, domestic trade in civilian goods will increase in volume and in value, **but the increase will not be uniform.**

Sales of durable consumer goods such as automobiles, refrigerators, washing machinery, and household furniture, will increase with the rise in the supply of the articles. The millions of men and women released from the services will greatly increase the sales in many lines as they buy clothing and the other items of a civilian outfit; furthermore, demobilization will cause the number of marriages to increase sharply, thus creating a demand for household goods of all kinds. There will also be an increase in the sale of certain food items as the supply of scarce commodities becomes more plentiful, although this will not be as great as some people expect.

Sales of many luxury goods may decline because of the drop in national income and because more useful articles will again be available in the market. There is an even chance that articles sold to women may decline from the high peak of the present year. There is also the probability that people may hold back in their purchases in some lines in anticipation of better quality goods and possibly lower prices.

In the next 12 months, you will witness the beginning of the great changes in the methods of distribution which will take place in the future, as manufacturers and distributors strive to reduce the costs of distribution as an offset to the increased costs of production.

The end of lend-lease activities will cause the volume of exports to drop sharply but foreign trade of a commercial character will be in as large a volume as credit, government restrictions, and available supplies permit—that is, it will increase and, in general, will be in good volume.

From another standpoint, the volume of civilian trade has to increase during the coming year as any other course would hazard our way of life! In view of the world-wide trend and the present temper of labor, I fear that any prolonged sharp decrease in civilian production will create serious disturbances in our economic and social life. Undoubtedly, the Federal Government would resort to artificial measures to counteract or prevent such a development. In one way or another, the volume of trade will be maintained at a politically satisfactory level.

Summary

To summarize the outlook for the next twelve months, may I say that, on the basis of the present economic factors and government policies, it is my considered judgment that:

1. Business activity, unless further disrupted by strikes, has reached its lowest point and we should witness an increase from now on.

2. The movement of prices will be uneven but there is no great danger of a sharp inflationary or deflationary development.

3. Labor confronts us with our greatest post-war problem — and the prime question is whether the increases in wages, which are certain to be granted, will be followed by efficiency and discipline reflected in increased productivity.

4. We must avoid sharp increases in costs which will jeopardize reconversion and also the volume of business during the "catch-up" period.

5. The volume of private trade, both domestic and foreign, will increase.

All in all, the next year will be one of transition—and, its developments will have far-reaching consequences on the future of our country. The developments of the next twelve months should also give a clear indication as to whether private enterprise or government ownership will prevail in the United States. In short, a busy and momentous year lies ahead.

In the geographically inaccurate but philosophically true words of the great humorist Harry Hershfield: *"America is still the land of opporutnity.* The only foreigner who didn't make any money here was Columbus."

Credit Men's Survey Points To Prosperity in 1946

(Continued from page 7)

style or equipment"? Ninety per cent replied they did not intend to buy new automobiles in 1946 but would wait for the completely remodeled cars expected in later years.

As to whether their wives would buy new household equipment such as ironers, washing machines, refrigerators, vacuum cleaners, the replies were evenly divided, 50% saying such purchases would be made and the other half indicating they would get along with their present household equipment.

In response to the question: "Are you intending to save more and spend less in 1946, or save less and spend more or are your budgetary and thrift program to remain the same?"—only 38% reported they planned to save more and spend less. Fifty-four per cent said they would continue on the same budget and only 8% indicated that it would be necessary to spend more and save less.

Ninety per cent reported they had not changed their habits of church attendance during or since the end of the war and only 36% said they planned to give more for charity and for the support of their church in the year ahead. Fifty-eight per cent indicated no changes in this regard.

Wages and salaries of white collar workers have been increased since V-J day by 72% of the companies represented by the executives reporting on this survey. In addition 14% reported that such increases were now under consideration.

As to the prospect for full employment, 50% indicated that the country could expect five years of full employment and prosperity. This period was shortened to three years by 30% and the replies from the balance of the group ranged from one year to fifteen years.

Termination settlements of war contracts have been satisfactory according to 98% of responses. Mr. Heimann pointed out that this response is quite encouraging and indicates that the government is doing an excellent job in handling terminated war contracts.

Advertising will play an important part in the business plans of the larger manufacturers and wholesalers in 1946 as 66% reported their companies would spend more on advertising in the new year.

Surplus war material does not make a strong appeal to the average company, only 24% indicating they had plans for the purchase of such goods.

Mr. Heimann's Views of 1946

In his own year-end review of business Mr. Heimann predicted high production in 1946, especially in the latter half of the year, with a period of reasonably full employment and quite satisfactory earnings for industry. He points out that the urgency of immediate demand will taper off in the closing quarter of the year and that the consumer will become less eager in his buying and show more discrimination in his selection. He predicted that the holiday trade for 1946 will amount to a tremendous volume, but that customers will be much more choosy as to the values offered in such merchandise.

"The intense desire of people in other lands to start producing will at the close of the year begin to manifest itself in certain types of foreign competition in limited lines," Mr. Heimann pointed out. "This no doubt will once again bring to the fore the question of a measure of protection to our industry and our labor market. If any action is taken along this line it will have to be based upon sound statesmanship.

"Failures in 1946 are bound to increase since they have been at an all time low during the war period. However, they will not be out of line and in comparison to pre-war years they will be reasonably limited in number and liability.

"The great need during 1946 is the establishment of a sound fiscal policy on the part of the government.

"The labor-management relationship should begin to show a definite improvement by the middle of the year. It is not unlikely that 1946 will see the peak of these disturbances past.

"The return on dollar of sales will be less in '46 than in the prewar years but the volume of sales will be larger. Over a long range period of time the return on capital invested in business, despite further tax consideration, will be lowered. This is a tendency and a trend throughout the world.

"Home construction will get started in a large way in 1946. The railroads will schedule heavy expenditures for improvements. The airlines will expand their service and routes and speed up their flights. There will be credit in abundance for those worthy of it.

"The farmers of the nation will be reasonably prosperous during '46.

"In 1946 this nation has an opportunity to set the pattern for a sound recovery and a reasonable prosperity. If we act wisely and cooperate well the influence of our record of reestablishing peacetime production and prosperity will have a favorable reaction throughout the world.

"If labor and management can straighten out their difficulties the automobile industry and the home appliance industry will come near to establishing new peaks in production, particularly during the last six months of the year. Much needed road construction will be undertaken and the states are in excellent position to do this.

"Some of the wartime controls will have to carry forward in the interest of preventing inflation, but in general wherever we can eliminate wartime regulations and get back to an unrestricted free enterprise economy our possibilities of doing a good peacetime job will be tremendously enhanced.

"Finally, after years of deficit financing, 1946 should lay the groundwork for reaching a balanced budget no later than 1948. If that is done the restoration of confidence will be a tremendous factor in our peacetime recovery."

Hirschmann at Lewisohn

Lewisohn & Co., 61, Broadway, New York City, members New York Stock Exchange, announces that Otto Hirschmann has become associated with them.

This advertisement appears as a matter of record only and 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.

$300,000

The Wilcox-Gay Corporation

Twenty Year 5% Convertible Debentures

Dated December 31, 1945 **Due December 31, 1965**

Price 100% and Accrued Interest

Copies of the Prospectus may be obtained from the undersigned

Kobbé, Gearhart & Company
Incorporated

December 31, 1945

Digitized for FRASER
http://fraser.stlouisfed.org/

Mutual Funds

Some Suggested Resolutions for 1946

The dearth of investment company literature coming to hand over the holiday week gives us an opportunity to apply the needle gently at certain points where a little constructive criticism appears to be in order. If we were permitted to suggest some New Year's resolutions for the investment company field, they would be along the following lines.

Capital Gains Dividends

At present net profits realized by mutual funds from the sale of securities in the ordinary and continuous process of managing their investments must be paid out to shareholders each year if they are to maintain their status as "regulated investment companies." The importance of maintaining such status is that otherwise they are treated as ordinary corporations and become subject to federal income taxes. Under present laws, these net realized profits are paid to shareholders in the form of "extra dividends" and are taxable to the shareholder at the long-term capital gains rate.

Thus, during periods of rising markets shareholders of mutual funds inevitably receive each year a part of the appreciation on their invested capital in the form of dividends on which they must pay taxes. Even if they reinvest these profits in the same mutual fund from whence they were received, the profits are still taxable to the shareholder.

Entirely aside from the possibility of shareholders confusing these profits with ordinary dividend income (and many do), the arrangement is obviously unfair both to the shareholder and to the investment management of a mutual fund. It may increase the taxes and the investment costs of those shareholders who wish to maintain a fully invested position. And it seriously hampers the freedom of investment management by injecting a complicated tax problem into each investment decision.

We therefore suggest as Resolution No. 1 that investment company managements make a concerted effort during 1946 to have this situation remedied by appropriate legislative action. If there are any sound reasons why complete freedom in the paying out or reinvestment of net realized profits should not be accorded to bona fide mutual funds, we have yet to learn what they are.

Distribution Charges

How many times have we heard in the past year that the "load" on investment company shares is too high! Not only has the charge come from elements whose interests run counter to the field, but of late we have heard the same thing from dealers and from investment company sponsors themselves.

In fact, now that 5% has been established as a practical maximum by the NASD on over-the-counter transactions, we have noted a sense of sheepish apology in some dealers for accepting as much as 6% or 7% on the distribution of investment company shares. And yet the purchase of investment company shares by an investor is in no way comparable to a transaction in an over-the-counter security.

The investor pays a load on both the purchase and the sale of an over-the-counter security—which may amount to 10% for the round trip. The distribution charge he pays for his mutual fund shares covers both sides of the transaction. And in the first instance he is simply buying an individual security with all the risks that kind of transaction involves. Whereas in a mutual fund his investment covers a carefully selected, broadly diversified group of securities of leading American corporations. And in addition, through the mutual fund he derives all the advantages of cooperative investing, including ready, guaranteed marketability of his shares.

When it comes to listed securities, anyone who has ever stopped to figure it out knows that to invest on a round-lot basis in a list similar to the investment holdings of the average mutual fund would require far more capital than most investors possess. And even to approximate the holdings of the average mutual fund on an odd-lot basis would cost the investor substantially more than if he were to invest through the fund. On a $1,500 investment, the round-trip costs of investing in as few as 20 or 30 securities will usually run between 12% and 16% of the total investment.

The complaint that a handful of investment company sponsors are making big profits as a result of present distribution charges is just another echo of the New Deal cry that no man should be permitted to earn more than $25,000 a year except the President. The plain fact is that, of the roughly 35 investment company sponsors presently active, the great majority are making no more than a fair living out of a job well done. To reduce the present rates substantially would force many of them to curtail their activities or to go out of business altogether. The end result would be a concentration of the investment company business in the hands of a few of the bigger, better established sponsors.

And so we suggest as Resolution No. 2 that investment company sponsors and affiliated dealers get busy and present the facts about present distribution costs of mutual fund shares. What will these facts show? They will show that the average equity investor today gets more for his money at a lower cost through mutual funds than in any other form of equity investment.

"Trust Shares"

Although the old fixed trusts are no longer an active factor in the investment company field and bear no relation to modern mutual funds, they are still a sore spot in the minds of many. Why the industry then should continue to seek public acceptance under an outmoded and unsavory label is difficult to understand. Today most mutual funds take the corporate form; and those which do not lose nothing but rather gain by being known as "investment companies" or "mutual funds." The Investment Company Act of 1940 established legal precedent for the first; and the old Regulation Q of the Internal Revenue Code set similar precedent for the title, "mutual," in connection with these funds.

As Resolution No. 3 therefore, we suggest that investment company sponsors make a continuing effort during 1946 to bring about elimination of the term "trust shares" in connection with the industry. (N. B. There are a lot of newspapers throughout the country which will need "educating" on this point.)

Here's wishing the investment company field and all who are connected with it a bigger and better 1946!

LOW PRICED
SHARES
of GROUP SECURITIES, Inc.
A PROSPECTUS ON REQUEST FROM YOUR INVESTMENT DEALER OR
DISTRIBUTORS GROUP, INCORPORATED
63 Wall Street • New York 5, N. Y.

One of the
NATIONAL SECURITIES SERIES
LOW-PRICED BOND Shares
Priced at Market
Prospectus upon request from your investment dealer or
NATIONAL SECURITIES & RESEARCH CORPORATION
120 BROADWAY
New York 5, N. Y.

Keystone Custodian Funds
★
Prospectus may be obtained from your local investment dealer or
The Keystone Company of Boston
50 Congress Street, Boston 9, Mass.

THE LORD-ABBETT GROUP
OF INVESTING COMPANIES
Union Bond Fund A
Prospectus upon request
LORD, ABBETT & CO.
INCORPORATED
New York • Chicago • Philadelphia • Atlanta • Los Angeles

SHARES OF CAPITAL STOCK OF
INCORPORATED INVESTORS
Prospectus may be obtained from your local investment dealer, or
THE PARKER CORPORATION
ONE COURT STREET, BOSTON 8, MASS.

Gahan to Manage Dept. For Schoellkopf Co.

Schoellkopf, Hutton & Pomeroy, Inc., announces that John P. Gahan has become associated with them as manager of the corporate trading department in the New York office, 63 Wall Street. Mr. Gahan is well known in trading circles and for the last four years has been associated with Holsapple & Co.

The George
PUTNAM FUND
of Boston
Prospectus upon request
Putnam Fund Distributors, Inc.
50 State St., Boston

R
REPUBLIC INVESTORS FUND Inc.
Founded 1932
W. R. BULL MANAGEMENT CO., INC.
Distributors
15 William St., New York 5

Blair & Co. Acquires Blair Securities Corp.

The acquisition of all the outstanding stock of the Blair Securities Corporation has been approved by directors of Blair & Co., Inc., 44 Wall Street, New York City. Blair Securities Corp. deals in government securities with offices in New York, St. Louis, Pittsburgh, Buffalo, Boston, Philadelphia, Cleveland, Chicago, Los Angeles, and San Francisco. The parent organization, Blair & Co., Inc., has more than 80,000 stockholders concentrated chiefly on the Pacific Coast.

Melady & Co. To Be Formed in New York

Melady & Co. will be formed with offices at 14 Wall Street, New York City, to engage in the securities business, effective Jan. 15th. Partners in the firm, which will hold membership on the New York Stock Exchange, will be William J. Melady, the Exchange member, Arthur V. Crofton, Frederic C. Shipman, general partners, and John Melady, limited partner.

William J. Melady has recently been active as an individual floor broker; prior thereto he was a partner with John Melady in John Melady & Co.

H. F. Boynton & Co. Opens in New York

Formation of the firm of H. F. Boynton & Co., Inc. to engage in the investment securities business at 2 Wall Street, New York City, has been announced by Herbert F. Boynton; Elwood D. Boynton, Commander, U. S. Naval Reserve; and Rodney Boynton, Lieutenant, U. S. Naval Reserve. Formation of the new firm was previously reported in the Financial Chronicle of Dec. 20.

Resume Duties at Hirsch

Hirsch & Co., 25 Broad Street, New York City, members New York Stock Exchange, announces that Major Daniel T. Pierce, Jr., A.U.S., and Lt. Alphonse A. Shelare, Jr., A.U.S., have resumed their activities as general partners in the firm.

Rejoins G. B. Gibbons Co.

Geo. B. Gibbons & Company, Inc., 49 Wall Street, New York City, dealers in municipal bonds, announces that Lt. Geo. B. Gibbons, Jr., A.U.S., Inf., has been released from active duty and has resumed his activities as a vice president of the corporation.

With Lionel D. Edie Co.

Lionel D. Edie & Company, Incorporated, New York City, announces that William M. Bennett, Lt. Commander U.S.N.R., has resumed his association with them and has been elected a vice-president, and that Gordon F. Wing, Lt. Commander, U.S.N.R., has joined the organization as an account supervisor.

Manhattan Bond Fund, Inc.
The Board of Directors of Manhattan Bond Fund, Inc. has declared Ordinary Distribution No. 30 of 9 cents per share and Extraordinary Distribution of 5 cents per share payable January 15, 1946 to holders of record as of the close of business January 5, 1946.
HUGH W. LONG and COMPANY
Incorporated
National Distributors
48 Wall Street, New York 5, N. Y.

igitized for FRASER
ttp://fraser.stlouisfed.org/

Economic Fallacies of the Ability-to-Pay Wage

(Continued from page 4)
conditions. From a long time point of view inflation is probably the Government's most difficult and dangerous problem.

The Best Solution

There is no simple solution to these maladjustments created by the war conditions and practices. Unless there is a spirit of give and take on all sides in order to arrive at the best possible solution for the permanent good of all, any near term settlement of the difficulties seems improbable. If each of these wage-price difficulties is to be fought out on the basis of who can endure the longest, no one will gain and we will all be much poorer.

Present and future wages must come out of production within reasonable time. If enterprise is to continue the people who save and furnish the venture capital must also be paid. Rent must be paid, and management must seek its best opportunities. No factor of production will serve very long without pay, and at as high pay as it can command in another occupation. If prices are maladjusted, the best procedure in adjusting prices to costs should be found and adopted. If the excess money and credit threaten inflation, either this factor must be operated upon for the best solution of the over-all conditions, or both prices and wages be adjusted to the inflation. It seems clear that no one of these major interrelated price-wage-inflation problems can be settled separately. Each is a separate leg under the same stool.

Regardless of the means or the procedure then the best solution and the only workable solution to the wage-price problems is the adjustment of prices and costs into a balance, and then allow free competition to carry on this balance. It is easy enough to say that prices must equal costs if production and employment are to be resumed and continued on a sustaining basis. But it is quite another matter to bring about this adjustment with fairness to all concerned.

It Takes Capital to Make Jobs

A large part of the savings accumulated will be required to reconvert to peacetime production, provide the new equipment needed, and if new jobs are to be provided new additions to capital must be made. The amount of capital required per job varies with the industry and its location. While there is no definite figure for the amount of capital per job in all industry that will tell the correct requirements, it has been established many times that the amount of capital per job varies from one to fifty thousand dollars per employee. A grocery store might require not over five to fifteen thousand dollars worth of capital per employee, while a manufacturing business might require many times this amount of capital per employee. One manufacturer of food products reports that in his business stockholders and bondholders have supplied $42,000 worth of capital per employee. This capital has to come from people who save, and stockholders who sacrifice dividends. If corporations are compelled to use up their present savings and even expand their capital to pay wages to present employees, then there must inevitably be fewer new jobs for new employees. It is estimated that we need about 10 to 12 million more jobs in the post-war years than in the pre-war years because of the increased number of people of employable age looking for jobs. Furnishing these jobs depends upon the supply of capital and the ability of these employers of capital to venture with confidence. To ask corporations to pay out their reserves in increased wages to support an inflationary rise in prices, instead of holding down costs and prices and increasing production, is certainly not for the best interests of labor or the economic welfare of the country as a whole. Such a policy would be the equivalent of consuming the seed corn instead of saving it for production.

Wages Based Upon Ability to Pay Would Destroy Private Initiative

It all sounds very plausible that a corporation manager or any other employer should pay wages according to his ability. This theory and the theory of the graduated tax based upon ability to pay have something in common. Either of these two theories carried to their logical ends would take away all profit and set up economic fascism. If there is nothing to be gained by sacrifice, research, skill and extra effort, what will encourage these endeavors?

Under these theories, the unsuccessful business would pay very low wages, the less successful the lower the wages. The successful business would pay high wages and thus destroy an inducement to succeed. Under the free competition, free enterprise system, the unsuccessful business will not be able to keep efficient labor, and will soon be driven out of business. Whereas the successful business will be able to pay good wages, and reward according to the contribution all factors of production. The profits of success will be used for further increase in production and profits, and by increasing production and jobs, produce more goods and services for everyone. This increased efficiency will expand production and employment and increase the purchasing power of money wages. When one factor of production is favored by discrimination against the other factors, such as wages according to the ability to pay, the other factors of production will soon abdicate and take flight to some place of greater safety. The application of this theory would soon put an end to private initiative, in my opinion, and all production and employment would decline to the point where the Government would necessarily have to regiment production and distribution in order to keep order and feed the hungry.

If there is a real ambition to bring about fascism or communism in this country by indirection, I think it can be done by enforcing this theory upon employers. I do not believe that many people in responsible position want these results.

A Constructive Solution to the Present Wage-Price Conflicts

It is easy to criticize but it is not easy to find a solution to the present complicated wage-price conflicts which have grown out of the war. As an effort toward the best possible solution the following program is suggested:

1. Both labor and management resume work immediately and proceed as rapidly as possible to get into full production in order to avert the threatened depression and inflation that the present cessation of production will bring about if continued.

2. An institute to settle labor disputes equitably be set up with the following representation:

(a) Two representatives for labor elected or selected by whatever manner chosen by labor organizations.

(b) Two representatives from capital and management selected by ways and means to be arranged.

(c) Two representatives from agriculture to be selected by the farm organizations.

(d) And one representative from the Government representing the Bureau of Internal Revenue.

The expenses of each member of this institute and their services to be paid for by the respective organizations they represent, and the Federal Government will bear the expenses of the representative of the Bureau of Internal Revenue.

All labor disputes of whatever kind for the next three years will be settled by this institute, and their findings and decisions will be final.

In my opinion labor, capital (the security holders), management, the Government and the consuming public would benefit from this businesslike method of working out of our present economic maladjustments and difficulties.

Also I think the rest of the world would have more respect for our economic and democratic theories if we run our own affairs with less internal struggle, and more reason.

Loud, Brietbart Named By F. Eberstadt Co.

F. Eberstadt & Co., Inc., 39 Broadway, New York City, announces the election of Nelson Loud as Vice-President and a director and the election of Daniel Breitbart as Treasurer and a director. Both Mr. Loud and Mr. Breitbart have been associated with the company since its inception.

Robt. Rich Resumes Duties As Chas. Clark Partner

Robert H. Rich is resuming his active partnership duties in Charles Clark & Co., 72 Wall Street, New York City, members New York Stock Exchange, following three years service, principally in the European Theater, with the Army of the United States.

Coal Prices Boosted

An increase of 10-cents a ton in retail coal prices all over the nation was granted on Dec. 28 by the Office of Price Administration, following authorization by the Office of Economic Stabilization. The increase became effective Jan. 2.

BUR-MIL QUALITY

BURLINGTON MILLS CORPORATION

(and Subsidiary Companies)

THE PAST YEAR: The 1945 fiscal year was one of continued forward progress for Burlington Mills. Both total sales and net income reached new peaks. Earnings on common stock after preferred dividend requirements amounted to $2.63 per share. V-J Day found our schedules sufficiently flexible for reconverting with a minimum of delay. Through additional acquisitions in this country and abroad the company further solidified its position as the world's largest fabricator of man-made yarns. During the year the company also simplified and strengthened its capital structure.

THE FUTURE: The need for rayon textiles will continue to exceed the supply for some time. In meeting this demand, we plan to carry forward our program of fabric development and plant improvement and expansion. As in the past, our constant aim will be to produce improved fabrics at lower cost. With the release of nylon for hosiery and the recent additions to our hosiery capacity, this phase of our operations will assume greater importance than in the past.

CONSOLIDATED STATEMENT OF PROFIT AND LOSS
For the period from October 1, 1944 to September 29, 1945

Sales, less discounts and anticipation, returns and allowances		$108,199,846.75
Cost of sales, exclusive of depreciation and amortization		85,800,892.86
Gross profit, before depreciation and amortization		22,398,953.89
Selling, general and administrative expenses	$4,982,306.66	
Depreciation and amortization	1,764,248.37	6,746,555.03
Operating profit		15,652,398.86
Other income		305,840.23
		15,958,239.09
Other deductions (including charitable donations of $619,862.04)		1,378,016.69
Net profit before provision for Federal, foreign and state taxes on income and before minority interest		14,580,222.40
Provision for Federal, foreign and state taxes on income:		
Federal excess profits taxes (after deducting special tax credit under Tax Adjustment Act of 1945)	$6,555,749.52	
Federal income taxes	2,188,464.50	
Foreign and state income taxes	740,788.13	9,485,002.15
Net profit, after taxes, before minority interest		5,095,220.25
Less: Net profit of subsidiary companies applicable to minority interest		114,491.47
Net profit transferred to Consolidated Earned Surplus		$ 4,980,728.78

Total assets of the company as at September 29, 1945, amounted to $55,108,640. The working capital position was further strengthened during the year. Current assets were $37,590,063 compared with current liabilities of $9,168,971, a ratio of 4.1 to 1. Cash and Government securities amounted to $13,555,492.

J. SPENCER LOVE, *President.*

Digitized for FRASER
http://fraser.stlouisfed.org/

Bank and Insurance Stocks

By E. A. VAN DEUSEN

This Week — Insurance Stocks

Insurance is a "growth" industry, as was demonstrated in this column in the Dec. 9, 1943, issue of the "Chronicle." In addition, it is an industry that can point to a record of earnings and dividend payments which stretch unbroken over many decades. For example: Security of New Haven has paid dividends without interruption for 51 years; Hartford Fire for 72 years; Hanover Fire for 85 years; Continental Insurance for 92 years; North River for 107 years and Franklin for 114 years. This combination of dependability and growth renders the stocks of selected companies attractive investment media for conservative long-term investors who require both regularity of income and equity growth.

According to Best's "Aggregates and Averages," the total volume of net premiums written by all stock fire insurance companies has risen from $934,000,000 in 1925 to $1,139,000,000 in 1944, or 22.5%. True, this is not a startling growth in 20 years, but it should not be overlooked that since 1925 the average net premium rate for fire insurance has dropped from approximately $1 to $0.60, or 40%, consequently, actual expansion in the dollar value of risks written is far greater than the 22.5% indicated by premium volume growth. Total assets have increased from $2,022,583,000 to $3,229,927,000, or nearly 60%; policyholders' surplus, which comprises capital and surplus, has more than doubled, having expanded from $815,198,000 to $1,693,601,000.

It may now be of interest to examine the earnings trend of stock fire companies over the past 20 years. Instead, however, of using aggregate figures of the 300-odd companies covered by Best's "Aggregates & Averages," the record of 21 of the better known companies have been used, whose stocks are quoted daily in the New York "Times" and other papers.

Total net operating profits comprise net underwriting profits and net investment income; underwriting profits, however, fluctuate widely, depending on fire and other losses, but net investment income is relatively steady. The year 1925 was one of rather heavy fire losses and of relatively low underwriting profits; because of this, any comparison of earnings in subsequent years with 1925 as a base, would be misleading. In this study, therefore, average total net operating profits for the three years 1925-26-27 have been used as the basis of comparison and as representing a fair measure of the normal earning power of the insurance companies in the late twenties.

Total net operating profits of the 21 companies amounted to $23,770,000 in 1925, $28,711,000 in 1926 and $46,055,000 in 1927. The three-year average is $32,845,000 and this amount we designate as 100. In subsequent years their total net operating profits fluctuated as follows:

TABLE I

Year	Index of Total Net Operating Profits
1925-6-7 Aver.	100
1928	171
1929	196
1930	122
1931	134
1932	78
1933	147
1934	158
1935	183
1936	150
1937	166
1938	142
1939	150
1940	157
1941	157
1942	109
1943	166
1944	137

It will be observed that only in one year, 1932, did total earnings drop below the base period; it will also be noted that 1929 was the peak year. In 1942, earnings were severely affected by heavy submarine losses, while 1944 earnings were depressed by excessive war-induced fire losses. Despite these unfavorable factors, including the 40% lower premium rates, their 1944 total net operating profits were 37% above 1925-6-7 figures.

Not all companies, however, show up as favorably as the group, several showing a downward trend and lower profits in 1944 than 20 years ago.

For example, the following eight companies show earnings trends *below* that of the group, but with a 144 earning's index greater than the 100 of 1925-27: Agricultural, 128; Continental, 123; Hanover, 123; Home, 112; North River, 123; Phoenix, 117; St. Paul, 145, and U. S. Fire, 115. In the case of St. Paul, it is interesting to state that, although its trend has been below he group trend, its 1944 earning's index of 145 is above the 1944 group index of 137.

The following eight companies not only have earnings' trends below the group trend, but their 1944 earnings fell below their 1925-27 earnings, as will be noted in the earnings index which in each case is less than 100: Aetna, 95; Fire Association, 96; Franklin, 54; Great American, 90; National, —11; New Hampshire, 93; Providence Washington, 98, and Springfield, 52.

The following five companies are outstanding in that their earnings trends have been well above the trend of the group: Boston, 165; Fidelity-Phenix, 161; Hartford, 225; Ins. Co. of N. A., 277; and Security of New Haven. In the case of Security, its trend has been well above the group trend until 1944, when its index fell to 91 compared with 137 for the group. In 1943, however, its index was 189 compared with 166 for the group.

In general, it can be said that net operating earnings moved up from the 1925-27 level to a peak in 1929, then declined to the 1932 depression low, and since then have moved irregularly upward. However, the variation between individual companies is very great and is deserving of careful study by those interested in making selections for long term investment.

Current Low Bond Yields a Dangerous Cause of Bullishness

(Continued from page 3)

view of developments which militate against a return to those relationships. The following table illustrates clearly what appears to be an unfavorable trend in the relationship of bond and stock yields.

Barron's Bond-Stock Yield Ratio

(Barron's High Grade Bonds—Barron's 50 Stocks)

Highs		Lows	
1.27	Sept. 3, 1929	.37	July 8, 1932
.95	July 18, 1933	.29	March 31, 1938
.76	Nov. 12, 1938	.21	April 28, 1942

It should be noted that the yield on Barron's 50 stocks is the earnings yield and not the dividend yield and consequently presents a somewhat different picture than if the dividend yield were used. It does, however, eliminate certain exaggerations which the dividend yield produces, such as the abnormal dividends in 1936 and 1937, and thereby portrays the long term trend more clearly. And the use of the dividend yield would reveal the same long term trend.

Obviously a large part of the reason for the inability of stock yields to return to the relationship with bond yields that they enjoyed at many times in the 1920s, when stock yields frequently were below bond yields, arises from the steady decline in bond yields. The more than halving of the yield on Federal government bonds and the almost halving of the yield on highest grade corporate bonds has been too much for stock yields to keep up with. This inability throws the burden of proof on those who claim that stock yields again will go below highest grade corporate bond yields just because they have done so in the past.

When highest grade corporate bonds yielded 4¼% it was not too difficult for the investor to accept a yield of 4 or even 3½% on common stocks as long as the future seemed optimistic. But this was in an era in which it was not unusual for stocks to yield less than bonds and in which the close approach of stock yields to bond yields had yet to be recognized as a potential danger signal for stocks. It also was an era in which bond yields rose during the last two years of the bull market and facilitated the decline in stock yields to a level lower than bond yields.

If, as seems to be generally accepted, the yield on highest grade bonds will not vary materially from its current level of 2.62% (Barron's) then common stocks must sell to yield only 2½% to reach the historical relationship. That an average such as the Dow Jones industrial average can reach such a figure is highly questionable. The variation in yield on the issues composing the average is very wide and there is no reason to believe that it will not continue to be so. Consequently, for the average to yield as little as 2½% it will be necessary for at least a third of the issues in the average to sell to yield 2% or less. Theoretically this is not impossible but actually it seems to be. Even to get the yield on the Dow Jones industrial average down as low as 3% will be extremely difficult.

But more important in this whole question is the fact that the present low yield on Federal government bonds and on highest grade corporate bonds, is the result of consistent and successful efforts on the part of the Federal government to reduce interest rates and, once having reduced them, to keep them at low levels. Immediately then there must be recognized that the heavy hand of government controls is a factor in the situation.

This very factor of government control must also be given recognition in relation to stock prices and dividends and the consequent effect on stock yields. The effect of government controls on the railroads through ICC and the consequent effect upon railroad earnings, stock prices, and dividends, have been written about too often to need comment here. Let it suffice to point out that the Dow Jones rail average at the same levels in 1937 and 1945 respectively yielded 3.2% and 4.4%. The effect of government regulation upon the prices of both utility holding company and operating company equity securities is too recent a development to warrant elaboration. It is possible to detect an adverse effect upon the earnings and dividends of the stocks of some industrial companies, not only currently but over the course of a number of years, as the broad trend towards increased government control has continued. It seems reasonable to suppose that the presence of this trend will be an important factor in restraining common stock yields from returning to the historical relationship with bond yields.

It also seems unlikely that when investors feel that stock prices are high enough they will be much influenced by the argument that "there is nowhere else to go" with their money. A difference in yield between stocks and bonds of ½, 1, or 1½% will seem of little moment compared with the relative capital safety of bonds.

In conclusion it can be said that: (a) some further narrowing of the spread between stock and bond yields is to be expected before the end of this bull market is reached, and this justifies retaining the relationship between stock and bond yields in the ranks of the bullish arguments at the present time. (b) Nevertheless it must be recognized that there is a real danger that an unwarranted expectation of a repetition of the experience of the 1920's will influence many investors to overstay the market at the top.

BANK and INSURANCE STOCKS

Laird, Bissell & Meeds
Members New York Stock Exchange
120 BROADWAY, NEW YORK 5, N. Y.
Telephone: BArclay 7-3500
Bell Teletype—NY 1-1248-49
(L. A. Gibbs, Manager Trading Department)

National Union Fire Insurance Co. of Pittsburgh
Bought—Sold—Quoted

A. M. Kidder & Co.
Members New York Stock Exchange and other leading exchanges
1 WALL ST. NEW YORK 5
Telephone Digby 4-2525

NATIONAL BANK of INDIA, LIMITED
Bankers to the Government in Kenya Colony and Uganda
Head Office: 26, Bishopsgate, London, E. C.
Branches in India, Burma, Ceylon, Kenya Colony and Aden and Zanzibar
Subscribed Capital £4,000,000
Paid-Up Capital £2,000,000
Reserve Fund £2,200,000
The Bank conducts every description of banking and exchange business
Trusteeships and Executorships also undertaken

PRIMARY MARKETS IN BANK and INSURANCE STOCKS

GEYER & CO.
INCORPORATED
BOSTON 9 — 10 Post Office Square — HUBBARD 0650 — BS-297
NEW YORK 5 — 67 Wall Street — WHITEHALL 3-0782 — NY 1-2875
CHICAGO 4 — 231 S. LaSalle Street — FRANKLIN 7535 — CG-105
PRIVATE WIRE SYSTEM CONNECTING: NEW YORK, BOSTON, CHICAGO, PHILADELPHIA, ST. LOUIS, LOS ANGELES
HARTFORD, Enterprise 6011 PORTLAND, Enterprise 7008
PROVIDENCE, Enterprise 7008

BANK OF AMERICA
ARDEN FARMS COMPANY
KAISER-FRAZER CORPORATION
KERN COUNTY LAND COMPANY
PACIFIC GAS AND ELECTRIC COMPANY
(Preferreds)
SAN DIEGO GAS AND ELECTRIC COMPANY
Bought Sold Quoted

FIRST CALIFORNIA COMPANY
INCORPORATED
INVESTMENT SECURITIES
300 Montgomery Street, SAN FRANCISCO 20, YUkon 1551, Teletype SF 431 - 432
650 South Spring Street, LOS ANGELES 14, TUcker 3151, Teletype LA 533
Oakland San Jose Stockton Long Beach Santa Ana Monterey San Diego Beverly Hills Fresno Sacramento Pasadena Reno, Nevada

Australia and New Zealand
BANK OF NEW SOUTH WALES
(ESTABLISHED 1817)
Paid-Up Capital £8,780,000
Reserve Fund 6,150,000
Reserve Liability of Prop. 8,780,000
£23,710,000
Aggregate Assets 30th Sept., 1945 £223,163,622
THOMAS BAKER HEFFER, General Manager
Head Office: George Street, SYDNEY
LONDON OFFICES:
29 Threadneedle Street, E. C. 2
47 Berkeley Square, W. 1
Agency arrangements with Banks throughout the U. S. A.

Digitized for FRASER
http://fraser.stlouisfed.org/

The Cost of Compulsory Military Training

(Continued from page 5)

costly procedure because it assumes that other nations or military alliances are preparing for war. Hence there is the likelihood of armaments races and tension politically which would require more and more money for "defense."

Independent military planning. This course of action involves planning not only against any particular aggressor but as the United States War Department spokesmen say, against "any combination of aggressors." This is unquestionably the course of action now being recommended by American military planners. Hence plans for a navy larger than all other navies in the world combined—and an air force second to none—and unilateral control of the atomic bomb—and universal military training.

This is the most costly of all security plans. It inevitably involves an armaments race with other nations. Only by more and more money could the United States continue to surpass all other nations in "preparedness." Not only would this require great economic resources and huge taxation, but in a world armed to the teeth as a result of an arms race there could be no real security. Ultimately the United States could not compete against the rest of the world unless we were to engage in war and conquest, thus preventing certain competition.

Huge Costs Lead to War

The money to pay for large military establishments comes in the long run from taxation of the people unless the State assumes control over all the nation's resources. In any event the people will permit their money or their resources to be used for more and more military preparations only if there is a real possibility or threat of war. Consequently the Generals, the Admirals, and other government officials must continually frighten the people in order to get huge armies and navies. Sometimes history has recorded actual attempts on the part of a nation's leaders to provoke international incidents so that they cold persuade their people to vote more money for "preparedness."

Size of Postwar Establishment

General Marshall has repeatedly stated that if we have universal military training we shall need only a comparatively small standing army, but he has never stated how small that army will be, nor has he indicated how large it would be if we don't have universal training. As a matter of fact the size of the professional army will probably be determined independently of whether the nation has compulsory military training. No existing proposal suggests that the trainees will become a part of the standing army or navy. After training they are to be returned to civilian life. The War Department will have as many needs to garrison island bases, man forts on the mainland, and constantly to train its men in new methods of warfare, irrespective of whether there is compulsory military training. It will therefore ask for as large a standing army as it can get. Actually, the War Department envisages a force of at least 120,000 officers to train the annual youth conscripts if we get compulsory training. These would have to be in addition to the Regular Army unless the War Department is wiling to weaken the Regular Army by detaching them from their regular duty and training.[1]

There have been various estimates of the number of conscripts if we adopt compulsory military training. These estimates range from 750,000 to one million men, depending on what physical qualifications are established. The Army and Navy indicate that they expect 970,000 trainees out of an annual group of 1,200,000 18-year-olds.[2]

In addition to this, the Army plans for at least 500,000 Regular Army troops and the Navy for 550,000 officers and men.[3]

Cost of Compulsory Training

If each conscript receives $30 a month salary or $360 a year and if the annual cost of food, clothing, lodging and equipment is about $1000 per trainee,[4] the cost for 970,000 trainees would be $1,319,200,000. This does not include the cost of at least 120,000 officer trainers. Their salaries and maintenance would cost at least an additional $540,000,000.[5]

If the professional military establishment numbers about one million men and if the annual average rate of expenditure per man is $4000[6] the total cost of our postwar military force, including a conscript force, would be 5.8 billion dollars annually. As Schickele and Everett points out, such an expenditure "would be more than the total expenditures for relief by all state and local governments during the 1930's, would be twice the amount spent altogether on the Civilian Conservation Corps and the National Youth Administration and would be 35 times the total sum spent on the League of Nations, World Court, International Labor Office, and all other international organizations combined from 1919 to 1939."[7]

Indirect Costs

In addition to the cost of training the annual class of conscripts there is the indirect cost of the loss to the nation's economy as a result of the withdrawal of these men from productive labor.

According to the 1940 census, 68% of all 18-year olds were employed and about 32% were serving as apprentices or continuing their education. One estimate of the productive value of withdrawing a man from civilian pursuits is $2400 worth of goods and services at 1939 prices.[8] The indirect cost of withdrawing 970,000 men each year would be about 2.3 billion dollars. This takes into account the fact that trainees withdrawn from higher education lose a year of more skilled work later on.

A total estimated cost of a year of compulsory military training would be 4 billion, 187 million dollars.

Even if we assume that conscripts will have the same food and clothing costs in civilian life as in the army, these will be more than offset by the cost of the weapons held in reserve for their use.

There will be no point in training almost a million men a year and maintaining a reserve of 5 to 6 million men unless weapons for them are constantly ready. There will not be time to manufacture weapons for 5 or 6 million men in the short time (estimates vary from six weeks to a year) required for mobilization. Therefore we must expect War Department demands for an arsenal of weapons which can supply millions of men. These weapons will become out of date quickly as improvements in fighting machinery take place. Consequently, their replacement cost must be included in any estimate. One estimate is for a billion dollars a year replacement cost if we have a capital value of equipment of 8 to 12 billion dollars.[9] This is a conservative estimate since it assumes that the weapons become obsolete at the rate of only 10% per year.

Of course, if weapons become obsolete and must be replaced each year, what about the men who were trained to use the new outmoded weapons?

Universal military training cannot possibly be considered an economical method of gaining security for the United States. It is by far more costly and less efficient than other methods. Moreover, it is almost certain to fail in its purpose. No nation has been spared war as a result of having compulsory military training in peacetime. No nation has been spared defeat in war because in peacetime it had adopted military training. If the United States had adopted peacetime conscription in 1920 as was proposed, there is no reason to believe we would have been better prepared for war than European nations which had it. There is absolutely no reason to believe that we could have remained at peace or kept the world at peace, by virtue of our use of compulsory military training.[10]

FOOTNOTES

1.—Oswald Garrison Villard, Annals of the American Academy of Political and Social Science, September 1945.

2.—Associated Press dispatch from Washington, Oct. 24, 1945.

3.—"New York Times," May 9, 1945, and Annals of the American Academy, September 1945.

4.—**Postwar Fiscal Requirements, Federal, State and Local**, Kimmel and associates, Brookings Institution, 1945.

5.—Computed on basis of average compensation and expenses of $4,500 but not including any retirement pay.

6.—Rainer Schickele and Glenn Everett, "The Economic Implications of Universal Military Training," Annals of the American Academy of Political and Social Science, September 1945.

7.—Annals of the American Academy, September 1945.

8.—Schickele and Everett, ibid.

9.—Schickele and Everett, id.

10.—The author is indebted to Rainer Schickele and Glenn Everett for background material which appeared in their study in the September, 1945 Annals of the American Academy of Political and Social Science.

Statisticians To Discuss 1946 Outlook

The Securities and Capital Markets Division of the New York Chapter of the American Statistical Association announce a dinner meeting to be held Tuesday, Jan. 8, at 6 p.m. at the Hotel Sheraton.

Subject of the meeting, at which Shelby Cullom Davis will preside, will be "The Outlook for 1946." Speakers will be Glenn G. Munn, Paine, Webber, Jackson & Curtis; Jerome Lewine, H. Hentz & Co.; Francis La Farge, Tri-Continental Corporation; Julius Hirsch. A discussion will be led by William Hamilton Swartz of Goodbody & Co.

Members of the Program Committee are: Benjamin Graham, Graham-Newman Corp.; Schroeder Boulton, Baker, Weeks & Harden; James Hughes Smith, Barney & Co.; Lucien Hooper, W. E. Hutton & Co.; N. Leonard Jarvis, Hayden, Stone & Co.; Ragnar Naess, Naess & Cummings; Joseph McMullen; Ralph Rotnem, Harris, Upham & Co.; L. H. Rothchild, L. H. Rothchild & Co.; J. H. Lewis, J. H. Lewis & Co.; and H. Slade.

Reservations, if paid by Jan. 5, are $2.75; $3.25 thereafter. Checks should be sent to Helen Slade, District Representative, 400 East 47th Street, New York 22, N. Y.

Tripp & Taber Admit

NEW BEDFORD, MASS. — Richard D. Taber and Milton I. Pardee are now partners with Elliot C. Taber in Tripp & Taber, 105 William Street. Elliot Taber has been proprietor of the firm, with which Mr. Pardee was associated as cashier. In the past Richard D. Taber was with the firm, but for the past four years has been in the U. S. Army.

Stix & Co. Changes

ST. LOUIS, MO.—Stix & Co., 509 Olive Street, announce the retirement of Charles H. Stix from the firm and the continuation of the business under the same firm name by Frederick A. Arnstein, Edwin R. Waldemer, Max S. Muench, Benjamin F. Frick, Jr., and Edgar L. Roy.

Securities Salesman's Corner

By JOHN DUTTON

An Example of the Type of "Special Situation" That Will Stimulate a Sales Force.

There are certain securities that have what is called "sex-appeal," "romance," etc. Whatever the name by which they are called, it all adds up to one thing—THERE IS A STORY THAT YOU WANT TO TELL TO OTHERS. When you find this type of situation, you sell yourself first, then your own urge to sell it to others becomes so strong that *you* "want to go to work." Such securities don't come along every day because they are not so easy to find. But whether there is a profit in prospect on some reorganization, or merger prospects, or some new products, or even a potential split-up or melon cutting—whenever such information can be verified and the possibilities are strongly favorable—you've got a good story, AND GOOD INFORMATION CREATES BUSINESS.

The type of special situation that we have always liked, however, is not based upon information such as the foregoing (although some real profits have been made on workouts, etc.). The growth company with a revolutionary product, that looks like it is going to have exceptional earnings within a period of several years, in our opinion is the most salable merchandise that can be offered to investors. When we discover one of these situations we usually like to get to the company's officers, meet them, make their acquaintance, tell them why we are interested in knowing more about their organization—and study management's capacity, as well as products and physical plant. IF YOU WANT TO SELL A SECURITY FIND OUT WHAT'S BEHIND IT.

Joseph King Pres. of Union Securities

Union Securities Corporation, 65 Broadway, New York City, announces that Joseph H. King, director and Executive Vice-President of the corporation, has been elected President as of Jan. 1, 1946. Mr. King has been an officer and director of Union Securities since its formation in the Fall of 1938, and prior to that time with its predecessor, the Underwriting Department of J. & W. Seligman & Co. since 1927.

It has also announced that William J. Keary was again elected a director and Vice-President as of Jan. 1, 1946. Mr. Keary entered Government Service in 1942, and during the past two years has been advisor to the Army Air Forces in the formulation of termination and other readjustment policies and procedures. Mr. Keary will be in charge of the Buying Department. He has been associated with the corporation since its formation in 1938 and prior to that time was with J. & W. Seligman & Co. since 1926.

Now Peters & Bryson

WASHINGTON, D. C. — Peters & Bryson, Southern Building, has been formed by Samuel Zollicoffer Bryson, Jr. and William Lillis Peters. Both were previously partners in Hall, Peters & Bryson. Mr. Peters has recently been serving in the U. S. Navy.

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.

Specialists In
PACIFIC NORTHWEST
MINING STOCKS
* * *
O. C. JOHNSON
Member Standard Stock Exchange
PEYTON BLDG., SPOKANE 8, WASH.
Bell System Teletype SP 184 Telephone Riverside 3168

Over-the-Counter Quotation Services
For 32 Years
NATIONAL QUOTATION BUREAU, Inc.
Established 1913
46 Front Street, New York 4, N. Y.
Chicago San Francisco

Digitized for FRASER
http://fraser.stlouisfed.org/

Canadian Securities

By BRUCE WILLIAMS

Speculative enthusiasm usually runs to extremes. For the past few years the Canadian dollar has been "talked" back to parity, but the solid realities of the situation have indicated no change for the immediate future. Bretton Woods is now an established fact. France, under pressure to make a quick decision, reluctantly devalued the franc. Belgium is following the course France would have preferred, namely, to build the national economy to meet the rate, rather than to permit the present abnormal situation to dictate the level of the exchange.

From the Canadian angle, the weakness of the French franc had been by no means unimportant in view of its sympathetic influence on sterling—the key to the Canadian exchange problem. It is understood that much of the delay in arriving at a decision to devalue the franc was due to prolonged discussion concerning the establishment of a different level for sterling in relation to the U. S. dollar which would have forced an automatic devaluation of the pound.

This crisis was surmounted and Canada's exchange position is clarified by the maintenance of the 4 dollar pound. There is consequently now less outside pressure to cause the Dominion to depart from its frequently expressed determination to retain the 90 cent dollar. As it was logical to anticipate, therefore, a large measure of stability will be given to the vitally important initial stage of the Bretton Woods plan by adherence to the existing rates of exchange of the key currencies.

It would appear therefore that those speculative investors who counted on the restoration at this time of the Canadian dollar to its old parity, will now reconsider the situation. Although such investment has proved by no means unprofitable, nevertheless many positions have been taken solely as a foreign exchange gamble. Consequently it is logical to suppose that this position will be lightened in accordance with recent developments, and, as frequently pointed out, the "free" market from the Canadian dollar is exceedingly narrow.

This possibility has perhaps given rise to the latest rumor that the Canadian dollar, instead of being restored to its old parity, will on the contrary be further devalued. If the speculative mind meets a brick wall in one direction it usually makes a nimble turn and explores possibilities in the opposite sense.

Turning to the market for the past week there was increased evidence of the lack of supply of high grade externals. Prices, especially in the Nationals section, moved higher with the demand far outstriping the supply. The turnover in Provincials and Municipals was also restricted for the same reason. Some interest was displayed in the new Alberta scrip which looks quite attractive for short term investment.

There was moderate activity in internals, and free funds eased slightly to 9¼%. C.P.R. Common justified recent favorable comment and registered strong gains on a large turnover. French buying supplemented the local demand which was sufficient to overcome the effect of the persistent selling from London.

With regard to future prospects there is still no reason to anticipate any reversal of the recent strong trend in the external section of the market. Until the exchange situation is still further clarified, however, some caution is indicated in taking increased commitments in internals.

CANADIAN SECURITIES

BONDS STOCKS

MARKETS maintained in all classes of Canadian external and internal bonds.

Stock orders executed on the Montreal and Toronto Stock Exchanges, or at net New York Prices.

Direct Private Wires to Buffalo, Toronto and Montreal

DOMINION SECURITIES GRPORATION

40 Exchange Place, New York 5, N. Y.

Bell System Teletype NY 1-702-3

CANADIAN BONDS

GOVERNMENT

PROVINCIAL

MUNICIPAL

CORPORATION

CANADIAN STOCKS

A. E. AMES & CO.

INCORPORATED

TWO WALL STREET

NEW YORK 5, N. Y.

RECTOR 2-7231 NY-1-1045

CANADIAN STOCKS

Industrials — Banks — Mines

Bought—Sold—Quoted

CHARLES KING & CO.

Members Toronto Stock Exchange

61 Broadway, New York 6, N. Y.

WHitehall 4-8980

Direct private wire to Toronto office

Year-End Valuations of Canadian Securities

These appraisals are contained in a pamphlet, copy of which is available on request

Wood, Gundy & Co.

Incorporated

14 Wall Street, New York 5

Bell System Teletype NY 1-920

TAYLOR, DEALE & COMPANY

64 WALL STREET, NEW YORK 5

WHitehall 3-1874

CANADIAN SECURITIES

Government · Provincial · Municipal · Corporate

The Future of the Sterling Area

(Continued from page 7)

ber may "exercise such controls as are necessary to regulate international capital movements, but no member may exercise these controls in a manner which will restrict payments for current transactions or which will unduly delay transfers of funds in settlement of commitments . . ."

In effect the prewar sterling bloc system made the problem of convertibility less difficult, since payments between members ordinarily meant the carrying out of a clearing transaction between British banks and did not involve the movement of gold. In addition, the demand for sterling was ordinarily greater than, or at least approximately equal to the supply being made available through noncapital transactions.

It can be confidently expected that the supply of sterling which will be offered, exclusive of any capital payments on account of the sterling balances, not only during the immediate transitional period but over the long run will continue at the same high level as prevailed before the war. This expectation is, of course, based upon the assumption that excessive restrictions are not placed on imports. Nothing occurred during the war greatly to reduce British dependence on oversea producers. In short, the British market still will absorb tremendous quantities of imported raw materials and food. In at least three instances—Canada, South Africa, and India—the requirements for sterling have diminished, because annual interest commitments have been drastically reduced or eliminated.

Since it may be presumed that most of these countries will continue to seek market outlets for their surpluses of primary products, they are vitally interested in preserving their shares of the most important single market for such items. The evidence available indicates that they are not interested in continuing to be paid in nonconvertible sterling, but neither are they ready to accept as an alternative the absorption of these surpluses of primary products.

It has been argued that other markets will be open, but when the world is examined in a critical fashion it is found that in many countries domestic competition is too strong to be overcome, in others the market is already being supplied by competitors to the point where it can take no more, and finally that the remainder are in little if any better financial position than is the United Kingdom. The argument that many markets have high potential import capacities cannot be denied, but it may also be contended that much must be done over a relatively long period before their realized import potentials reach that of the United Kingdom.

If there is a continuation of exchange control in the United Kingdom the result will be that sterling acquired by other countries in excess of normal needs will have to be expended on increased purchases of British goods. The extent to which optional purchases may be made will depend upon the number of countries willing to sell to third countries on a sterling basis. In the end, however, the final result will be the same; sterling acquired will have to be liquidated by expenditures in the United Kingdom. Unquestionably such a system would cause tremendous dislocations in the direction of trade. The alternative of converting sterling and thereby reestablishing multilateral clearing rests upon the same fundamental base, i.e., an expansion in the demand for sterling which in effect means an increase in the volume of British exports.

How large an expansion will be necessary cannot be determined with any accuracy at present, but there is little doubt that, given the factor of a high import demand, which in view of the known lack of many raw materials in the United Kingdom may be expected to continue to rise, in company with exports,[1] as well as such other factors as reduced income from overseas and alterations in the relationship between domestic and foreign prices, the increase in exports will have to be substantial. Whether British productive facilities can supply the quantities needed to meet the goal while also providing the types and qualities desired at competitive prices is a question which British industry alone can answer.

If convertibility of the pound sterling is restored, but the necessary expansion in export and other income from abroad is not forthcoming, controls may be retained or further devaluation of sterling attempted as a device to stimulate exports. Devaluation, however, is a two-edged instrument, and in the absence of other developments will increase the sterling cost of imports.

Presumably, therefore, devaluation would act as a further restriction on the volume of imports, and in the case of the United Kingdom there is no assurance that the imports which would continue to come in would be the ones most essential to the national welfare. If no provision exists to prevent competitive and parallel devaluations elsewhere, somewhat the same process may follow as occurred after the British departure from gold in 1931. In brief, if restoration of equilibrium in the balance of payments is not achieved without impairing the national standards of consumption, it may be expected that various wartime controls will be retained or reimposed.

The Exchange Pool

The future of the exchange-pool arrangement, which did not exist in the prewar system, is another question. Although members of the sterling bloc for the most part sold in the London market the dollars they had received, they did so because their reserves were largely held in sterling and the breadth of the London exchange market made it possible to buy and sell freely. As a matter of fact, many countries undoubtedly bought more dollars through London than they sold there.

Thus, the dollar exchange pool in existence during the war for the purpose of concentrating and conserving resources could be eliminated without requiring the dissolution of the sterling area. Such an action would mean that in the absence of convertible sterling the various countries would be forced to control their own dollar expenditures. This action would involve a perpetuation of import controls in order to assume that a shortage of exchange would not develop at a time when particularly important imports were needed.

The wartime advantages of an exchange pool can scarcely be carried over to peacetime; the basic conditions are vastly different. Participants in such an arrangement would normally expect that acceptance of any *obligation* to sell various currencies would give the right to buy these currencies from the pool in unlimited amounts. If the amount which could be so purchased were limited, there would be little advantage in such an arrangement.

In 1937 the present members of the sterling area, exclusive of the United Kingdom, had a total dollar surplus in their direct merchandise trade with the United States of approximately $207,000,000.[2] If India, including Burma, and British Malaya are omitted from the group, however, the dollar surplus would become a dollar deficit totaling $79,500,000. The United Kingdom carried the largest dollar deficit on trade account of any of the sterling countries, nearly $327,000,000 in 1937. When this sum is added to the deficit already given, the total dollar deficit would be $406,500,000.[3] This computation ignores the important service items, particularly shipping, which undoubtedly reduced the dollar deficit appreciably. Moreover, it perhaps overemphasizes the area as such, and thereby fails to bring out the real importance of multilateral trade, both to the area as a whole and to the United Kingdom in particular.

There is little question that the United Kingdom will lose substantially if a multilateral clearing system is not reinstalled. For many years, trade which never touched the United Kingdom was financed by means of the sterling bill, with the result that commissions and interest were earned by the London specialist. But the sterling bill cannot regain its

[1] But not to the same degree. To the extent that imported raw materials enter into finished exports the increase in the volume of imports will be at this ratio.

[2] The important South African gold trade is not included in these figures. If the trade of the United Kingdom is added, the dollar surplus would become a dollar deficit of $120,000,000 for the sterling area as a whole.

[3] Exclusive of the trade of India, Burma, and British Malaya.

Digitized for FRASER
http://fraser.stlouisfed.org/

prestige and importance in trade if the currency on which it is based is inconvertible, or possessed of restricted freedom.

There is nothing to prevent any of the independent countries now within the sterling area from withdrawing to the extent of refusing to turn over gross dollar income to the exchange pool. Actually, however, only a few countries would be affected, since most of the independent countries before the war were net buyers of dollars in London, or were in approximate balance. British India, Malaya, Ceylon, and British West Africa were the only sizable dollar-surplus countries, and the currency and trade position of Malaya and West Africa are such that it would be difficult to visualize the drastic change which any break with the London exchange market would involve.

Moreover, both are undeveloped colonial territories in which British companies are exceedingly strong. All ties are with the United Kingdom. India and Ceylon, however, are in somewhat different situations. There has been a gradual transfer of ownership of businesses from British to local hands in addition to debt repatriation during the war. Therefore, the need for sterling with which to meet interest and dividend payments has been materially reduced and may be still further cut. In the last analysis, however, India is the only country which might benefit from discontinuing sales of exchange to the pool.

It must be remembered, however, that India's strong financial position is a recent development and that many of the problems which it is now encountering are the results of the shift from a debtor to a creditor position. The surplus on current account was necessary before the war to meet fixed interest and dividend charges, and therefore did not constitute a problem. Now, with this need reduced, India no longer stands in the position of requiring sterling to the same degree, and therefore is interested in being able to convert export proceeds into other currencies to the extent necessary to purchase commodities previously unobtainable.

The idea that liquidation of the exchange pool would result in an increase in total exports from the United States cannot be supported by the facts. True, exports to certain specific areas, notably India, might rise, but unless the supply of dollars moving into the stream of world trade is also increased the final result would be that exports to other countries would be curtailed.

The exchange which currently accrues can be spent only once; therefore, to the extent that there is a change in the last recipient of this exchange, there will be a shift in the direction but not the amount of trade. An Indian buyer, for example, will be substituted for, say, a British or Australian buyer. The implications of this development, however, go even deeper. Not only will the direction but also the *product* character of our export trade be altered, with adverse effects on many industries. It will be many years before Indian demand will assume the same character as the prewar demand from the United Kingdom.

The Sterling Balances

In addition to the two problems of sterling convertibility and the exchange pool, there is the related, yet somewhat distinct, question of the sterling balances. To many individuals these balances contain vast possibilities for business and trade expansion. Much has been made of them, both in the United States and in the United Kingdom, as an effective instrument for the postwar promotion of British exports. At the same time it has been argued that the United Kingdom should stand ready to liquidate them, meaning convert them into other currencies.

These attitudes are readily understood when it is noted that at present the balances are equal to the total of merchandise exports from the United States between 1934 and the end of 1938. Nevertheless, both attitudes are based on misconceptions of the British position, and many of the arguments which have been used to justify these attitudes are unrealistic.

Examining the first contention, the facts indicate that these debts give the United Kingdom no greater bargaining power than it otherwise held. Certainly, during the decade immediately before the war, continued access to the British market was the principal factor involved in trade negotiations, and concessions were granted to the United Kingdom whenever it appeared that only by doing so could the share of the British market be preserved.

There is considerable validity in the argument that in order to secure repayment the holders of sterling balances will have to buy additional amounts from the United Kingdom. Is this requirement, however, the same as bargaining power? Debt payment obviously can only be made through an increase in output, or a reduction in the national standard of living, which for the United Kingdom would mean a curtailment of imports. Such a policy would certainly not be conducive to world prosperity. It is immaterial to the United Kingdom whether the necessary increase in exports previously considered takes place in the trade with the countries having the sterling claims or with third-party countries.

Complete and immediate conversion of all the debts is as much an impossibility as their liquidation through British exports within a short time. It would require $12,000,000,000 to $16,000,000,000 to convert if all holders took advantage of the opportunity, and it is improbable that more than a fraction of the smaller amount is available at present in gold and dollar reserves. It is sometimes argued that the British Government should carry through further liquidation of British-held oversea investments.

Such a suggestion ignores several facts: (1) Many of the investments still held could be sold at only a part of their potential value; (2) many are of dubious value although commonly considered at face value in estimates of oversea investments; (3) a substantial segment represent small business concerns for which there are no ready buyers at reasonable prices or which cannot be sold without considerable difficulty and cost; and (4) some are in subsidiaries and affiliated enterprises deriving part of their value from these connections.

Moreover, in some instances liquidation of British investment holdings has been slowed down or halted at the behest of the country within which the investment assets are located. In fact most of the sterling balances are held by countries which have already repatriated virtually their entire outstanding sterling debt and part of the business shares. Since the greater part of the securities still held by British investors are expressed in sterling, there is some question whether they could be sold in any quantity outside the sterling area. In any event the forced sale value of the remaining British oversea investments probably would not total more than £1,500,000,000 or 50% of the debt claims outstanding at the end of 1944.

Some observers have conveyed the idea that if these balances could be liquidated the British financial position would be immensely improved. Up to a point this assertion is correct. If, as so many indicate, such liquidation were carried through by drawing on the remaining oversea investments to the full, the British position would not be any better since the resultant reduction in investment income would necessitate increased exports if the standard of living were to be maintained. Indeed there would be a net loss because of the difference between what is now paid in interest on the securities in which these sterling balances are invested or which might be paid should they be consolidated into a long-term funded debt and the amount received as interest or dividends on investment holdings.

Thus, the so-called sterling-balance problem breaks down into a series of sterling-balance *problems*. Although some uniformity of settlement must be maintained, the situation vis-a-vis various holders differs so widely that each case must be judged and settled separately. With one or two outstanding exceptions it appears likely that arrangements satisfactory to all parties concerned can be made by way of settlement, and that the terms will be such as neither to burden trade nor create disequilibrating strains.[4]

The Standard of Living

The phrase "standard of living" is at best ambiguous. It has been widely used to mean many things and with the addition of qualifying adjectives, has been applied to widely different conditions. For want of a more accurate phrase it may be used here to denote the consumption habits of the British people. To them it has meant in the past the ability to import foods and raw materials. It has been gradually raised over the years by the ability to sell goods and services abroad. Willingness to invest and wait for the returns on capital enabled further additions to the capacity to import.

The British economic problem as it stands today is one of finding ways to prevent the national standard from turning downward until it reaches a new and lower level. There are some who believe that partial support can be provided by fuller utilization of national resources, human and material, through a program of full employment.

Low-cost food and raw materials have in the past provided a good foundation for the industrial greatness of the United Kingdom, and there is little reason to believe that the nation can do without either and maintain its standard of living. To these must now be added industrial efficiency if British goods are to compete effectively in world markets.

British industrialists apparently have every confidence that in terms of physical output the country can expand to a point where the supply of goods will be sufficient to liquidate the sterling balances and be exchanged against imports. There is less confidence in the willingness or power of the creditors to absorb the goods.

This lack of confidence explains why British writers are now emphasizing the importance of world efforts toward the promotion of domestic full employment and economic stability. During the last few years many prominent business and commercial commentators have become "insulationists," advocating that measures be taken to prevent the spread of depressive economic influences, and that those countries in agreement follow similar policies of output and economic stability through regional arrangements to assure the realization of these objectives.

In support of their position that instability in the United States has been an adverse force in the world economy, an increasing number of British writers have cited the conclusions of "The United States in the World Economy."[5] This document has been repeatedly referred to with approval in the House of Commons, not only by Government spokesmen but by the opposition as well. How far this attitude has spread is as yet unknown, but the weight of evidence leads one to suspect that this view will be influential.

Carrying this philosophy to its extreme has led to the suggestion that the sterling area be continued as it is today and that other countries which are prepared to follow similar policies regarding full employment accept membership.

Paul Bareau, writing in a recent issue of The Banker, has examined some of the arguments advanced by this school of thought and has reached the conclusion that the premises upon which they are based do not effectively support the proposition. Thus, the familiar argument that sterling should be protected because it will be too weak to be subjected to "the full rigours and perils of a multilateral convertibility" loses force when analyzed. As Bareau points out, "a weak currency is not one that will attract others to its standard. To parade sterling's inability to stand the competition of the free and open market is not the best way to advertise its virtues as an international standard and as the proper repository for other countries' reserves."

Moreover, "the sterling area is altogether too loosely knit—even under present wartime conditions—to lend itself to the centralized directives of economic warfare. There is too much political and economic independence between members of the area to allow such subservience to any centralized policy."[6] The sterling-area system, therefore, is envisaged not as an end in itself but as a means to an end which is the protection of the British standard of living. Since this is the dominating consideration in British economic policy, the interest of other countries is in its realization by nonrestrictive means.

Bretton Woods and Sterling Area

The Bretton Woods Agreements, particularly the one involving the International Monetary Fund, represent a part of the world program for establishment of an economic environment within which multilateralism may operate successfully. The purposes as set forth in the Agreement are too well known to require repeating here, but it may be noted that the Fund has as a specific objective the promotion of exchange stability and the avoidance of competitive exchange depreciation. Moreover, it is designed to assist in the elimination of foreign-exchange restrictions. In keeping with these aims members are enjoined by article VIII from engaging in or permitting discriminatory currency arrangements or multiple currency practices except as authorized under the Agreement and approved by the Fund.

This article does not mean, however, that the area must be immediately dissolved, since article XIV permits the maintenance and adaptation of restrictions on payments during the transitional period. Section 4 of this article indicates that for 5 years these practices may continue without approval by the Fund, but the members are admonished that they shall have "continuous regard in their foreign-exchange policies to the purposes of the Fund; and, as soon as conditions permit, they shall take all possible measures to develop such commercial and financial arrangements with other members as will facilitate international payments and the maintenance of exchange stability." Accordingly, "members shall withdraw restrictions . . . as soon as they are satisfied that they will be able, in the absence of such restrictions, to settle their balance of payments in a manner which will not unduly encumber their access to the resources of the Fund."

The position of the United Kingdom with respect to the Fund subsequent to the transition period will depend upon many factors, about which at present only assumptions can be made. There is, however, one point well worth considering. The Fund Agreement provides (article VII, section 3b) that if a currency is formally declared to be scarce this will operate as an authorization to any member, after consultation with the Fund, temporarily to impose limitations on the freedom-of-exchange operations in that currency. But sterling has never been suggested as a currency which might become scarce. In fact, the general impression has been that sterling may tend to be in surplus supply. To put the idea in another way, the United Kingdom will be inclined to have a chronic deficit on current account, unless during the transition period or shortly thereafter it is able to restore equilibrium to the balance of payments.

It is the common impression that the terms of the Fund Agreement do not conflict with a sterling-bloc system similar to that

(Continued on page 26)

[4] For a discussion of the various means of settlement see Sterling Balances and Britain's External Debt, op. cit.

[5] For example, Sir William Beveridge in his recent book Full Employment in a Free Society, pp. 33-36, 219-241.

[6] Bareau, Paul. "The Sterling Area—Its Use and Abuse." The Banker March, 1945.

FINANCIAL NOTICE

SOUTHERN RAILWAY COMPANY

To the holders of

The Atlanta and Charlotte Air Line Railway Company's CAPITAL STOCK:

You are hereby notified that:

I.

Stamped Stock

With reference to the 15,719 shares of the 9% Guaranteed Capital Stock of The Atlanta and Charlotte Air Line Railway Company stamped with the agreement to sell to Southern Railway Company **at a** price of $250 per share, Southern Railway Company herewith elects to purchase the same on March 1, 1946, at said price.

Holders, if they so desire, may obtain pre-payment of said purchase price **at any time between this date, December 28, 1945, and the close of business on Friday, March 1, 1946.** Such Stock should be presented at the office of Southern Railway Company's Agent, J. P. Morgan & Co. Incorporated, No. 23 Wall Street, New York 8, New York, against payment therefor of the said sum of $250 per share, together with the semi-annual dividend of $4.50 per share payable thereon on March 1, 1946.

In accordance with the Agreement dated June 30, 1914, between Southern Railway Company and The Atlanta and Charlotte Air Line Railway Company, no dividends shall be payable on such stock from and after March 2, 1946.

II.

Unstamped Stock

With reference to the 1,281 shares of the Capital Stock of The Atlanta and Charlotte Air Line Railway Company not stamped with the agreement to sell, Southern Railway Company herewith offers to purchase the same **at any time between this date, December 28, 1945, and the close of business on Friday, March 1, 1946,** at the same price of $250 per share, together with the semi-annual dividend of $4.50 per share, normally payable thereon on March 1, 1946.

Holders of such Stock should present the same at the office of Southern Railway Company's Agent, J. P. Morgan & Co. Incorporated, No. 23 Wall Street, New York 8, New York, against payment therefor of said sum of $254.50 per share.

This offer as to the Unstamped Stock expires at the close of business on Friday, March 1, 1946.

The Certificates for all Stock, both stamped and unstamped, so presented, must be duly endorsed in blank with the signature properly witnessed and guaranteed by a Bank or Trust Company having an office or correspondent in the City of New York, or by a firm having membership on the New York Stock Exchange or in the New York Curb Exchange Securities Clearing Corporation, with stock transfer tax stamps affixed at the rate of 6¢ Federal and 4¢ New York State for each share. Certificates surrendered in the name of corporations, decedents, executors, trustees or other fiduciaries must be accompanied by proper evidence of authority necessary to complete the transfer.

SOUTHERN RAILWAY COMPANY

By **John B. Hyde,**
Vice-President.

New York, N. Y.
December 28, 1945.

Digitized for FRASER
http://fraser.stlouisfed.org/

The Future of the Sterling Area

(Continued from page 25)

which operated before the war. This possibility does not mean that the United Kingdom can therefore run a regular deficit with these countries as a group without encountering difficulty. Any balances accumulated by the independent members would be subject to withdrawal or offered for conversion, and the end effects would be substantially the same as though the United Kingdom had been called upon to liquidate the deficit annually.

The prewar sterling-bloc has been described as "ornamental rather than useful," and under the Monetary Fund it would obviously revert to this state. Moreover, if any of the existing sterling balances are funded or placed in accounts to be drawn on in emergencies, the necessity for leaving current accruals of surplus sterling on deposit in London will be reduced.

Therefore, it is incorrect to say as many have that purchases from within the Empire can be made without difficulty and that there are no exchange problems. This statement also applies to the colonial territories whose currencies are managed by Currency Boards, inasmuch as any increase in their sterling assets is subject to conversion if a resident of the colony wishes to transfer funds or make purchases elsewhere.

There is no intent to imply here that funds will not be left in London for a time as a money-market investment, but the lowering of debt obligations will deter any continuous accumulation of such funds. Moreover, domestic economic development in many of the sterling area countries will create a wider market for these capital assets at home.

At present it would be difficult to characterize any single British statement as reflecting the consensus of opinion on the International Monetary Fund. From what has been said, however, it may be gathered that the Fund is regarded as being an important step forward in the promotion of multilateralism, but that there is no disposition to regard it as providing a solution to the primary economic problem of the United Kingdom. The specific feature of the Fund Agreement on which most hope is being placed is the provision for constant consultation and collaboration between members on matters pertaining to international monetary policy.

A relatively common view is that agreement on the Fund and Bank should be followed by effective agreement on internal measures to maintain full employment, and that "a persistent and successful pursuit of internal policies intended to secure high and stable levels of employment is . . . a prerequisite of the universal multilateral system . . ."[7] There is also a tendency to regard the transitional period as vital, and to consider that during this period "each member country is to make a gradual approach, at a pace of its own choosing toward full participation in a universal multilateral monetary system."[8]

No sizable group in the United Kingdom has suggested that the Fund agreement be rejected outright or that it be substantially altered, but this may be due to the feeling that the transition period can be regarded as "a time of probation during which members can decide whether or not they can safely participate in a universal multilateral system."[9] The only real observable difference in the views of the most optimistic and the most pessimistic of British commentators on international economic matters is found not so much in their attitude toward the Bretton Woods Agreements as in their assumptions regarding the chances for success of the measures which must accompany it. A comparison of the few statements that are available, however, indicates a relatively wide range of interpretation between these commentators and those in the United States concerning what the Fund Agreement does and does not permit.

In the absence of any full-scale parliamentary debate on the subject, the closest approximation to a formal Government statement on Bretton Woods has been the Mansion-House speech of the then Chancellor of the Exchequer, Sir John Anderson, which was delivered early in October of 1944. A few excerpts from this statement may suffice to show the official attitude:

"If we have to choose between standing out of international institutions or taking a leading part in making them work, particularly when they are institutions for economic cooperation, I have no doubt where our true interest lies. Anyone who doubts this has only to look at the map of the world and see how widely spread our interests are and with how many countries the frontiers of those interests march.

". . . The Bretton Woods document explicitly recognizes that while we might agree upon objectives and methods when the world's trade is settling down, countries like our own have to face an extremely difficult period of transition in which they must keep their hands free to deal with their difficulties as they arise and as seems best. It is in our interest to make that transitional period as short as possible and, equally, to endeavor while it lasts to develop our policy so that others will be willing to cooperate with us.

"Bretton Woods is not the end of the story. Indeed the success of some parts of the Bretton Woods plan will depend in turn upon schemes of cooperation in other related fields.

". . . There is one point that I must bring to the attention of some of the critics of the Final Act. I mean those who appear to think that the line of safety for us after the war is to reserve our full rights to enter into discriminatory commercial and currency agreements not only as a temporary measure during the transitional period but permanently. Various ways of achieving this have been suggested and one of the criticisms of the Final Act is that it would prohibit or frown upon such arrangements. Now I think it is doubtful whether in fact the Final Act is decisive on this point, but there is another and wider issue involved. It is an issue of good faith. Under Article VII of the Mutual Aid Agreement . . . we agreed to work for the elimination of all forms of discrimination in international commerce. The only qualification was concerned with imperial preferences. We are bound by this agreement and we are going to honor it. Incidentally, quite apart from the Mutual Aid Agreement, by our commercial agreement with the United States of 1938 we also accepted a policy of nondiscrimination in trade. I would ask those who recommend what is in essence a barter system as the basis for our international trade; do they really wish us to follow a course which goes back on what we have formally agreed with the United States and flouts one of the principles of international commerce to which the United States Government attach importance, and which as a matter of fact I believe in our interest is a sound principle? If we discriminate, other people can discriminate. If we indulge in barter other people can indulge in barter. It is a difficulty in all agreements and contracts that one party cannot have it all his own way.

Agreements With Nonsterling Countries

Since the autumn of 1944 the British Government has concluded six bilateral financial agreements with the governments of three European and three Near Eastern countries* Some concern has been expressed that these agreements represent an extension of the sterling area and are contrary to the terms of the International Monetary Fund Agreement. Actually, in a general sense, they are neither. There is, in fact, a considerable difference between the European and the Near Eastern sets of agreements.

Undoubtedly some of the misconception about these agreements has arisen from early references to them as "trade agreements," rather than as monetary or financial—which they are. It is true that trade enters to the extent that one of the primary purposes of the agreements has been to facilitate transfers of commodities during the various periods to which they respectively apply, but in detail they are concerned almost exclusively with the financial mechanism.

There is a broad similarity between each of the three European agreements so far negotiated* The initial agreement, that with Belgium, may be considered as the pattern for those with France and Sweden which are more recent. All three are basically concerned with the machinery through which the United Kingdom and the specified country will make their own currency available to each other.

Thus, the Belgian Agreement provides that the Bank of England shall sell sterling to the National Bank of Belgium as may be required for payments which residents of the Belgian monetary area, under the exchange regulations in force in that area, are permitted to make to residents of the sterling area. In turn, the National Bank of Belgium agrees to sell Belgian francs under similar conditions for payments by residents of the sterling area.

Much of the same mechanism whereby the Central Banks accumulate and hold each other's currencies has been established in the Anglo-French and Anglo-Swedish Agreements, but the three vary somewhat in the formula for determining the maximum limit and the method of liquidating outstanding balances. For example, the Swedish Agreement does not stipulate any specific limit on the balance that will be accumulated by the respective parties, whereas the Belgian Agreement sets 833,125,000 Belgian francs and £5,000,000 as the respective amounts that will be held by the Bank of England and the National Bank of Belgium.

Beyond these sums, however, sterling and Belgian francs may be purchased by payment in the form of gold earmarked to the account of the other at the Central Bank. This gold may be removed at the will of the owner. Balances held in each other's currency may be invested, however, only as agreed by the Central Bank of the country whose currency is so held. This last provision is found in all three agreements, but gold is mentioned only in the French and Swedish Agreements as a balancing device.

Since there is no commitment on the part of any of these countries to turn over dollar or other specified currencies to an exchange pool, and the agreements provide that both parties will hold each other's currency, there is a distinct difference between these arrangements and those of the sterling area. There is nothing to prevent any of the three from buying or selling wherever they see fit, and if the United Kingdom is not obligated to convert sterling accruing to these countries, neither are they required to permit British holdings of their currency to be converted. It is true that sterling acquired may be used to purchase or make payments within the area as a whole, but this does not necessarily mean that more will be bought from the sterling area than otherwise would be the case. Rather, it widens the clearing area, making it at least partially multilateral in scope.

It may be pointed out that all three agreements provide that, as opportunity offers, the contracting parties will endeavor to make transfers possible outside the monetary areas to which they are now limited. That is, if a non-resident held Swedish crown he might use it to make payments of a current nature to residents of the sterling area, and vice versa.

This mechanism, if established, obviously would not be a return to the old free multilateral clearing system which operated through the exchange market, but to a limited extent it indicates the desire to bring about as wide a clearing system as possible. Although the agreements themselves are bilateral in operation at present, it wold be possible to arrange to tie them together in such a way that a substantial freedom of transfer could take place. To the extent that balances accumulate to the net account of one or more parties, there is obviously still the need for some international means of settlement.

One of the main differences between these agreements and the prewar sterling-bloc system is found in the determination of the official rate of exchange. It may be recalled that under the old method official rates were established unilaterally in terms of sterling by the other country. Now, however, the rate is bilaterally set and variable only with the consent of both parties. This factor should insure stability in the exchanges and prevent competitive unilateral devaluation, but it does not block alterations that are required by changes in comparative economic and financial positions.

The contention that these agreements conflict with the Bretton Woods Fund Agreement requires explanation. The question of whether they conflict in principle with the spirit or objectives of Bretton Woods is highly controversial and is, moreover, immaterial to the point at issue here. All agreements obviously fall within the 5-year transitional period mentioned in the International Monetary Fund Agreement, and would therefore be presumed to be acceptable.

Furthermore, each agreement provides an escape clause whereby adherence by either contracting party to an international monetary agreement requires a review of the bilateral agreement with a view to making any amendments that may be required. These amendments, although not discussed, can be assumed to be such as would eliminate any conflict between the bilateral and the international agreements. Finally the 3- and 5-year agreement contain a provision enabling termination by either party on 3 months' notice, whereas the French Agreement is on a 1-year basis with possibility of renewals for similar periods.

It has been suggested that one way of viewing these arrangements is that they constitute short-term credit arrangements expressed in general monetary terms. Thus, for example, the Swedish Agreement might have merely given the British Government the right to draw on Sweden for an unlimited amount for the purpose of making purchases in that market. In effect this is what has been done, but on a bilateral basis, with the United Kingdom extending similar privileges to Sweden.

In the French Agreement credits are actually made available by both Governments, and these credits form the basis for the accounts on which drafts will be drawn to make payments. This policy is in keeping with the traditional British banking practice of extending loans through overdrafts, i.e., granting of a general credit on which the borrower can draw up to a certain limit. In most instances where credits were granted prior to the war, however, they were for specific purposes or in the form of funds which could be transferred and used elsewhere. The distinction in these cases is that conversion cannot be guaranteed and the credits may be used for the whole range of products.

It should not be expected that all of these countries are likely to have a net sterling accrual during the first year of operation. In the case of France, because of the general need for a great range of consumer and capital goods, it is expected that when account is taken in February 1946, the end of the period of operation, a substantial net franc balance will be held by the United Kingdom.

On the other hand, Sweden at the end of the first year will no doubt have accumulated substantial sterling balances inasmuch as the United Kingdom will be importing from that country increasing amounts of timber products, wood pulp and iron ore, whereas the timing and scale of British exports are somewhat uncertain, particularly in those lines which Sweden primarily requires, i.e., coal, textiles, and steel products.

In the second year, or as British industry regains its stride, Sweden may be expected to draw down the balances which have accumulated. This system clearly makes it possible to achieve balance over a longer period of time and removes the necessity for providing any settlement by the transfer of gold. The fact that the French Agreement does require settlement at the end of the year does not alter the general conclusion, since these particular credit accounts are designed to absorb the financial transactions arising out of wartime financial claims which each holds against the other. Once these transactions have been completed, it may be expected that the Anglo-French Agreement, if continued, will be adapted to conform to the Swedish Agreement.

Less needs to be said about the Anglo-Turkish Trade and Payments Agreement of May 4, 1945, since it differs only slightly from the wartime arrangements between the United Kingdom and the special-account countries. The Agreement itself deals mainly with the machinery for effecting payments between Turkey and the United Kingdom, and in contrast to the European agreements previously analyzed it does not establish a fixed exchange rate nor provide for the mutual support of sterling and Turkish pounds. The essential feature is that all payments to Turkey from the sterling area shall be made only through the approved Turkish Accounts, and all payments made by Turkey to the area shall be from such accounts.

Additional provisions are similar to those in the Swedish and other agreements, iincluding purchase of sterling-area currencies through the Bank of England, investment of sterling and Turkish pounds only as agreed by the respective Central Bank, flexibility,

[7] Political and Economic Planning, "After Bretton Woods." Planning (Broadsheet), No. 225, Sept. 15, 1944.

[8] Ibid.

[9] Ibid.

*EDITOR'S NOTE: Since this section was written, two similar agreements have been concluded with the Netherlands and Denmark.

Digitized for FRASER
http://fraser.stlouisfed.org/

contact and cooperation. The amount available for transfers outside the sterling area, however, is definitely limited in the Turkish Agreement to 20% of the sterling received in payment of goods of Turkish origin sent to the United Kingdom, excluding export proceeds reserved under the prewar Guaranties Agreement. Finally, the Bretton Woods adherence clause is inserted in the same fashion as in the other agreements.

Agreements With Sterling Countries

The Anglo-Egyptian Foreign Exchange Agreement of January, 1945, and the subsequent Anglo-Iraqi Foreign Exchange Agreement are, as the name might suggest, on an entirely different basis than those previously discussed. Both countries have been and remain members of the sterling-area system, but these agreements are devoted to redefining their particular position as members. The terms of these arrangements are significant, however, insofar as they may give some hint of the future arrangements with other sterling-area countries and the direction in which the area is moving to adapt itself to the new requirements of the transitional period.

It has been brought out earlier that as far as is known no definite long-run assurance has been given to any member of the area that non-sterling currencies would be provided from the pool in any particular amounts. The machinery through which such needs were met has been comparatively informal; all members understanding that their demands should be held to the absolute minimum and in the event of excessive needs consultations would be held. Now, however, the United Kingdom has set a definite target or maximum amount of specified currencies that will be made available during the calendar year 1945, subject to certain conditions, to Egypt and Iraq.

Sterling currencies will continue as in the past to be made available on request, but all other currencies are separated into "difficult" or "scarce" currencies, and "easy" currencies. As defined, the scarce currencies consist of the United States dollar, Canadian dollar, Swedish crown, Swiss franc and Portuguese escudo and it may be presumed that the easy currencies will include among others the French franc, the Belgian franc and the Dutch guilder. Although no limitation has been placed on the amounts of the "easy" currencies that will be obtainable, there is the implied undertaking on the part of Egypt and Iraq to restrict their demands to amounts required to meet real needs.

The amount of scarce currencies that will be required has been computed on the basis of particular needs and according to certain assumptions with regard to sources of supply. The general distribution in terms of local currencies is set out in table 5.

TABLE 5.—Target for Scarce Currency Requirements of Egypt and Iraq, 1945

Category—	Egyptian requirements (Egyptian pounds)	Iraqi requirements (Iraqi dinars)
*Visible imports	7,489,000	3,202,500
Reserve margin	1,000,000	150,000
Invisible imports	1,578,000	150,000
Special provision for noncurrent wheat imports	3,000,000	------
Special provision for fertilizer imports (if they can be arranged)	2,000,000	------
Total	15,067,000	3,502,500
Total in terms of United States dollars	†62,528,050	‡14,115,075
Total visible imports in terms of United States dollars	†31,079,350	‡12,906,075
Exports of merchandise from the United States in 1937 in dollars	13,665,000	2,769,000

*Exclusive of allowance for freight and insurance paid in sterling. †1 Egyptian pound converted at $4.15. ‡1 dinar converted at $4.03.

In both instances the reserve margin is designed to cover such contingencies as an average rise of price in scarce currency countries of as much as 10%, errors and omissions in the programs, latitude for additional quantities of essential items, and unavailability of small items now scheduled to come from nonscarce currency sources.

If developments occur which make the reserve inadequate both Egypt and Iraq are allowed the right to claim an upward revision in the target. The most interesting of these reservations permits a request for revision in the event that major items presently scheduled to come from nonscarce currency countries are obtainable at a saving in cost of more than 10% from the scarce currency countries.

Furthermore, the target figure for Iraq is exclusive of the requirements of the oil companies and special provision is made that the necessary additional foreign exchange will be made good by the British Government. However, in the event that the specified goods cannot be obtained from the scarce currency countries or become available in nonscarce currency countries, the target figure will be reduced. In other words, any unspent balance will not become available for other types of purchases, but will represent a saving in foreign exchange.

It is apparent from table 6 that the amounts of hard or scarce currencies which will be provided are reasonably generous. When allowance is made for the higher price levels prevailing at present as compared with those before the war, the actual volume of imports permitted is somewhat reduced, but still exceeds that of 1938-39. In specifying the particular items which may be purchased from the scarce currency countries, it may be presumed that other products from these countries will be blocked out of that market for at least one year.

To the extent that the items for which provision is made constitute the major share of commodities previously sold in that market, the deleterious effects will be minor, although producers and exporters of those commodities for which import permits will not be granted will be at a disadvantage. This situation is very likely to affect new products and those which have experienced wartime expansion due to dislocations in normal channels or sources of supply, probably more than old products.

TABLE 6.—Imports into Egypt and Iraq from Scarce Currency Sources, 1938

Sources—	Egyptian imports (Egyptian pounds)	Iraqi imports (Iraqi dinars)
United States	2,456,000	688,000
Canada	51,000	1,000
Switzerland	597,000	31,000
Portugal	33,000	*
Sweden	531,000	99,000
Total, scarce currences	3,668,000	983,000
Total, all countries	36,804,000	9,361,000
United States percentage of total:		
From scarce currency countries	67%	86%
From all countries	6.7	9
Target for visible imports in regular program	7,489,000,000	3,202,500,000

*Valued at only 545 dinars.

The Egyptian Agreement does not involve any drastic change in the procedure followed heretofore, but in negotiating the Iraqi Agreement it was necessary to alter existing practice for obvious reasons. Previously, a special dollar-pool arrangement was operated with Iraq under which United States dollars acquired by that counrty were specifically earmarked for its use in the future, but the new agreement specifies that this will no longer apply and that Iraq will conform to the general principles of the sterling area whereby all foreign exchange acquired by Iraq will be turned over to the general pool. The general opinion is that Iraq will be a net drawer on scarce currencies during 1945 and the rest of the sterling area will stand in the position of contributing exchange.

Both agreements make it plain that they are accepted without prejudice to the right of the governments of Iraq or Egypt to adhere "to any such International Convention as that of Bretton Woods." As "The Economist" has suggested, this statement "implies that the arrangements may not be ipso facto compatible with Bretton Woods."

Inasmuch as both are of 1 year's duration, however, it may be assumed that they fall within the transitional-period limitations of the International Monetary Fund Agreement already discussed. Moreover, by inclusion of this provision it would appear that both countries are in sympathy with Bretton Woods and that their interest is directed toward its establishment as a successful operating institution.

On the other hand, it may be significant that both agreements represent a new development in the sterling-area system which could become the pattern for a postwar sterling grouping, differing from both the sterling bloc and the area, and supplemented by agreements similar to those reached with Sweden, Belgium, and France. It is altogether possible that this will be the direction taken should a broader international monetary arrangement and similar programs not become effective.

U. S. and the Sterling Area

The future of the sterling area is of vital interest to the United States. It is doubtful whether the existence of the sterling bloc before the war appreciably hampered the international trade of this country, but the continuation of the wartime sterling-area system could be a significantly retarding influence. If it did not reduce the total amount of export sales, it still would have injurious effects on specific groups and trades. Moreover, the direction of trade would be materially altered.

It is the consensus among those concerned with the promotion of world trade and international cooperation that the channels of commerce must be freed as soon as practicable, and that the measures which tend to restrict transactions must be abandoned. Obviously the realization of this objective will mean the disappearance of the sterling-area exchange control system.

Apart from the important indirect influence exerted on our trade by sterling-area transactions with other countries, the United States has a direct interest in the restoration of conditions which will permit the flow of exports to the countries within the area. The accompanying tables emphasize the magnitude of the sterling countries as markets for the products of the United States. In 1937, exports from the United States to these countries constituted approximately 24% of all exports from this country. If Canada—an Empire but nonsterling country—is included, the percentage rises to nearly 40%.

On the same basis, imports into the United States from sterling countries in 1937 constituted 23% of our total imports, or 32% if Canada is included. Furthermore, the excess of exports from the United States to the sterling countries was approximately 50% of our total excesses, and approximately 91% if Canada is added to the sterling countries.

The inclusion of our trade with Canada in these percentages highlights the significance of multilateral trade. In 1937 Canadian exports to British Empire countries had a total value of approximately 2½ times that of Canadian imports from Empire countries, and these exports constituted 51% of all export trade from the Dominion. Canadian imports from the United States in the same year, however, exceeded exports to this country by nearly $138,000,000 or $130,000,000 less than the excess of exports from Canada to the British Empire.

Thus, despite the fact that Canada is the only major Empire country not a member of the sterling bloc, its trade with that bloc and particularly with the United Kingdom is of major importance. The combined excess of exports to the sterling-bloc countries of the British Empire from the United States and Canada totaled more than $400,000,000 in 1937, and more than $580,000,000 to the United Kingdom alone. These figures offer striking proof of the importance of trade with the United Kingdom, particularly when compared with the combined excess of exports to all countries which amounted to $445,000,000 in 1937.

There is no question that the demand for products of the United States was raised during the war. As various countries have become acquainted with those products supplied through lend-lease, their desire to buy similar items in the postwar period has been accentuated. It is questionable, however, whether their purchasing power or supply of dollar exchange has been increased in the same ratio.

The situation is particularly prominent in the instance of the sterling area. The United States could undoubtedly increase its exports to specific countries which have a dollar surplus, but if this were done at the expense of other countries to which the dollars had previously flowed in the process of multilateral clearing, the effect would merely be the substitution of one market for another. If this were the case in the sterling area, the United Kingdom undoubtedly would be the country to which our exports would decline.

The interest of the United States in the sterling area cannot, therefore, be separated from the necessarily wider interest in the future of total world trade and in the restoration of unrestricted multilateral clearing. But, more narrowly considered the problem of the sterling area may be reduced to the problem of the United Kingdom. Once those economic and financial difficulties which currently compel exchange controls and restrictions on imports have been overcome, the United Kingdom will be able to stabilize its position. Under such circumstances the sterling-area system would be obsolete and unnecessary. In the long run, the only permanent solution to sterling-area trade and exchange controls will be a substantial improvement in the British balance of payments.[10]

Conclusion

The most important fact which emerges from this survey is that the future of the sterling system, including the form which that system may assume, ultimately depends upon the future of sterling itself. As yet there is no evidence that the sterling system has become an objective of permanent British policy, nor that its retention in anything resembling its present form is being sought. Both before and during the war its form has been determined by the interplay of various economic forces, and there is little reason to doubt that this same interplay will have an important bearing upon its future.

As a system it is only as permanent as the many invisible ties which have bound it together in the past or the new ties which may emerge. This survey has attempted to show that a sterling system need not be restrictive or discriminatory in principle or practice, but that under a given set of circumstances where sterling itself becomes inconvertible, or convertible only with great difficulty, there is almost certain to be restrictiveness and some form of discriminatory treatment.

To attack a sterling system and demand its abandonment on the ground that it is discriminatory against particular trade movements without at the same time offering an alternative approach which will be successful is to confuse effect and cause. Unless sterling returns to its prewar status of convertibility, by whatever means this result is achieved, some type of sterling system is almost inevitable. The task system similar to the sterling area is of those who are opposed to a sterling to take the steps necessary to insure the complete convertibility of sterling. Dissolution of the sterling area as such would not solve the problem or automatically bring about an expansion in the total volume of ex-

(Continued on page 28)

[10] The factors involved in acieving this improvement are discussed in detail in "British Postwar Balance of International Payments, Foreign Commerce Weekly, Aug. 25, 1945.

Put Your SAVINGS To Work Today

The safety of your investment insured up to $5,000 by a U. S. Gov't instrumentality.

3%

Current Dividend

- Individual,
- Estate, Partnership,
- Corporation and
- Trust Funds Invited.

SAVE BY MAIL

Write for details or send check or money order payable to

ST. PAUL
FEDERAL SAVINGS & LOAN
ASSOCIATION of CHICAGO
2116 W. CERMAK RD., CHICAGO

Assets over $7,500,000.00
Reserves over $475,000.00

Never less than 3% dividend in 56 years and without loss of a single dollar to any investor.

igitized for FRASER
ttp://fraser.stlouisfed.org/
ederal Reserve Bank of St. Louis

The Future of the Sterling Area

(Continued from page 27)

ports from the United States. What one producer might gain another would lose as the direction of export trade shifted.

Whether any regional economic association is compatible with and permissible under the Bretton Woods arrangements is a question outside the scope of this survey. The agitation for such a regional association within which members would cooperate to follow uniform policies of full employment and expansion has been largely ignored in this survey, but the small allocation of space should not be assumed to indicate that this view is insignificant.

Indeed, it may well be that as time passes it will assume greater and greater importance, and that a failure in reestablishing a multilateral system will not result in bilateralization, but in the formation of regional systems. The attitude of the United States, however, favors as rapid a return to multilateralism as is possible. There is no tendency to make light of the task which will entail or to assume that "rapidly" means "immediately." When one considers that the many wartime dislocations and associated difficulties must be adjusted in addition to those which are inherited from the prewar decade, the time element involved takes its proper place.

The real point at issue is not whether multilateralism or regionalism is the better policy; it is not whether the sterling system is or is not restrictive and discriminatory. The issue is whether the conditions essential to the successful operation of a multilateral system can be made effective. If they can, then the justification for any restrictive regional grouping disappears. Thus, the solution to the broader international problem of restoring an economic environment within which these conditions are active is the solution to the sterling problem.

McDonald-Moore Admits Miller, Chapel

DETROIT, MICH. — McDonald-Moore & Co., Penabscot Building, members of the Detroit Stock Exchange, announce the admission of Don W. Miller and Harold R. Chapel as general partners. Miller, a past President of the Securities Traders Association of Detroit & Michigan, Inc., joined the company in 1934. He will continue in charge of the Corporate and Real Estate Securities Department. Chapel, who recently resigned as a partner of Crouse, Bennett, Smith & Co., will be in charge of the Municipal Bond Department. He is the Vice-President of the Traders Association, and is a former president of the Bond Club of Detroit, a former Chairman of the Michigan Group of the Investment Bankers Association, as well as the Municipal Advisory Council of Michigan. Other partners of the firm are Harry A. McDonald and William Moore.

George J. Moriarty & Co.

WEST ORANGE, N. J.—George J. Moriarty and Patrick J. Moriarty have formed George J. Moriarty & Co. with offices at 34 Westminster Terrace to engage in the securities business. Mr. George J. Moriarty has been active as an individual dealer; Mr. Patrick J. Moriarty was with William J. Stelmack Corporation in the past.

Now Proprietorship

CLEVELAND, OHIO — W. F. Kurtz & Co., Union Commerce Building, is now a proprietorship, with Wilbur F. Kurtz as sole proprietor.

Should Congress Accept the Anglo-American Agreement?

(Continued from page 3)

cials to the question-and-answer method of presenting a story to some extent has displaced crossword puzzles as an indoor sport. The trouble is that questions-and-answers from such a source always have the answers pointing in a single direction.

In an effort to clear his own mind the writer has set down various questions which have suggested themselves upon the publication of the Anglo-American Agreement and has attempted to indicate such considerations as seem pertinent to the questions. As the reader will note, the answers do not all point one way, which may be a disappointment to those who all along have known whether they are for or against the program now under consideration. Nor do we have all the answers. For those who have not made up their minds, perhaps the publication of the following will serve a useful purpose.

Is It a "Hard Bargain" or "Unexampled Generosity"?

From the American standpoint, it is most certainly unexampled generosity. Who can cite any equally generous offer by any nation at any time? Is there anything in British financial history that will match this proposition in generosity? Obviously not.

If we grant the British thesis that the United Kingdom is entitled to postwar prolongation of gifts from America in the form of "lend-lease" in as large amounts and for as long a period as the British themselves deem desirable, then any provision for payment of interest and amortization and any collateral trade conditions do constitute a "hard bargain." However, the British insistence on this viewpoint does not convince Americans of its correctness.

Do the Generous Conditions of the Loan Form a Precedent for Other Countries?

We are told not, but it is hard to imagine that other countries like Russia and China will not seek to benefit by the new loan conditions here established. If the negotiators wanted in this loan to give concrete expression to a desire to help the British because blood is thicker than water, it may turn out that they did so only at the cost of later making large concessions to other countries.

Are Our Motives Unselfish?

Certainly a great many American supporters of the $3,750,000,000 portion of the loan, and to some extent perhaps all, are motivated by sympathy for Britain's position as they see it. Yet basically, the motives of America in granting this loan are selfish. The widespread support for it in business circles has its roots in the fact that individual businesses will get orders from Britain as a result of the loan. The same motive applies to most agricultural and labor supporters of the loan. What it boils down to is that for a brief period of a year or two exports from this country will be expanded, thanks to the loan, financed by the dollars of the American Government. Thus, the loan is a subsidy to American export interests. Even if convinced that in the end the loan will not be repaid, such interests seem willing to go ahead with it, on the theory that the immediate benefits they derive will outweigh their share of any ultimate national loss on the loan. These same groups doubtless will stand firmly in the way of any relaxation of American import barriers that may be required to pay off the loan in full during the years to come.

The same American motives are behind the insistence that, along with the loan, the British agree to our method of conducting international trade on a multilateral, "free for all" basis, a condition which the British regard as especially "hard."

What Benefits for the United States Does the Agreement Hold?

While it may be doubted that the multilateral trade system which the U.S.A. seeks to restore possesses quite all the advantages proclaimed or assumed for it, in view of the fact that the majority of Americans want that sort of trade system and are willing to pay to get it, the Anglo-American Agreement does advance the chances of bringing this about. The agreement does not of itself bring this about, but at least the British have formally agreed to discuss the subject in an international conference. This is to the good from the American standpoint.

(It should be noted in this connection, however, that the Final Act of the Bretton Woods Conference of 1944, to which the UK was a signatory, in a separate resolution recommends to all the participating governments that they "seek . . . to reach agreement as soon as possible" to reduce obstacles to international trade and promote mutually advantageous commerce. Britain now agrees to participate in the conference which was foreshadowed at BW. Moreover, in carrying out the demobilization of trade barriers and preferences, Britain will be no more than redeeming pledges given in the Atlantic Charter and the master Lend-Lease agreement.)

To the extent that future acquisitions of sterling balances by Americans and others are—commencing for Americans on the effective date of the loan and for others not later than a year from then — made freely convertible into any other currencies, the United States like others stands to benefit. Thus will be abolished the sterling-area "dollar pool." (The agreement provides for exceptions to this relaxation of present controls.) This British undertaking is regarded as a considerable concession by the British and from that point of view a corresponding gain by the U.S.A. (The freeing from exchange control of the proceeds of current transactions is subject, however, to the restraints of British import controls, the agreement specifies. Import controls necessarily will continue in Britain for an indefinite period.)

The loan of course will stimulate employment and exports until the money is used up. Those who directly profit from such employment and exports will benefit temporarily. If the goal of reduced trade barriers is achieved, these groups will receive longer-run benefits as well.

Is Britain's Ratification of Bretton Woods a Quid Pro Quo?

Was Britain's ratification of BW part compensation for its signing the financial agreement? There is no doubt that the British played their BW card with this in mind. In doing so they took advantage of the strong desire on the part of the Administration to see BW set soon. Yet BW offers to Britain more advantages than it does to the U.S.A., inasmuch as Britain is a borrowing country. From the American viewpoint, considering the considerable strain of British ancestry in the Fund and Bank agreements, it seems to be stretching the point to claim that British ratification of BW is recompense to the U.S.A. for the loan and financial settlement of war claims.

In a statement to the "Chronicle" of December 13, Representative Kunkel of Pa., states that under BW the British were already morally committed to the Fund and the Bank as well as to ending the sterling area's dollar pool. Mr. Kunkel states that he predicted the British would use their ratification of BW as a bargaining tool, and he now predicts that they will use "the advantages of indefiniteness" as to their future trade policies — this loan agreement not committing them—as a weapon to secure additional concessions from us.

However, those Americans who place the greatest store in BW and what it stands for were doubtless willing to pay a price beyond what concessions the American delegates made at BW, for the sake of seeing BW now launched. From the standpoint of these Americans, perhaps, Britain's belated ratification of BW along with the financial agreement is a quid pro quo. The British cannot but have known of this viewpoint in Washington. Reporting the Parliamentary debate of Dec. 12, the New York "Times" said: ". . . both critics and supporters of the Government regarded the acceptance of BW and the American trade policy objectives as great concessions to the United States." While one can see why the British regard these as concessions to the United States, it is difficult to see how it could be maintained that those concessions constitute a quid pro quo for the loan.

Will the Loan Assure the Success of Bretton Woods?

Certainly without something like the contemplated substantial aid to sterling, the BW monetary program would not be a success. If those who say this loan is not enough for Britain's needs are right, then the loan is not enough to assure the lasting success of the international Fund. It probably will be some years before this question can be answered with certainty. According to one London observer, some of the more cynical Laborites believe that, if Labor is confirmed in power at the election expected by 1950, it will then abrogate BW on the grounds that the end of exchange control will mean the end of Socialism. (Cf. the comments of Paul Einzig in the "Chronicle," Dec. 13, 1945, p. 2891, col. 4.)

Are Not Britain and America a Military Unit?

Twice since 1917 this has been the case. Despite UNO, it would be imprudent to ignore the possibility of history in this respect repeating itself.

Each of the two world wars since 1914 was so different from earlier wars that we would be justified in assuming that the next war in the age of the atom bomb and long-range projectiles will also be different. In such an attack it is quite possible that the British Isles will be simply skipped. But, in any war between the U.S.A. and another great power or powers, a neutral Britain is not conceivable. For selfish reasons, Britain would join us in such a war.

To the extent that the loan strengthens Britain militarily, it seems to fit into our requirements. How much of the loan will be dissipated in supporting an ephemeral standard of living in Britain would require a painstaking study of its use by the British. There are no strings tied to the loan in this respect.

Does the Agreement Make Good Will for Us in Britain?

It seems to have done the opposite. ". . . We have been forced into a disastrous bargain." (The New Statesman and Nation.) "American capitalism has driven a savage bargain." (Tribune). ". . . A bitter pill. If the purpose of the American Congress . . . is . . . deliberately to wound and afflict the British people, it has certainly succeeded. It is aggravating to find that our reward for losing a quarter of our national wealth [sic]. in the common cause is to pay tribute for half a century to those who have been enriched by the war." (Economist.) UK is treated by the U.S.A. "as a defeated enemy." (Norman Smith, Laborite M.P.) "An hour of degradation." (Lord Woolton.)

One might cite dozens of comments similar to the above. These are not the comments of a nation from whom we are trying to collect war debts, as during the 1920s. Indeed, the "savage bargain" alluded to in one sweep wipes away some $29 billions of Lend-Lease obligations, offset according to a reputedly very loose system of bookkeeping by about $4.3 billions of reciprocal Lend-Lease, and reputedly settles for surplus American war property at a few cents on the dollar. They are actually the comments of a nation about to receive the most generous international loan of which there is any record. If the British take our money now with a snarl, how will they act when they face the first payment date six years from now, or the tenth, twentieth or fiftieth payment date? And what will an attitude of this sort at such times add to mutual good will?

Is Britain's Sarcasm Put On?

At least one British writer has reported that the criticism of the loan agreement in Parliament has not been unwelcome to the British Government, on the theory that it may help put the loan across in Congress. The reasoning is that anything the British regard as a "hard bargain" must be correspondingly to the advantage of the U.S.A. No doubt it will have that effect here. In fact, British opposition has already been cited here by proponents of the loan in just this way.

Do We "Owe" Britain Our Help?

The British of course say we do. They say they are "entitled" to our aid, and this in the form of a gift. The American negotiators, who during the negotiations kept in close touch with American opinion, especially as it is reflected in Congress, evidently concluded that this country does not agree that we owe Britain a gift of more than the cancelled Lend-Lease and the surplus-property settlement; unless the loan's waiver clauses be regarded as a gift. Yet, if as seems likely the loan is approved by Congress, it may be taken to constitute an admission that we owe Britain this help, even if Britain proves unable to pay it all back.

If it be conceded that we owe Britain our help, just how can that be measured? Some Americans feel that our debt is immeasurable, because the British saved us from Nazi attack. That Britain finally accepted the Nazi challenge was because Britain finally saw itself endangered and not out of a desire to protect the U.S.A. None the less, the British action, most Americans will grant, was to the interest of this country.

Underlying the "we owe it to Britain" reasoning may be the feeling that a strong Britain will constitute an outpost for American interests across the Atlantic. From the military standpoint, the atom bomb raises the question of whether Britain, however strong, can any longer be a fortress.

Should We Be Moved by the British "Equality of Sacrifice" Argument?

Because we paid attention to this argument for Lend-Lease during the war is no reason why we should continue to do so after the war. It is true that the effects of war continue long after the fighting ceases. But to adopt the British argument at this time is to open ourselves to unforeseeable consequences. Where should we draw the line? Would we not, in accepting this argument, open ourselves to having to accept the same one from China, on the

Digitized for FRASER
http://fraser.stlouisfed.org/

grounds that China was in the war with Japan in 1937 and fought continuously thereafter? So long as our standard of living is higher than that of the Chinese, would there be equality of sacrifice? Even Britain, it might be so argued, owes it to China to share what it has.

The British argument that Britain was in the war with the aggressors earlier than we, and fought harder, does not appeal to Americans. We might argue that aggression would have been checked, had the British, after having urged this country in 1931 to take a firm stand against Japan, not backed away and left Secretary of State Stimson holding the bag. That the British now again hold an Empire in Asia in the last analysis is due solely to American sacrifices.

The story was quite different before Pearl Harbor, when for years Britain and China labored to get us to join their war. Had we not done so, where would Britain and China be today? At what point will they ever say: "Now you have done enough; your sacrifice equals ours"?

Is Too Much Being Promised?

The official statements on the significance of the Anglo-American agreement may seem to promise more than it is safe to do. Secretary of State Byrnes states: "It is not a gift or a grant. It is a loan with interest. In addition to repayment [is this assured?] the United States receives benefits in the revision of trade policies. . . ." The Truman-Attlee statement, after citing the purposes of the recent negotiations, including "long range commercial policies in the broad sense," states that "the discussions have been successful." The separate joint statement on commercial policy, however, makes it clear that the British Government agrees only to take the American trade proposals "as a basis for international discussion." The UK will "use its best endeavors to bring such discussions to a successful conclusion"; but this may turn out to mean much or little.

There is risk of later disappointment in overselling the British financial agreement, just as there is risk in the BW program for the same reason. According to an editorial in the Cleveland "Plain Dealer" of Dec. 6, "a good deal of evidence is coming to light to support the belief that the BW proposals were oversold, that the Administration, in its zeal to get the necessary legislation through Congress, created the impression that by this means a large part of the foreign loan issue would be permanently resolved." This might be true of the statement by the then Secretary of the Treasury Morgenthau when he said: "The Bretton Woods proposals, when adopted, will provide all of the essential elements of stability [of foreign exchanges]."

Is the Agreement Being Frankly Presented to the American Public?

The fact that the Government has seen fit to organize a considerable propaganda to put the British financial agreement across leads one to read with caution the arguments it is putting forth. According to the "Wall Street Journal," a Government survey made before the loan agreement was announced showed that about 70% of the American people were then against a large credit for Britain.

The propaganda campaign already under way is similar to that which the Government conducted on the BW program and other projects. The policy makers are convinced that this is a proper course for the Government to follow, that it is in a good cause, in the best national interest, and for the good of all. Their sincerity is not to be questioned. Yet one cannot view with undiluted comfort the precedents which are being set in the moulding of public opinion by a handful of officials, utilizing the vast resources of the Government.

Naturally, since the Government now has undertaken the task of selling the public on the loan one should expect to find in the official propaganda only the loan's virtues; all of the "pros" and none of the "cons." Thus a six-year period of grace is described as a five-year period. The nominal 2% interest rate is stressed, rather the the actual maximum interest rate of 1.62%. The gift contained in the interest rate is minimized by citing the overall cost of money to the U. S. Treasury, rather than the cost of long-term money; etc.

Is the Loan Offer Accepted as a Loan in Good Faith?

With the six-year period of grace before any repayment or interest begins and the wide escape clauses, there is no reason to question the good faith of the British in adhering to the letter of the contract. It is not the financial commitment which bothers the British. It is the commercial policy conditions we are seeking to establish.

There seems to be a considerable body of opinion here and abroad that the escape clauses of the loan will be used, as the following typical quotations indicate:

A Britisher to the Associated Press in London: "We'll live on the fat of the land for two years and then be worse off than we were before."

A British banker to the AP in London: "I suppose we should be grateful for a gift of $4,000,000,000, for that's what it will be."

A nationally-syndicated columnist: ". . . we are handing the British a four billion dollar loan which everyone knows will not be paid back."

For reasons of American commercial policy alone, full repayment of this loan by the British will be extremely difficult, if not impossible. American commercial policy of recent decades has had the support of powerful groups in and out of the Government. These same groups are supporting not only this loan, but the broad program of lending and investing abroad. A good argument for this UK loan is that the U.S.A. is "hell bent" to pour dollars abroad anyway, so we may as well let the British have a liberal portion thereof.

Is the $4.4 Billion Loan Burdensome to Us or to Britain?

Ernest Lindley, a Washington columnist who generally reflects the official view, points out that by wartime standards the financial terms of the credit are inconsequential. "We gave several times that amount to keep Britain afloat and would do it again. . . . The credit is much smaller in amount and less generous in terms than we could afford to grant,—or would grant without negotiation if Britain were in desperate straits." Lindley points out, however, that this is not the case. "Britain is coming out of the war with a substantial portion of her prewar overseas investments . . . British assets abroad are several times the amount of the proposed American credit." In other words, "it is absurd for the British to regard the terms of this credit as burdensome."

The fact is that wartime standards do not carry over very long into peacetime. They seem to be carrying over much more noticeably in Britain than here, so much so that Americans are wondering whether the war has not left the British with too great a desire for American protection and support.

One must conclude that the $4.4 billion loan is an unsupportable burden for neither party.

Isn't the Alternative to This Loan More Economic Blocs and Reduced Trade?

For a good statement of this thesis, see for example Mr. Philip D. Reed in the "Chronicle" of Dec. 20, 1945. Perhaps a less extreme form of this question would be better: Isn't the alternative continued economic blocs and repressed trade?

As pointed out under another heading in this article, the British do not seem to agree that the volume of trade—their trade—will be increased by reverting to the multilateral system. Rather the opposite. Assuming, however, that the multilateral system will justify the American rather than the British expectations, cannot this end be achieved by some alternative method?

Underlying the whole range of financial programs, including BW, Export-Import Bank, the making of additional foreign loans by Congress, and the encouragement of private capital investment abroad, is the thought that we must lend foreign countries the dollars with which to buy all the goods we would like to sell them. What this question really boils down to is whether, in the light of the unlikelihood of our ever getting all these dollars back again, the temporary benefits to American business are worth the long-run losses of money and depletion of our natural resources involved. Some of these losses could be avoided by an alternative method of supplying the outside world with dollars: the purchase of large amounts of foreign raw materials for stockpiling.

There seems to be a misconception that the loan will "enable the UK to return to its traditional policy of multilateral trading from which it was forced to depart due to the exigencies of the war." (Wilbert Ward, as reported in the "Chronicle" of Dec. 20.) By many Britishers and some Americans it is being said that the loan is not large enough to enable the British to follow the course we

(Continued on page 30)

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Market Gives Indications of Primary Distribution. Some More Strong Days Probable Before Phase Is Completed. But Liquid State Now Policy Recommended.

* * *

The first few days of 1946 added little to the market that might indicate the immediate trend. The liquor stocks behaved like New Year's eve; the rest like the morning after. And as most people aren't long of the liquors the move caused a lot of talk, most of it envious, but little else.

* * *

Three weeks have passed since the market made its high of 195.82 on December 11. From that level the decline carried it down to 189.07 on Dec. 21, the low point for that day however was 187.51. For purposes of technical calculation it is the low point rather than the close which is important. It is this low point which will now have to stand up as a level that will hold any future declines if subsequent rallies mean anything.

* * *

After breaking down prices rallied. On Dec. 22 the high of 190.87 was seen. The following day they managed to better it again, this time the close was 193.45. By Dec. 27 the industrials were up to 193.89 and the bearishness of the previous market days was almost completely dispelled. But while all this was going on it was interesting to note that the rally had taken stocks to just under a range, the low point of which was about 193 and the high just under 196. So far all the preceding rallies were unimportant except that they showed an ability to advance to a previous obstacle. As the industrials got into that 193-196 range they gradually assumed a different characteristic. The spirit of buying, present on the first advance to the old highs, was no longer present. Instead of tape performance there came a lot of talk. Talk in itself, particularly where the market is concerned, is always plentiful, though unfortunately, it is seldom profitable. But in this case talk was merely confusing. For even if it persisted in being bullish, the market didn't confirm it. It was another case of, "What you're doing speaks so loudly, I can't hear what you're saying." The quotation is probably incorrect, but the analogy is not.

* * *

Added all up it showed that the market was building either a new base from which it could again attack the old highs, or—and the or in this case is highly important—it was ready to retreat and was merely going through some preliminary gyrations as part of a distributive phase before it started a real decline.

The action of the rails during this period was equally significant. It's true that they didn't make any new lows on Dec. 21 when the industrials made theirs. But at the same time neither did they attempt to penetrate old highs which the companion averages seemed to be trying. On the contrary since Dec. 8 when they made a high of 64.89 each succeeding high became lower though lows held at about the 62 figure. This indicated that buyers were no longer chasing stocks, though they were willing to take them on declines.

* * *

The danger in such a condition is in the possibility that enough people will also refuse to chase them. Ordinarily this should lead to nothing more serious than a stalemate — a dullness. But there are too many people in the market now hungry for profits to follow a course of patience. If the public begins to suspect that the rally is delayed it will become sellers. If it sells I doubt if there will be enough buyers at the recent lows ready to absorb offerings. The result is obvious.

* * *

Broadly speaking there are many indications that the industrials have built, or are building, what technicians call "a head and shoulders." The first shoulder took all of November. The head, or peak was the high in December, and the second shoulder is now in the process of building. This sort of market formation isn't completed in a week or a month. We will see more strong and weak days before distribution is completed and the break comes. But with the above being more than a possibility I see no reason to advise readers that everything is wonderful and that additional buying is in order.

* * *

Last week, and the week before, it was suggested here that long positions be liquidated at specific levels. By this time it should have been accomplished. I now advise a cash position until the market clarifies the outlook.

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.]

Pacific Coast Securities

Orders Executed on Pacific Coast Exchanges

Schwabacher & Co.

Members
New York Stock Exchange
New York Curb Exchange (Associate)
Chicago Board of Trade

14 Wall Street New York 5, N. Y.
COrtlandt 7-4150 Teletype NY 1-928

Private Wires to Principal Offices
San Francisco — Santa Barbara
Monterey — Oakland — Sacramento
Fresno

LAMBORN & CO.
99 WALL STREET
NEW YORK 5, N. Y.

SUGAR

Exports—Imports—Futures

DIgby 4-2727

Established 1856

H. Hentz & Co.

Members
New York Stock Exchange
New York Curb Exchange
New York Cotton Exchange
Commodity Exchange, Inc.
Chicago Board of Trade
New Orleans Cotton Exchange
And other Exchanges

N. Y. Cotton Exchange Bldg.
NEW YORK 4, N. Y.

CHICAGO DETROIT PITTSBURGH
GENEVA, SWITZERLAND

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Should Congress Accept the Anglo-American Agreement?

(Continued from page 29)

want. There is a very strong group in Britain which does not want to follow that course in any case. Can it be said of Britannia that "a woman convinced against her will, is of the same opinion still"?

Moreover, it is incorrect to say that the multilateral system prevailed in Britain until the war. (Cf. on this point Senator Chapman Revercomb's article, "Britain Must Be Generous, Too," in Nation's Business, Jan. 1946.)

Is There an Alternative Course?

If we do nothing and leave the British to struggle along as best they can, we will make sure that we are disliked in the UK. However, the fact that we have offered the British the settlement here under discussion has certainly not resulted in any evidence of good will toward us from the British. Rather the reverse. The only result of our doing nothing for the British meriting our study is how we would get along in the kind of world such a decision would make certain: a world of areas and blocs. This decision America has already answered. We ask for a multilateral system. To abandon the British now to their own devices would certainly doom the BW program before ever it is launched.

Are there any other alternatives before us? Mr. Jesse Jones says: "If we must continue to help the British temporarily, let's do it by selling them our agricultural products . . . on easy credit until the world gets more settled and we can see our own way a little better, and let's see what we are to get in return." While there is much sense in this suggestion, that course would leave a cloud of uncertainty hanging over the project for the pound sterling, whereas the large credit for the present at least bans such a cloud.

The trouble with any alternative course now is that it comes too late. Just as the administrative branch of the country can lead the nation to the certain brink of war by the conduct of foreign policy, so it can maneuver financial negotiations to such a degree of finality as to leave Congress little choice but to sign on the dotted line. This has been demonstrated more than once in recent years.

Should the Money for Britain Be Raised from Private Investors?

Several members of the Congress have suggested that a loan to Britain be confined to money raised for the purpose from private bond buyers. If this were to be attempted on the basis of the amount and terms set down in the Anglo-American agreement of Dec. 6, the attempt would be a fiasco, because private investors would not be interested in bonds with such terms and escape clauses. Even were there no escape clauses, a British bond issue of such large dimensions and such low interest would require a tremendous selling effort. One need only reflect on the vast organization which has been required to sell Treasury war bonds.

An alternative method of raising the money would be for the U. S. Treasury to put on a special drive, offering its own securities to the public. Even such a bond selling campaign would require much more effort than one designed to raise money for domestic purposes.

In short, whether the attempt should be made to raise the $3,750,000,000 of new money for Britain from private investors depends on how serious we are in wanting Britain to get this help.

Will the Agreement Result in Permanently Expanded World Trade?

While the loan will result in a large temporary outflow of goods and services from the U.S.A., there seems to be a difference of opinion as to whether the adoption of the American commercial policy involving elimination of discrimination and various trade barriers would result in increased prosperity for all. The London Economist, according to cabled reports, argues hotly that it will not.

Does the Agreement Bind the British to Our Trade Philosophy?

Following the announcement of the Dec. 6 agreement, a London correspondent of the N. Y. Times reported that the British felt they had had some success in toning down the demands of the United States for an end to empire preference and a scaling down of the "sterling debt." The correspondent added: "On both points, however, the British Government has made it clear that no specific commitments were made in the present agreement."

It is clear from the letter of the agreement that the answer to the above question is "no." Probably it was politically impossible for the British negotiators to so bind themselves. In any event, they make no hard and fast commitment on this point, although they undertake to do their best to bring about the system American public opinion is demanding. We cannot assume that with the loan and financial settlement we have cleared the way for the unimpeded entry of American goods into the British Empire. Even after after the dollar pool is ended, there are still the matters of foreign-trade licensing and empire preference.

Almost coinciding with the announcement of the financial agreement came the British order limiting the Pan American Airways to two flights a week to London, because of the new low fares announced by the company. Much as the British desire American support at this time, they clearly do not regard their position as so weak as to require the subordination of their policies to ours willy nilly.

The evidences of lack of British commitment to our professed trade views must necessarily be disappointing to those who regarded a loan to Britain as a financial means to a trade end. Even so outstanding an advocate of financial aid, indeed of a gift, to Britain as Mr. Winthrop W. Aldrich put the trade objective first when he said ("Chronicle," Dec. 13, 1945, p. 2890): "The aid we extend should be contingent upon the adoption of measures on her part to bring about full participation in such a system."

The London Economist in an editorial on the Anglo-American agreement very persuasively argues the British view on state trading and empire preference. After giving vent to its anger at the prospect of commitment to the American trade philosophy, the weekly observes: "Beggars cannot be choosers. But they can, by long tradition, put a curse on the ambitions of the rich."

The New Statesman and Nation ends an editorial thus: "The world, we would remind America, has always respected the merchant who evaded paying the pound of flesh."

It is doubtful therefore that a shotgun wedding of British and American trade views will develop into a happy marriage.

Does the Agreement Remove the Causes of Empire Preference?

Of itself it does not. Various news and commentator articles on the agreement cite the 1922 Fordney-McCumber Act as Britain's reason for having adopted imperial preference.

To cite the Fordney-McCumber Act of 1922 as the cause of British empire preference is erroneous. After the Imperial Conference of 1897 the UK gave notice of the termination of its trade treaties with Belgium and Germany. A year later it therefore became possible for empire preference to be introduced. This was done by Canada in 1898 and by other dominions in subsequent years. The UK itself adopted such preference in 1919.

Through the coming international trade conference tariffs and trade barriers may be reduced. But if reduction follows the American Trade Agreements pattern of matching concessions by this country with equivalent concessions by others, Britain may not be any better off, relatively, than before the Fordney-McCumber tariff. Unless we make greater tariff concessions than do the British, the latter may be justified in citing "the transfer problem" as a reason for not fulfilling the agreement just negotiated.

Does Not the Loan Help Finance Socialism in Britain?

Yes, it helps finance a socialist government. But then, we have helped and are helping other governments much more socialist than the British. In fact, when we buy Russian gold which we do not need, we help even a communist government. If we are going to do business with only those countries having our poltical and economic system, we shall greatly reduce our contacts.

Some argue that the loan will help Britain speed up the process of socialism. It might be argued at least as convincingly that the reverse is true, that the loan will stave off socialization of private enterprise in Britain to some extent. However, it is noteworthy that even in Britain there is a school of thought which opposes the American loan, and would still oppose it if it were made as a gift, because "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." (As reported from London by Paul Einzig in the "Chronicle," Dec. 13, 1945, p. 2891.)

Does Not This Loan Finance British Imperialism?

Certainly, anything which strengthens Britain's hand in carrying out whatever policies the British have. Some Americans think that we should withhold all aid from the British until they free their subject peoples, give up Hong Kong, withdraw from India, etc. Col. Robert R. McCormick, publisher of the Chicago Tribune, was quoted in the "Chronicle" of Nov. 22, 1945 as suggesting certain political conditions which this country should insist upon before making the loan to Britain. These conditions include the abolition of "slavery" among rubber plantations in British (and also Dutch and French colonies), and liberation of British colonies in and near the Caribbean Sea. It is most doubtful that we could impose these policies on the British merely by withholding the present loan. To do so would in any case work counter to the purpose of helping maintain a strong nation in the British Isles, insofar as Britain draws strength from its Empire.

Does the Loan in Part Help Pay Off Britain's War Debts to Other Countries?

Of course it does. But does not our recent loan to Finland help that country pay reparations to Russia? The basic question is, do we want to help Britain?

Will This Agreement Enable Britain to Get Back on Its Feet?

Of this there is no assurance. American businessmen in Britain and others have expressed doubt on this score. Much depends on Britain's ability to snap out of its often antiquated ways of doing business. Also much depends on the markets which we are willing to make for British goods and services in this country and the competition which our goods and services give the British elsewhere. The American visitor in Britain gets the impression that the British have a very long way to go in readying themselves mentally for the economic struggle ahead. Certainly their attitude on the cancellation of Lend-Lease and on the new financial agreement gives the impression that they have grown used to a considerable measure of economic support from this side of the Atlantic.

After giving the British the benefit of the doubt on this point, there is still the hard fact that Americans want to have their cake and eat it too. They want to help Britain generously, because to do so will make export business here now; but do not ever want to make it possible for our debtors to pay us off with their goods and services.

Will the UK Come to Us for More Help Later?

Probably. If as seems likely in the long run this loan and settlement will not suffice to put the UK on its feet, the British will be back again someday looking for further help. One viewpoint, as stated to the "Chronicle" of Dec. 13 by Representative Frederick C. Smith of Ohio, is that other countries are "forcing" the United Staes "to underwrite their economies, not temporarily, but permanently, and socialist economies at that." If Britain is finished as a top-rank economic power, but in a position of top-rank political and military importance, we may indeed be committed to repeated support of the UK albeit on grounds which strike the American public as in their own interest.

Is Great Britain Broke?

Strangely missing from the current discussion is trustworthy information on the UK's creditor-debtor position. Perhaps the reason is that past propaganda on this subject has satisfied the American public on this score. Certainly the data heretofore published leave something to be desired. There is at least the suspicion that the British have overstated their need. For example, after the British Chancellor of the Exchequer had informed Parliament that the UK still had left more than half of its prewar foreign investments, Mr. Jack Winocour, British propagandist in Washington, informed a Washington audience that only about a third of Britain's prewar investments remained. During the negotiation of the Anglo-American agreement Lord Keynes admitted to an American negotiator that the original British request had been higher than the British were now content to take. While one cannot blame the British for such tactics, they leave a question as to just what Britain's needs really are.

Should British Holdings in the United States Be Liquidated Before the Loan Is Made?

Britain still owns very considerable American assets in the form of securities and direct investments. Naturally, the British want to hold on to those investments, because of the continuous income derived therefrom. That income will tend to facilitate British servicing of the present loan. Such assets might be pledged as security for the loan. As the agreement stands, no security is contemplated.

The principle of requiring security for a loan was incorporated in the RFC loan made to Britain before the United States entered the war. Dollar securities then pledged are still in the American Government's hands. When the RFC loan is all paid off, as will be made possible by this new and much larger loan, that security, which has since greatly appreciated in value, will be released. Senator Moore of Okla., who states that the British have an equity of more than half a billion dollars in that collateral, argues that it be liquidated outright now. (Dec. 6, Cong. Record.) However, from the standpoint of security of the new loan, liquidation of the above-mentioned RFC collateral is not necessary. Those British-owned American securities could continue to serve as collateral against the new loan. If the principle of collateral was sound in 1941, it would seem to be just as sound today. The assets could be pledged by Britain, without depriving that country of the income therefrom.

Could the British Not Pay a Higher Rate of Interest?

On the basis of published information, it is unlikely that the British could pay during the next few years more than they have contracted to pay, without tightening their belt; and the main purpose of the loan is to help them avoid tightening their belt, but rather to loosen it. However, it is beyond anyone's power to foresee what conditions will prevail after the first few years. Should Britain at some time in the next 55 years become able to pay higher interest on this loan, say as much interest as the American Treasury has to pay, there is in the present agreement no provision to so adjust the interest ratte or to make up for previously waived interest instalments.

Is the Loan Inflationary?

Since we are running a deficit in this country, the loan of course will add to the deficit. The direction of the loan is therefore inflationary. It does not follow from this that the loan is politically undesirable.

Is It a "Business" Loan?

While interest and amortization are ordinarily attributes of a business loan, this is a political loan. Many people on both sides of the ocean doubt that it will be repaid. The specific and general escape clauses in the agreement are not "business" clauses. While American businessmen favor the loan because it will make business for them, Britain's need for imports, now and in volume, is the main reason for the loan. Actually, the British demand for goods here will coincide with long-pent-up domestic demands.

From this country's selfish standpoint, it would be better to have foreign demands for our goods come after the domestic demand has been satisfied. The British fear, and with justice, being tied to the swings of the American business cycle; yet this loan, along with others made by the Export-Import Bank and the coming BW organizations, seems destined to accentuate this country's problem of boom and depression. It whould be ironical if, when the boom ends, this country should be sometime subjected to another bombardment of British vitriol as a result of having now helped the British.

Should the Loan to Britain be Decided Alone, or Only in Conjunction With Loans to Others?

Some Americans have contended, even before ratification of the BW program, that we should not undertake the program of financial aid to other countries by bits and pieces. However, we have already embarked on the piece-

Digitized for FRASER
http://fraser.stlouisfed.org/

Changing Trends in Investment Banking

(Continued from page 4)

amount of external competition it encountered was not too significant and, finally, that its internal competition lacked vigor.

Factors Influencing Current Trends

Since the primary interest here is to appraise the changing trends in investment banking operations, especially as regards competitive factors, there is no need of getting involved in a recital or review of the pertinent historical events with which the industry is quite familiar.

Government Intervention—In carrying out the objective of adequate disclosure in the issue and sale of securities, Government intervention in and regulation of investment banking has also resulted in a trend towards standardization of securities and in wider dissemination of trade practices and profit margins of the underwriting business to the industry itself and to its clients, the corporations. Such a situation is the basis for stimulating increased internal competition, already evidenced in the growing number of firms engaged in underwriting activities, and also for promoting a tendency among some corporations to shop around and not rely exclusively on established banking affilations.

While Government domestic financing operations cover a wide range, current thinking generally is that it should and will be confined to marginal risks which are beyond the province of private capital. In the foreign field, the Export-Import Bank, an example of such thinking, is to be supplemented by the Government's large financial contributions to the agencies created under the Bretton Woods monetary agreements. Thus, with presently favorable business prospects, investment banking need have little concern about encountering undesirable competition from Government financing.

Competitive Bidding—The inauguration of competitive bidding for utility and railroad securities in June 1941 and June 1944, respectively, constitutes the motivating force whcih already has and will continue to bring about changes in the complexion and competitive aspects of the business. An obviously material effect has been the drastic reduction in profit margins on strictly underwriting operations, especially for high grade securities, but this result is attributable not only to the competition promoted, but also to factors such as increasing standardization of securities bid for as well as bidding procedure, and to the growing tendency of utility and railroad corporations to indicate the approximate price which would be acceptable by stipulating a maximum coupon or putting a floor on "discount prices."

Viewed internally, competitive bidding has produced some shifts in the business accruing to individual banking houses, with a few firms winning accounts which they did not formerly have and others losing long standing accounts. Also noteworthy, a few corporations have had the experience of being adequately served by more than one banking firm on different issues submitted for competitive bidding, and the net implication here is that merchandising or underwriting operations of high grade corporate issues have become fairly standard and organized procedure.

Competitive bidding has, in some instances, invited external competition from life insurance companies and even commercial banks, but the amount of such business thus far lost by investment bankers has been moderate. With the sharp reduction in underwriting spreads, life insurance companies particularly do not find the possible savings in price (through direct bidding) as attractive, compensating elements being advantage of marketability and also smaller acquisitions of individual corporate issues.

Competitive bidding for industrial securities does not seem in the immediate offing, because no Government legislation appears likely or necessary to compel such procedure. Moreover, financing problems of the many diversified industrial companies do not readily lend themselves to such uniform treatment as do the railroad and utilities. Significantly, however, a banking firm publicly declared a few months ago that it was prepared to submit bids on proposed offerings of industrial securities, but nothing has developed along these lines, because industrial corporations can and still prefer to exercise their own prerogatives in making banking arrangements. If competitive bidding for industrial securities ever materializes, it will more likely be brought about by internal competitive factors rather than by Government legislation, and probably be limited to issues of leading corporations.

External Competition—Life insurance companies and commercial banks comprise the two principal external competitors to the investment banking industry. Since these two groups of institutions possess relatively tremendous financial resources, investment bankers can do very little, if anything, to meet such direct price competition on funded debt securities. The extension of term bank loans to 10 years represents another encroachment on debt capital financing by investment bankers. Aside from rate advantages, many corporations prefer to deal directly with life insurance companies and commercial banks on their funded debt capital requirements, so as to eliminate the expense, delay and trouble involved in a public offering of securities. Under the present state of affairs, equity financing is the only category in which investment bankers will encounter practically no outside competition, save in few exceptions, from large investment trusts. Corporate security issues placed privately constituted from 30% to 42% of all corporate issues during 1938-1942 and declined to around 26% each in 1943 and 1944 and an estimated 20% for 1945, as compared with 19% in 1937. The Government bond drives have been a factor in war years.

As a partial but practical offset to the loss of business to external competitors, investment bankers can increase their professional services by more active co-ordination of the various capital requirements of corporations from the three major sources of funds, viz. life insurance companies, commercial banks, and public investors at large.

Soliciting Business—While competitive bidding has practically eliminated most values accruing from the long-established banking affiliations with railroad and utility corporations, no material changes have yet occurred in the established practice of not soliciting business directly from industrial accounts which have active banking affiliations. This apparent absence of direct competition for industrial accounts may, however, change in the future if full evaluation is given to the advertising programs now being pursued by some large banking firms. The very act of advertising constitutes a breaking of past traditions, but more significant is the implication therein that industrial accounts are now being solicited impersonally regardless of whether they have banking affiliations. The result to advertising, whether by newspapers, magazines, or booklets, is bound to stimulate, in time, further internal competition, and may also lead to the extension of professional services to industry by banking firms in the role of business counselors and co-ordinators on major and overall policies and problems.

Operating Elements—The combination of favorable price trends for securities and unfavorable tax aspects on short term profits has resulted in investment bankers taking "investment underwriting positions" so as to obtain long term capital gains. This operation has its pros and cons, depending upon the particular factors in each individual firm. Nevertheless, the urge for long term capital gains is a potent stimulant.

The foregoing element, together with the likely change in New York Stock Exchange regulations permitting corporations to become members, may eventually lead to a much greater number of investment banking firms being publicly owned as against isolated cases today. In such eventuality, investment banking corporations will have at their disposal much larger aggregates of capital funds, thereby imposing greater responsibilities and risks, but also increased opportunities of serving industry.

Summary Comments

The forces of technological advances, extension of integration process to industries still composed of numerous small units, further conversion of closed corporations into publicly owned units, together with favorable business prospects, seem to offer the investment banking industry as a whole constructive opportunities for the next few years. The extent to which each banking firm can and will avail itself of these opportunities will depend, however, on the efficient organization of its personnel, together with a constructive merchandising program for developing and servicing accounts. On this level, principally, will the competitive forces within the investment banking industry be waged.

The field of providing equity capital now constitutes almost exclusively the province of investment banking, while external competition will probably increase in the sale of corporate funded debt securities.

Just as commercial banks have developed related financial services which provide a relatively important contribution to total bank earnings, so it is possible that investment banking can also develop other profitable income from advisory services to corporations on major policies involving investment and economic judgment.

---

meal approach, and indeed it is hard to conceive how we could have done otherwise, unless by inviting the countries of the world to be our guests at a full-dress international financial banquet.

While on the one hand it is very difficult to make an estimate of the outside world's total meritorious needs from us, the Administration has at times shown less than full frankness in unveiling the picture before the country. In view of the fact that the Government has been engaged in "selling" a not altogether willing public on the successive credit programs, this is understandable.

Suppose That Sterling Has to Be Devalued?

If during the life of the loan devaluation of sterling occurs without a corresponding devaluation of the dollar, the burden of the loan debt will tend to increase correspondingly. This would tend to increase the likelihood of default. In view of the seeming weakness of Britain's economic position, both relative to what it was before the war and in relation to that of the U.S.A., devaluation of sterling during the life of the loan is quite possible.

The effects of a devaluation of sterling cannot be discussed in this space. They are complicated by the economic adjustments which ensue, as well as by other currency devaluations which the devaluation of sterling might set in motion.

Senatorial Reactions to U. K. Loan

(Continued from page 2)

European countries, the foreign exchanges collapsed and depression spread over Europe. There is nothing in our present operations to show that we have learned the lesson of that costly failure. We are repeating the same thing under new formulas, and all the fancy words in the Government press releases cannot obscure the underlying realities of what is now being proposed.

Our people do not yet realize that the Federal Government has no money to loan but that which it must take from all the American people in taxes. Money the Government gets from the sale of Victory Bonds and money it creates by borrowing from the banks has to be made good in the long run by taxing the property, business and incomes of the farmer, the manufacturer, the businessman and the worker.

Aside from the vast sums we have already expended in foreign countries, we are now committed to lend and spend abroad some $20 billions, and the end is not yet. The British loan is a sample of the unbusinesslike methods we are employing. In return for a British IOU to pay us $650 million in 55 years, we wipe the slate clean of some $25 billion of lend-lease goods and surplus property. We have not even had a businesslike accounting of lend-lease transactions or an inventory of the surplus property we are surrendering.

The interest rate of 2% on the larger loan of $3,750 million is a deception because no interest is to be paid for six years, and we promise to waive interest payments after that if Britain finds it too inconvenient to pay. I wish American farmers, the small business man, the home owner, and the veteran who risked his life for his country could get loans on such easy terms.

All we get in return is Britain's promises to do what she can to limit exchange and trade restrictions in the Empire and to help us expand world trade. America, as usual, delivers cash and goods on the barrelhead; and our debtors give us IOU's and glittering promises which somehow never seem to be made good.

It would be no hardship on Britain to give us concessions on bases which would strengthen our national defense, on communications to aid American air transport, and to agree to ship us, within the next ten years, many of the strategic and industrial raw materials we need and she controls. She has securities and other assets. It is more to Britain's interest to free the exchanges and expand world trade than it is to ours, yet merely by promising nothing more than to try to do those things which greatly benefit her own interests, she obtains the right to draw on the American treasury. Other countries will ask for similar privileges, and we shall drift into the fatal mistake of making political loans throughout the world. It is extremely difficult to see the benefits we get out of such arrangements either for the peace of the world or for the welfare of the American people.

I Shall Support the Loan

By HON. GLEN H. TAYLOR
U. S. Senator (D.) from Idaho

I shall support the loan to Great Britain and the Lease-Lend settlements recently worked out in conferences by the representatives of the two governments.

Sen. Glen Taylor

Great Britain is entitled to be treated generously because of the great sacrifices she has made during the war.

Britain held the fort for democracy practically alone for a year. Her people suffered severe privation for years and the end is not in sight unless this loan is granted.

I believe that the business activity generated will more than compensate us for any loss we may sustain.

Our private enterprise or capitalistic economy is, I believe, headed for a crisis more grave than anything that has gone before.

All of the factors that have caused previous breakdowns are with us in greatly exaggerated proportions:

Machines producing in greater quantities with less labor needed;

Industry unwilling to accept a low profit and pay high wages so the masses can buy the goods produced;

A staggering interest load to carry.

Shortly there will be more goods produced than there will be purchasing power to consume them.

When the crisis comes it may be of such a calamitous nature as to provoke violence. I forsee the rise of Fascism or dictatorial Communism.

The best I hope for is that we may follow England's lead and have a peaceful transition to an economy in which monopolies will be socialized, at the same time maintaining a wide range for private enterprise to continue, and preserving our democratic form of Government.

Those who profess to love private enterprise most are bringing this upon themselves: Congress, by refusing to support such measures as "The Full Employment" bill—Minimum Wages, etc.; industry, by maintaining that profits and wages bear no relation to each other.

Our great industrial machine is thundering ahead. The rails on which it runs represent purchasing power. The ties that form the roadbed are the millions of consumers. Shortly the track will not support the engine.

I am supporting the British loan because I feel that it is a method, albeit somewhat devious, of laying a little more track and of giving us a little more time to think. Perhaps before it is too late the owners of the engine will realize that an engineer to look ahead might be a good idea. The engineer's name would be "Planning in a Private Enterprise Economy."

Now Cayne & Co.

CLEVELAND, OHIO—The firm name of Cayne, Ralston & Co., Union Commerce Building, members of the Cleveland Stock Exchange, has been changed to Cayne & Co., effective Jan. 1.

igitized for FRASER
ttp://fraser.stlouisfed.org/
ederal Reserve Bank of St. Louis

The First Constructive Peacetime Year Begins

(Continued from page 8)

declined from the high point but have remained far above normal.

The LaSalle Index of Business Volume has held above every month last year and is currently about 2% higher. This index is based on banking figures and shows the total amount of business and financial transactions carried on by means of checks. As most business is conducted by checks, this indicator shows what is taking place in nearly all phases of economic activity.

Somewhat higher prices account for some of the increase over a year ago while retail sales have been running about 10% higher. Increased spending for services and other intangibles as well as for goods has also kept business volume high.

Changes in the rate of industrial production have been considerably greater and the LaSalle index is now 30% below what it was a year ago and about 35% below the peak. The trend has been gradually down since the latter part of 1943, with a sharp drop since August. Even after this decline, however, factories are turning out 60% more goods than the average of the four prewar years or at about the same rate as in the summer of 1941. Soon many other plants will have completed their change-over to peacetime production and be ready to increase their output.

Dominant Factors in 1946

When we look ahead in an attempt to foresee the course of business during this year we can rely on the usual methods of economic analysis to a much greater extent than at any time since 1940 when war conditions began to have the predominating influence over all business conditions. Trends are now going to be determined, not so much by the decisions made according to the requirements of military campaigns but by the relationships among costs, prices, and demands. If these can be kept in proper balance so that the income of business will be enough to cover all costs with a suitable margin to conserve invested capital and provide adequate profits, a high level of prosperity can be maintained.

The major uncertainty is that associated with the disputes between management and labor, not only over wage rates but also over the relative scope of authority of each in the management of the business. Demands of labor to have greater voice in the decisions as to prices, profits, products to be turned out, plant location, and other items may handicap management in many ways. If strikes in key industries are long extended, production would fall rapidly and everyone would have less. Constructive leadership by labor leaders, businessmen, and government officials is needed to keep business activity high.

Government touches business at so many points that its policies must be taken into account by the businessman when he is planning for the future. These policies include not only expenditures by governmental agencies but also many forms of regulation and control. Although in time adjustment can be made to almost any kind of regulation, any indications that changes are likely will be especially disturbing unless those changes work definitely in the direction of helping business to increase production and employment.

Most of the war regulations relating to materials, inventory, and methods have been removed, but those remaining are significant. Price control has done much to prevent the extreme price rises that have been associated with other wars and during the early post-war period. While protecting the consumer against high prices, it can tend to restrict production, especially at a time when many costs have risen and the expenses of reconversion have been large. To keep prices at 1942 levels when most items of cost are much higher may result in fewer goods being available and thus in the long run make the inflationary pressures even stronger and harder to control. The best objective is to establish prices that will get the largest amount of goods on the market. The trend is now in that direction.

The rates and kinds of taxes greatly affect business. They change the distribution of current income and thus may modify the amount of purchasing power for different types of goods. Taxes must be considered by business as part of the cost of operation and when they are so high that they cannot be met out of the amounts received through the sale of goods, activity and employment must be curtailed. Business is now relieved of the excess profits taxes and, for many companies, rates will be lower than they have been in recent years. If the effect is to stimulate business volume, they may increase governmental revenues that are needed to finance the huge national debt and to meet the large volume of expenditures that are still being maintained.

Another type of major uncertainty in business planning is that of consumer attitudes. For several years consumers have been receiving much more than they have been spending. National income has been rising faster than has the amount paid out by people for goods and services. As a result, savings or claims that may be made against production are higher than they have ever been before. Some estimates place them well in excess of $125,000,000,000. This amount includes a large percentage of the government bonds which have been sold to the public and which can be turned in at once for full value. That situation has not prevailed before, as in the last post-war period government bonds could be turned into cash only by selling them at less than full value. That fact tended to deter some selling. Now, however, the consumer suffers no penalty if he decides to cash his bonds. Any attempt to forecast what will happen is extremely difficult although bond redemptions have increased somewhat in recent months.

Will people spend their savings in order to get the goods which they have not been able to obtain for almost four years? The desire will undoubtedly be very great for automobiles, refrigerators, radio, electrical appliances of all kinds, and other types of consumer durable goods just as soon as they are on the market. If everybody starts bidding for these goods at once, the scramble might easily boost prices in spite of price controls. It would lead to an excessive boom which would last until the backlog of demand has been met and until people have been fully supplied. Then the later slowing down would be just as drastic. Depressions have often started out of the excesses of an uncontrolled boom.

On the other hand, people may be more cautious and, remembering their difficulties during the years of unemployment and dull business, hold on to their savings. War workers who are not sure that they can obtain jobs in peacetime industry may hesitate rather than spend freely even though they have substantial amounts saved. The effect of hoarded savings might be a substantial decline in business and reduce purchasing much sooner than many people expect. Recognition of that possibility should be a part of any planning for the future and considerations of public psychology should be given more than usual weight under present conditions. Consumer attitudes are another of the uncertainties which will be prominent this year.

This consideration of uncertainties this year is not a forecast of major difficulties that need result in any great reduction in the volume of business. The factors making for expansion are powerful enough to maintain both production and trade considerably above prewar levels for many months.

Inflationary Tendencies Are Strong

Economic trends are the result of conflicting tendencies and an appraisal of the relative strength of them is needed to estimate what is likely to take place in the future. Some of the tendencies boost business while others retard it and the outcome of this tug-of-war is either prosperity or depression.

Consumer purchasing power, both actual in the form of current income and potential in the form of savings, is the strongest force making for increased business activity. It exerts pressure on prices and on production for it provides the market for the goods which factories are turning out. Consumer incomes have declined but they are still much higher than those of normal peacetime years. Income payments to all individuals have declined from a wartime peak of over $14,000,000,000 monthly in June to around $13,000,000,000. The prewar average was less than $6,000,000,000. Incomes have thus risen much more than has current factory production, as goods are being turned out at only about 60% above prewar levels.

The effect of these large incomes and savings was evident in the holiday buying when retail trade reached a new peak about 10% higher than in any preceding period. The total sales last year were $74,000,000,000 as compared with $69,000,000,000 during the preceding year. Prewar sales in retail stores were around $40,000,000,000. Some of the increase is accounted for by higher prices and by the marked shift toward the purchase of higher-priced items rather than the cheaper grades. Yet the physical quantities of goods purchased has been much greater.

Even though retail sales have been large and retail stocks on hand above normal, many types of goods continue to be as scarce as they have been for several years. Estimates of a few months ago as to the volume of civilian goods production during the latter part of last year have not been realized. The automobile industry fell far short of its objective. Peacetime products, especially consumer goods lines, have not appeared in any substantial quantities, although when they do start they are likely to come in a flood. Much of the preliminary work involved in producing new kinds of goods is not evident at the time but the results will be striking when the production lines start operating.

Several factors have accounted for the delay in getting civilian goods on the market. Many plants were handicapped by lack of workers in spite of the fact that large numbers of employees in war plants were being laid off. In many cases these workers did not have the right kinds of skills for the new jobs. Many workers hestitated about taking jobs for which the pay was much less than what they had been receiving. They followed the natural course of looking around in an effort to get the highest paid jobs that could be found.

Many plants have discovered that getting production going again takes much more time than is required to remove one type of equipment and put in another. In most places the war machinery was taken out within a few weeks but working out methods of producing other types of goods involved much more time.

Uncertainties about prices, wages and government regulations have also been factors which tended to slow down reconversion. In view of all these many difficulties, the results achieved by businessmen have been most striking and provide assurance that other difficulties can also be solved in a surprisingly short time. Until they are, however, the pressure of large consumer purchasing power on a relatively small supply of goods will be decidely inflationary both as to prices and as to abnormal production.

Higher wage rates, unless they are accompanied by a corresponding increase in productivity, also tend to be inflationary. They raise costs and sooner or later will result in higher prices if any substantial percentages of employees receive them. For a time, higher wages might be paid out of reduced profits, from reserves which have been built up in the past, or from economies which result when increased volume of output means less overhead per unit. In the long run, however, higher wages can be paid only through increased productive efficiency or higher prices.

Government spending continues to be high and will probably remain so during much of this year. War expenditures have declined from around $8,000,000,000 monthly to around $4,000,000,000 but spending is still far greater than receipts. The deficit for the coming year may be as high as $30,000,000,000.

Deflationary Tendencies Also Significant

Forces which tend to slow down business need to be carefully considered in any estimate as to future trends. At some time in the future after the present backlog of demand has been at least partially met they will become more significant and unless business, labor, and governmental policies are unusually constructive may become predominant. That situation is not likely to prevail during the early part of this year but it should be taken into account in any long-range planning.

The most striking and dramatic deflationary factor is the fact that business is rapidly losing its biggest customer of the last few years. That customer, the Federal Government, has been buying at the rate of close to $100,000,000,000 a year, including the amounts paid for services. Scarcely half that amount was paid for by taxes taken from business and the public. Some of it was received by borrowing from individuals, but much of it was taken from commercial banking institutions, where it represents the expansion of bank credit. The problem facing business now is to find enough private customers to make up at least part of what government has been spending. To the extent that such a shift cannot be made because consumer purchasing power is not enough to offset the decline, national income will fall. Last year it was around $156,000,000,000 and may not total much over $125,000,000,000 this year. Incomes of many people will be reduced from the wartime level.

Unemployment has been rising for several months and it is likely to be much larger this spring. Not only have workers been laid off from the highly paid war jobs, but also men and women from the military forces are being returned to civilian life at the rate of close to 1,000,000 a month. Many workers are retiring, women are returning to their homes, and young people returning to school, but the number leaving the working force is not large enough to offset the number being added to it through discharges from the military forces. Unemployment is a decidely deflationary force and it becomes stronger the longer it continues. In manufacturing alone 3,000,000 fewer people are at work than a year ago. Some of these employees have found work elsewhere but that shift cannot be continued indefinitely. Unemployment is now estimated at around 2,000,000.

Another deflationary force or tendency is the result of maladjustments among the different classes of workers. Wages of factory workers have already increased much more than the wages of other classes who must buy the goods that are produced. Yet most of the pressure toward higher wages, as represented by current and threatened strikes, is among this group of employees. Much of it also comes from the highest paid among of the factory workers. Wage increases for certain groups may be higher than can be supported by other groups and by the mass of people whose wages or salaries have advanced but little. Any serious maladjustment within the wage structure of the country could easily produce conditions which would greatly hamper both industrial production and business volume. Such distortions have been followed by depressions in the past and, if allowed to go too far, can do so again.

This brief summary of the conflicting forces now at work provides a useful guide for evaluating current trends in general business and in making an estimate for the future. Inflationary tendencies are now stronger as both consumer attitudes and consumer purchasing power are in the direction of increased buying. They are most likely to stimulate production during the next few months and may also result in moderate price rises in spite of controls. Price rises are not expected to be excessive, however, although they may exceed the 2% rise in the index of commodities at wholesale during the last year. The rise in the cost of living may also exceed the very slight rise of the last twelve months.

The stimulus to increased production will probably carry the index above current levels but total output for the entire year is hardly likely to be more than 85% of last year's.

Outlook in Leading Industries

Variations among different industries have been unusually great during the last few months. The largest declines have been in transportation equipment, machinery and chemicals. The drops in many of the plants have been great enough to cover the cancellations of war contracts and some increases can be expected as civilian goods are produced. The quick rebound of the steel industry from 60% of capacity in August to 83% is a typical example of what may take place in many lines.

Production has been increasing in such lines as textiles and printing, whose output was restricted during the war. Output this year may exceed that of last year although the recovery in the textile industry may be slow. Consumption of cotton has been averaging about 10% lower than a year ago, but as more labor becomes available the mills will be able to speed up their production. In spite of a small cotton crop, enough is available from storage to keep the mills going at top speed to meet the present shortages of cotton goods.

The building industry has been slowly climbing from the wartime low of last year and contracts awarded have more than doubled. Shortages of lumber and many kinds of building supplies, as well as of skilled labor are still very acute and will prevent rapid recovery for several months. The

Digitized for FRASER
http://fraser.stlouisfed.org/

long-range outlook for construction is most favorable, however, as the demand for buildings of all kinds is enormous. To restore even the moderately good housing conditions of the prewar years will require many new homes and if the expected demand is fully met close to 1,000,000 homes will be needed each year for many years.

The steel industry is producing about 1,500,000 tons of steel weekly or about 12% less than a year ago. Demand for steel from domestic and foreign buyers will be sufficient to maintain close to that level throughout this year, unless the work stoppages due to management-labor difficulties in the industry as well as in those lines using large quantities of steel become too disturbing. The capacity of the industry has been expanded by over 12,000,000 tons and a substantial part of it will be needed to meet the requirements of peacetime industry.

Production of coal is being maintained at around 12,000,000 tons weekly and about that much will be needed this year. Output of crude petroleum and refinery operations have dropped somewhat since the end of the war and are now around 10% lower than they were a year ago. Production will probably be maintained at about the current rate during the next few months and demand may increase if many more automobiles are made.

The automobile industry has made excellent strides in changing the plants from war to peace and unless work is halted too long by strikes should reach normal production of around 400,000 cars monthly by the middle of the year. The industry is expecting to come very close to 1941 output of cars and trucks.

Lucas, Farrell & Co. Formed in Kansas City

KANSAS CITY, MO.—Announcement is made of the formation of Lucas, Farrell & Co. as successors to Soden & Co., resuming a general investment business after the return from service in the United States Navy of Mark A. Lucas, Jr. and Leo T. Farrell. The firm will be underwriters and distributors of municipal and corporate securities.

Officers will be Mark A. Lucas, Jr., President; Leo T. Farrell, and Richard W. Satterlee, Vice Presidents; and Gertrude Faltermeier, Secretary-Treasurer. Mr. Lucas will be sales manager; Mr. Farrell will be manager of the municipal department, and Mr. Satterlee, manager of the trading department.

Offices of the new firm will be located in the Columbia Bank Building, 921 Walnut Street.

O'Sullivan Rubber Stock Subscribed For

F. Cassell & Co., of Charlottesville, Va., announce that the offering of 6,000 shares of 5% cumulative preferred stock (par $100) and 30,000 shares of common stock (in units of one preferred share and 5 common shares at $128.50 per unit), as well as a separate offering of 18,000 common shares at $6 per share, has been completed. The offering was made on Dec. 27 and books were closed on the same day. It is understood that there was a wide distribution of the securities.

A. W. Morris & Co. to Admit Morris, McCarron

LOS ANGELES, CALIF.—A. W. Morris & Co., 325 West 8th Street, members of the New York and Los Angeles Stock Exchanges, will admit Hyman Morris and John T. McCarron to partnership in the firm on Jan. 10. Mr. McCarron has been with the firm for some time as cashier and office manager.

Intercollegiate Group Opposes Compulsory Military Training

Opposition to compulsory military training and for the allocation of emergency Federal funds to house veterans at colleges was voiced in a program set up on Dec. 31 by the National Conference of American Youth for Democracy's intercollegiate division calling for opposition campaigns with respect to military training. The New York "Times" of Jan. 1 reporting this said:

With representatives from 55 colleges and universities present in the City College School of Business, 17 Lexington Avenue, resolutions were adopted concerning foreign and domestic policy, college curriculum, veteran education and intercollegiate AYD organization.

The conference also voted to have collegiate members of the group form picket lines around Chinese consulates in this country as a protest against the keeping of United States troops in China.

Other resolutions were adopted promising relief to European students demanding a "revitalizing and democratization of college curricula and appointment of more Negro professors in universities, and opposing the granting of Federal funds, under Public Law 346, to colleges "having quota systems." In addition, the conference advocated a greater liberalization of the GI Bill of Rights and a Federal program of part-time job aid for students. The intercollegiate division was set up as an autonomous unit of American Youth for Democracy, and Lee Marsh was elected its executive secretary.

FIC Banks Place Debs.

A successful offering of an issue of debentures for the Federal Intermediate Credit Banks was made Dec. 19 by Charles R. Dunn, New York, fiscal agent for the banks. The financing consisted of $40,580,000 7/8% consolidated debentures dated Jan. 2, 1943, and due July 1, 1946. The issue was placed at par. Of the proceeds, $40,505,000 will be used to retire a like amount of debentures maturing Jan. 2, 1946 and $75,000 is new money. As of Jan. 2, 1946, the total amount of debentures outstanding will amount to $242,360,000.

CHARTERED 1853

United States Trust Company of New York

TRUSTEES

JOHN J. PHELPS
Retired

JOHN SLOANE
Chairman of the Board, W. & J. Sloane

WILLIAMSON PELL
President

JOHN P. WILSON
Wilson & McIlvaine, Chicago

BARKLIE HENRY
Commander, U. S. Naval Reserve

GEORGE DE FOREST LORD
Lord, Day & Lord

ROLAND L. REDMOND
Carter, Ledyard & Milburn

HAMILTON HADLEY
Lawyer

FRANCIS T. P. PLIMPTON
Debevoise, Stevenson, Plimpton & Page

BENJAMIN STRONG
First Vice-President

JOHN HAY WHITNEY
Director, Freeport Sulphur Company

G. FORREST BUTTERWORTH
Cadwalader, Wickersham & Taft

JAMES H. BREWSTER, JR.
Vice-President, Aetna Life Insurance Company

EDWIN S. S. SUNDERLAND
Davis Polk Wardwell Sunderland & Kiendl

Statement of Condition December 31, 1945

RESOURCES	
Cash and Due from Banks	$ 30,707,274.79
Loans and Bills Purchased	48,517,885.27
United States Government Obligations	83,238,319.80
State and Municipal Obligations	6,468,000.00
Other Bonds	2,870,000.00
Federal Reserve Bank Stock	840,000.00
Real Estate Mortgages	3,891,158.23
Banking House	1,475,000.00
Accrued Interest Receivable	529,472.28
Total	$178,537,110.37

LIABILITIES	
Capital Stock	$ 4,000,000.00
Surplus	24,000,000.00
Undivided Profits	2,709,917.43
General Reserve	1,000,000.00
Deposits	140,355,194.88
Bills Payable	5,000,000.00
Reserved for Taxes, Interest, Expenses, etc.	970,364.47
Unearned Discount	1,633.59
Dividend Payable January 2, 1946	500,000.00
Total	$178,537,110.37

Securities carried at $39,110,000.00 have been pledged to secure United States Government War Loan Deposit of $29,877,644.26, to secure Bills Payable, and for other purposes as required or permitted by law.

OFFICERS

WILLIAMSON PELL, *President*
BENJAMIN STRONG, *First Vice-President*

ALTON S. KEELER
Vice-President

JAMES M. TRENARY
Vice-President and Secretary

Assistant Vice-Presidents

LELAND C. COVEY, HENRY G. DIEFENBACH, ARTHUR H. ERB, HENRY B. HENZE, BERKELEY D. JOHNSON, ELBERT B. KNOWLES, GEORGE F. LEE, LAWRENCE C. MARSHALL, AUGUSTUS J. MARTIN, GEORGE MERRITT, FREDERICK M. E. PUELLE, CARL O. SAYWARD, HENRY E. SCHAPER, H. JOHN SIMMEN (*Serving with Armed Forces*), HENRY L. SMITHERS, IRVIN A. SPRAGUE, STERLING VAN DE WATER, FERDINAND G. VON KUMMER, LLOYD A. WAUGH

Assistant Secretaries

ELMO P. BROWN, PAUL CAMPBELL, JR., FREDERICK N. GOODRICH, FRANK J. KEELER, THOMAS J. MADDEN, WILLIAM J. MILLER, JR., ARMITAGE MORRISON, W. A. W. STEWART, JR.

MEMBER

FEDERAL RESERVE SYSTEM — NEW YORK CLEARING HOUSE ASSOCIATION — FEDERAL DEPOSIT INSURANCE CORPORATION

Digitized for FRASER
http://fraser.stlouisfed.org/

Our Reporter's Report

Investors, by force of circumstance, will find themselves leaning increasingly on the market for government and municipal obligations as an outlet for their funds over the long range, judging from what some of the more active underwriting firms can see ahead.

This view is based on the expectation that the Federal Treasury appears destined to finance further deficits from time to time, though in reduced volume, while states and municipalities will be in the market, as conditions warrant, for funds to finance improvements long postponed by the war.

Even in the case of the latter, Halsey, Stuart & Co., Inc., finds any real call on the money market may be some distance away due to the fact that a number of states, in particular, are possessed of substantial cash reserves with which to undertake near-term projects when materials are available.

This firm finds that in the corporate field the outlook is for contraction in volume of new financing. Railroads and utilities, it is pointed out have refinanced themselves in a substantial way in recent years and with the removal of the excess profits tax under the new revenue act, a major incentive is withdrawn, even though cheap money and improved credit positions will remain.

The industrial expansion growing out of the rush to meet wartime needs of the nation has provided most industrial companies with all the capacity they need, thus obviating the likelihood of any nearby demand for new capital on a large scale.

Foreign Dollar Loans

Reopening of the American money market to foreign borrowers through the medium of dollar bonds is conceded generally to be some distance away. In fact even when the time approaches, it will require considerable in the way of preparation.

And it is unlikely that new bonds coming into the market will carry anything like the 7 and 8 % coupon rates which attached to many of those brought out in the 20's. Monetary conditions around the world have changed and the rank and file of governments are pledged to low interest rates to keep down the cost of carrying their war-debt burdens.

Banking firms which undertake such operations if the government steps out of the way, doubtless will find themselves faced with quite a task in spite of changed conditions. Most investors have not forgotten their experiences with foreign dollar bonds bought twenty years ago.

Closer Figuring Due

From here on, underwriting groups are going to find it incumbent upon themselves to calculate the market for new issues a good deal more closely than in recent years. The U. S. Treasury has about reached the end of its rope so far as forcing money rates down is concerned.

Accordingly corporate underwriters no longer will be able to gamble, when bidding for an issue of negotiating a new deal, that if they should overbid somewhat, the market sooner or later will move up to take them "off the hook."

Henceforth such error, or overpricing, is likely to prove costly to the group involved. The market last year is calculated to have absorbed upwards of five billions of new issues, of which all but about a billion, representing new money operations, was by way of refunding. Indications are that the current year need hardly be expected to duplicate that performance.

First On List

Atlantic Refining Co.'s refinancing program involving $35,000,000 of new debentures and preferred stock is expected to be the first substantial new issue to reach market for 1946.

Dealers are now inclined to look for the debentures to be offered early next week, probably on Monday. The registration filed by the company several weeks ago provided for $25,000,000 of new debentures, to mature in 20 years, and 102,000 shares of new cumulative series B preferred stock.

The new preferred would be offered to holders of the common stock, with bankers agreeing to underwrite any balance unsubscribed for by shareholders.

Central National Elects Two V-Ps.

Central National Corporation, 22 East 40th Street, New York City, announces the election of two Vice-Presidents, Arthur Ross and Frank Kley. Mr. Ross, formerly a Lieutenant in the U. S. Naval Reserve, is being re-elected to the office of Vice-President of the corporation.

MANUFACTURERS TRUST COMPANY

Condensed Statement of Condition as at close of business December 31, 1945

RESOURCES

Cash and Due from Banks		$ 609,972,505.24
U. S. Government Securities		1,507,987,636.12
U. S. Government Insured F. H. A. Mortgages		4,329,535.93
State and Municipal Bonds		33,047,708.67
Stock of Federal Reserve Bank		2,475,000.00
Other Securities		23,302,510.15
Loans, Bills Purchased and Bankers' Acceptances		480,489,935.84
Mortgages		8,462,693.45
Banking Houses		11,471,030.67
Other Real Estate Equities		377,726.73
Customers' Liability for Acceptances		5,130,495.28
Accrued Interest and Other Resources		6,137,691.09
		$2,693,184,469.17
LIABILITIES		
Capital	$41,250,000.00	
Surplus	41,250,000.00	
Undivided Profits	30,637,360.54	$ 113,137,360.54
Reserve for Contingencies		9,391,073.68
Reserves for Taxes, Unearned Discount, Interest, etc.		7,129,420.85
Dividend Payable January 2, 1946		1,237,498.20
Outstanding Acceptances		5,676,568.46
Liability as Endorser on Acceptances and Foreign Bills		726,974.52
Deposits		2,555,885,572.92
		$2,693,184,469.17

United States Government securities carried at $508,292,492.05 are pledged to secure U. S. Government War Loan Deposits of $477,891,759.21 and other public funds and trust deposits, and for other purposes as required or permitted by law.

DIRECTORS

EDWIN M. ALLEN *Chairman, Mathieson Alkali Works, Inc.*
EDWIN J. BEINECKE *Chairman, The Sperry & Hutchinson Co.*
EDGAR S. BLOOM *President, Atlantic, Gulf and West Indies Steamship Lines*
ALVIN G. BRUSH *Chairman, American Home Products Corporation*
LOU R. CRANDALL *President, George A. Fuller Company*
CHARLES A. DANA *President, Spicer Manufacturing Corp.*
HORACE C. FLANIGAN *Vice-President*
JOHN M. FRANKLIN *President, United States Lines Company*
CHARLES FROEB *Chairman, Lincoln Savings Bank*
PAOLINO GERLI *President, La France Industries, Inc.*
HARVEY D. GIBSON *President*
JOHN L. JOHNSTON *President, Lambert Company*
OSWALD L. JOHNSTON *Simpson Thacher & Bartlett*
CHARLES L. JONES *The Charles L. Jones Company*
SAMUEL McROBERTS *New York City*
JOHN T. MADDEN *President, Emigrant Industrial Savings Bank*
JOHN P. MAGUIRE *President, John P. Maguire & Co., Inc.*
C. R. PALMER *President, Cluett, Peabody & Co., Inc.*
GEORGE J. PATTERSON *President, Scranton & Lehigh Coal Co.*
HAROLD C. RICHARD *New York City*
HAROLD V. SMITH *President, Home Insurance Co.*
ERNEST STAUFFEN *Chairman, Trust Committee*
GUY W. VAUGHAN *President, Curtiss-Wright Corporation*
HENRY C. VON ELM *Vice-Chairman of the Board*
ALBERT N. WILLIAMS *Chairman, Western Union Telegraph Company*

Principal Office: 55 Broad Street, New York City

69 BANKING OFFICES IN GREATER NEW YORK

European Representative Office: 1, Cornhill, London, E. C. 3

Member Federal Reserve System *Member New York Clearing House Association*
Member Federal Deposit Insurance Corporation

GRACE NATIONAL BANK OF NEW YORK

GRACE NATIONAL BANK

OF NEW YORK
HANOVER SQUARE, NEW YORK

Statement of Condition, December 31, 1945

RESOURCES

Cash in Vault and with Banks		$22,211,859.70
Demand Loans to Brokers, Secured		2,871,600.00
U. S. Government Securities		49,852,877.63
State, Municipal and other Public Securities		2,025,455.44
Other Bonds		67,867.82
Loans and Discounts		28,372,303.84
Stock of Federal Reserve Bank		165,000.00
Customers' Liability for Acceptances		867,609.75
Accrued Interest and Other Assets		407,202.85
		$106,841,777.03
LIABILITIES		
Capital Stock	$2,750,000.00	
Surplus	2,750,000.00	
Undivided Profits	874,457.90	$ 6,374,457.90
Deposits*		95,139,600.56
Certified and Cashier's Checks Outstanding		3,502,357.57
Acceptances	1,095,891.44	
Less Own Acceptances in Portfolio	128,703.99	967,187.45
Reserve for Contingencies, Interest, Expenses, etc.		858,173.55
		$106,841,777.03

*Includes U. S. Government Deposits aggregating $22,869,816.61

DIRECTORS

HUGH J. CHISHOLM President, Oxford Paper Co.
ROBERT J. CUDDIHY Vice-President and Treasurer, Funk & Wagnalls Company
CHESTER R. DEWEY President
DAVID DOWS New York
ROBERT E. DWYER Executive Vice-President, Anaconda Copper Mining Company
D. S. IGLEHART Director, W. R. Grace & Co.
CLETUS KEATING Kirlin, Campbell, Hickox & Keating
D. C. KEEFE President, Ingersoll-Rand Company
DAVID M. KEISER President, The Cuban-American Sugar Company
W. H. LA BOYTEAUX President, Johnson & Higgins
CLARK H. MINOR Chairman, Executive Committee, International General Electric Co., Inc.
WILLIAM M. ROBBINS Vice-President, General Foods Corporation
HAROLD J. ROIG President, Pan American-Grace Airways, Inc.
JAMES H. SHARP Vice-President
FRANK C. WALKER New York

The Grace name has been identified with domestic and international banking and commerce for almost a century.

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

Digitized for FRASER
http://fraser.stlouisfed.org/

Sees Slow Reconversion Progress

(Continued from page 11)

hope that the foundations of industrial peace can be greatly strengthened at present by voluntary action, and Congress has turned its attention to the possibility of legislation to promote the peaceful settlement of industrial disputes.

Even if the conference had been more successful, however, and even if Congress should find a helpful formula for the settlement of disputes, the wage-price issue would still have to be faced. The situation is an example of the disorder that invariably attends sweeping economic changes, particularly such violent upheavals as are caused by global wars. It can only be hoped that a new and tenable wage-price equilibrium can be established quickly enough to forestall serious and possibly lasting damage to the nation's economic structure.

Financial Developments

The end of the war has brought few important changes in financial conditions. The steady decline in war production since the early months of the year has been accompanied by a downward trend in Federal expenditures for war purposes, and revised budget estimates issued after the Japanese surrender indicate a deficit for the current fiscal year of approximately $30 billion, as against an original estimate of $46 billion and an actual deficit of nearly $54 billion in the fiscal year ended June 30, 1945. The action of Congress in accelerating postwar Treasury refunds to corporations, in repealing the excess profits tax and in reducing corporate and individual income-tax rates has brought a prospect of early relief to millions of taxpayers and has undoubtedly served to hasten the progress of reconversion. It is evident, however, that demobilization will require considerable time and that the period of war deficits is by no means at an end. As both the President and the Secretary of the Treasury have pointed out, the possible scope of further tax reduction in the near future is limited.

Banking conditions have continued to be determined largely by the requirements of war finance, even since the actual fighting ended. The banks' holdings of Government obligations have risen to new high levels, and the increase has been accompanied by a further rise in deposits. The amount of money in circulation also has continued to increase, contrary to the expectation in some quarters that the decline in payrolls in war industries would result in a diminution of demand for currency. Perhaps the most significant banking development in recent months has been the sharp increase in business loans since "V-J Day." Commercial, industrial and agricultural loans of weekly reporting member banks stand at a figure more than a billion dollars above that on Aug. 15 and more than $700 million above that a year ago.

The General Prospect

In spite of difficulties and uncertainities at home and abroad, present conditions seem to warrant moderate optimism as to the near-term outlook. The unsettlement and delay occasioned by the wage-price controversy have not prevented reconversion as a whole from proceeding approximately according to plans and expectations. Several years' accumulation of unfilled consumers' needs, fortified by large amounts of unspent money income, gives promise of a flow of demand sufficient to tide over a reasonable period of reduced employment and to provide a ready market for the products of reconverting industries. The most menacing possibility at the moment is that of partial industrial paralysis due to strikes. If that danger can be averted or minimized, the coming year not only should be a fairly prosperous one for the great majority of the American people but should bring substantial progress toward the building of a strong foundation for future welfare.

In the long-term view, perhaps the most lasting and most inescapable economic condition that will have to be faced as a result of the war will be the tremendously increased cost of government. This will include the cost of national defense, which will unquestionably remain much higher than it was before the war; the cost of veterans' benefits, also greatly increased; and, if present plans are carried out, large expenditures for such purposes as highway construction, housing, aid to agriculture, flood control, electric power, loans to foreign countries, and social programs.

Fiscal Policy a Crucial Problem

The inevitably high cost of government will make Federal fiscal policy a much more vital influence in the general economic situation than it has ever been in the past. Under any conditions, taxes will represent a heavy and continuing burden on business enterprise. To lighten that burden, there will be a constant temptation to allow the debt to increase further. The only possible ultimate result of such a course would be uncontrollable currency disorder. The Federal budget must be balanced, not only in good years but over the long term. If this is to be done without making the tax burden a fatal deterrent to economic welfare and progress, it is essential that every unnecessary governmental expenditure be avoided and that taxation be so distributed as to offer the least possible hindrance to the flow of capital and effort into productive channels.

J. G. White & Co. Buys Utility Property

The Securities & Exchange Commission has handed down an order permitting J. G. White & Co., Inc., 37 Wall Street, New York City, to acquire 20,000 shares of the capital stock of Trinidad Electric Transmission Railway & Gas Co. for $790,000.

In connection with this purchase the New Mexico Power Company is selling certain of its property known as the Dawson Division to the Trinidad company. The Trinidad Electric Transmission Railway & Gas Co. supplies electric light and power service to a population of about 30,000 in southeastern Colorado and northern New Mexico. It has power plants with an installed capacity of 28,000 kva. Mr. James M. Patten, who has been associated with Electric Advisers, Inc., an affiliate of Cities Service Power & Light Co., is associated with J. G. White & Co., Inc., in the purchase and will become Chairman of the board.

Col. Roberson Returns To Lazard Freres Co.

Col. William C. Roberson, G. S. C., has returned to Lazard Freres & Co., 44 Wall Street, New York City, members of the New York Stock Exchange, after five years' leave of absence. The former New York National Guard officer during his period of active duty spent over 19 months in the European Theatre of Operations. Assigned to the Intelligence Section of Headquarters First U. S. Army, he participated in all the campaigns of that unit. He holds the Bronze Star and Purple Heart in addition to other awards.

John P. White Admits Itzel as Partner

John P. White & Co., 120 Wall Street, New York City, announce the admission to general partnership of Charles E. Itzel. Mr. Itzel was formerly manager of the trading department for W. J. Banigan & Co.

David Callaway Jr. VP. Of First of Michigan

Paul L. Sipp, executive vice president of the First of Michigan Corporation, 2 Wall Street, New York City, announces that David H. Callaway, Jr. has been elected a vice president. He was previously assistant vice president of the firm.

Robt. Dahn With Dept. Of Union Securities

Union Securties Corporation, 65 Broadway, New York City, announces that Robert A. Dahn has joined the Municipal Bond Department of the firm. Mr. Dahn was formerly associated with Laurence M. Marks & Co. and R. W. Pressprich & Co.

THE CHASE NATIONAL BANK

OF THE CITY OF NEW YORK

STATEMENT OF CONDITION, DECEMBER 31, 1945

RESOURCES

Cash and Due from Banks		$1,366,233,111.69
U. S. Government Obligations, direct and fully guaranteed		3,078,102,718.25
State and Municipal Securities		147,221,452.48
Other Securities		156,265,894.47
Loans, Discounts and Bankers' Acceptances		1,271,694,229.96
Accrued Interest Receivable		13,368,045.53
Mortgages		8,067,962.55
Customers' Acceptance Liability		5,847,765.89
Stock of Federal Reserve Bank		7,500,000.00
Banking Houses		33,785,529.44
Other Real Estate		2,269,767.36
Other Assets		2,244,170.70
		$6,092,600,648.32

LIABILITIES

Capital Funds:		
Capital Stock	$111,000,000.00	
Surplus	139,000,000.00	
Undivided Profits	50,239,856.18	
		$ 300,239,856.18
Dividends Payable February 1 and May 1, 1946		5,920,000.00
Reserve for Contingencies		13,638,158.44
Reserve for Taxes, Interest, etc.		16,821,253.41
Deposits		5,742,179,805.89
Acceptances Outstanding	$ 9,341,045.22	
Less Amount in Portfolio	3,022,521.90	6,318,523.32
Liability as Endorser on Acceptances and Foreign Bills		46,153.27
Other Liabilities		7,436,897.81
		$6,092,600,648.32

United States Government and other securities carried at $1,534,786,096.94 are pledged to secure U. S. Government War Loan Deposits of $1,254,201,980.98 and other public funds and trust deposits, and for other purposes as required or permitted by law.

Member Federal Deposit Insurance Corporation

gitized for FRASER
p://fraser.stlouisfed.org/

NASD District 11 Elects Officers

WASHINGTON, D. C.—Charles H. Pinkerton, Baker, Watts & Co., Baltimore, was elected Chairman of District No. 11 of the National Association of Securities Dealers. James H. Lemon, Johnston, Lemon & Co., Washington, was named Vice Chairman, and Martin J. Bayly of Philadelphia, was chosen Secretary.

William W. Mackall, Mackall & Coe, Washington; Edwin R. Horner, Scott, Horner & Mason were elected to the District Committee. Mr. Mackall succeeds Robert C. Kirchofer, Kirchofer & Arnold, Raleigh, N. C.; the latter was elected as the representative from District 11 to the Board of Governors of the Association for a three-year term succeeding James P. Nolan, Folger, Nolan & Co., Washington.

Grant & Dayton Join Clark, Dodge & Co.

Clark, Dodge & Co., 61 Wall Street, New York City, members of the New York Stock Exchange, announce that Robert Grant 3rd and J. Wilson Dayton, Jr., both lieutenant commanders in the United States Naval Reserve, are now associated with the firm. Comdr. Grant, a graduate of Harvard University, was formerly a partner in G. M.-P. Murphy & Co. Comdr. Dayton, a graduate of Princeton, was previously assistant to the Vice President of Union Securities Corporation.

McReynolds & Co. Formed

BREMERTON, WASH.—Donald C. McReynolds has formed McReynolds & Co. with offices at 244 Burwell Street to engage in the securities business.

Scott & Birmingham Lord, Abbett V.-Ps.

Walter R. Scott and Eugene A. Birmingham have been elected Vice Presidents, and Robert J. de Graffenreid has been elevated to Treasurer of Lord, Abbett & Co., Inc., 63 Wall Street, New York City, effective on Jan. 1, 1946, it was announced by Andrew J. Lord, President.

Mr. Scott is general sales manager of the firm and Mr. Birmingham served as Treasurer of Affiliated Fund, Inc., and Union Trusteed Funds, Inc. Mr. de Graffenried had been Assistant Treasurer of Lord, Abbett & Co., Inc.

Hecht Opens in New Orl.

NEW ORLEANS, LA.—Rudolf S. Hecht is engaging in the investment business from offices in the Hibernia Bank Building.

THE NATIONAL CITY BANK OF NEW YORK

Head Office: 55 Wall Street, New York

Condensed Statement of Condition as of December 31, 1945

Including Domestic and Foreign Branches

(IN DOLLARS ONLY—CENTS OMITTED)

ASSETS	
Cash and Due from Banks and Bankers	$1,102,106,681
U. S. Government Obligations (Direct or Fully Guaranteed)	2,773,488,249
Obligations of Other Federal Agencies	34,671,455
State and Municipal Securities	145,808,546
Other Securities	79,784,670
Loans, Discounts, and Bankers' Acceptances	1,233,843,937
Real Estate Loans and Securities	5,879,312
Customers' Liability for Acceptances	5,450,115
Stock in Federal Reserve Bank	6,600,000
Ownership of International Banking Corporation	7,000,000
Bank Premises	30,031,968
Items in Transit with Branches	7,422,875
Other Assets	2,284,792
Total	$5,434,372,600

LIABILITIES		
Deposits (Includes United States War Loan Deposit $1,133,752,278)		$5,143,422,244
Liability on Acceptances and Bills	$13,391,236	
Less: Own Acceptances in Portfolio	5,658,171	7,733,065
Reserves for:		
Unearned Discount and Other Unearned Income		1,972,546
Interest, Taxes, Other Accrued Expenses, etc.		27,300,507
Dividend		4,650,000
Capital	$77,500,000	
Surplus	142,500,000	
Undivided Profits	29,294,238	249,294.238
Total		$5,434,372,600

Figures of Foreign Branches are included as of December 22, 1945, except those of Branches in the Far East possession of which we have not recovered. For these latter the figures are prior to enemy occupation but less reserves.

$1,328,365,691 of United States Government Obligations and $7,973,361 of other assets are deposited to secure $1,242,344,155 of Public and Trust Deposits and for other purposes required or permitted by law.

(MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION)

Chairman of the Board Gordon S. Rentschler
Vice-Chairman of the Board W. Randolph Burgess
President Wm. Gage Brady, Jr.

CITY BANK FARMERS TRUST COMPANY

Head Office: 22 William Street, New York

Condensed Statement of Condition as of December 31, 1945

(IN DOLLARS ONLY—CENTS OMITTED)

ASSETS	
Cash and Due from Banks	$ 29,870,345
U. S. Government Obligations (Direct or Fully Guaranteed)	154,851,446
Loans and Advances	1,042,384
Real Estate Loans and Securities	5,050,950
Stock in Federal Reserve Bank	600,000
Bank Premises	3,339,764
Other Real Estate	114,786
Other Assets	2,098,362
Total	$196,968,037

LIABILITIES		
Deposits (Includes United States War Loan Deposit $55,429,270)		$165,235,022
Reserves (Includes Reserve for Dividend $310,652)		4,511,379
Capital	$10,000,000	
Surplus	10,000,000	
Undivided Profits	7,221,636	27,221,636
Total		$196,968,037

$60,406,874 of United States Government Obligations are deposited to secure the United States War Loan Deposit and for other purposes required or permitted by law.

(MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION)

Chairman of the Board Gordon S. Rentschler
President Lindsay Bradford

"Our Reporter on Governments"

By JOHN T. CHIPPENDALE, JR.

The Government bond market moved through the final days of 1945 in one of its sharpest upswings of the year. . . . The buying that carried prices to new alltime highs was not for "window dressing" purposes but largely for investment. . . . With no increase in the outstanding amount of intermediate and long-term bank eligible obligations in the making, funds were put to work in the available issues, at present high levels because of the fear that prices will continue to advance. . . . The scramble to get money invested was not confined to the bank obligations, since there was a good demand for the restricted issues, many of which also were taken up to new alltime tops. . . .

The most substantial increase in prices took place among the obligations that come due from 1956 on, indicating that investors must still extend maturities in order to obtain income. . . .

MARKET LEADERS

The recent advance was again led by the 2½% due 1956/59, the first restricted obligation to become bank eligible. . . . The 2½s due 1956/58, and the 2½s due 9/15/67/72, were among the largest gainers, with the latter issue going to prices that took the yield under 2.00% for the first time. . . . As a result there are no bank eligible bonds in the list now that give a return as high as 2.00%, regardless of maturity. . . . The last three issues of the partially exempts were the leaders of this group, although new alltime highs were registered by some of the intermediate terms. . . .

The restricted obligations continued to make new alltime highs with indications that they will seek higher levels since these bonds are still cheap when compared with the prices at which the bank eligible issues are selling. . . .

Switching out of the bank eligible 2s into the restricted 2¼s and 2½s has been fairly sizable in the past few days with indications that it will be more important after the turn of the year. . . . It is reported that non-banking institutions in their exchange of the intermediate term bank bonds for the restricted issues are showing a marked preference for the 2¼s over the 2½s. . . .

THE RECORD FOR 1945

The Government bond market made substantial progress during the year, which is shown by a comparison of prices at the end of 1944 with those at the close of 1945.

(Figures to the right of decimals are 32nds.)

Issue		Closing Bid Price 12/30/44	Closing Bid Price 12/31/45	Change
3¾%	3/15/56/46*	103.25	100.19	—3. 6/32
3%	6/15/48/46*	103.13	101.0	—2.13
3⅛%	6/15/49/46*	103.18	101.2	—2.16
4¼%	10/15/52/47*	109.18	106.5	—3.13
2%	12/15/47*	103.20	102.13	—1. 7/32
2%	3/15/50/48	101.27	102.3	+ 8/32
2¾%	3/15/51/48*	105.31	104.7	—1.24
1¾%	6/15/48	101.8	101.21	+ 13/32
2½%	9/15/48*	106.0	104.15	—1.17
2%	12/15/50/48*	104.10	103.14	— 28/32
2%	6/15/51/49	101.24	103.3	+1.11
2%	9/15/51/49	101.22	103.5	+1.15
2%	12/15/51/49	101.19	103.7	+1.20
3⅛%	12/15/52/49*	109.29	108.24	—1. 5/32
2½%	12/15/53/49*	106.29	106.10	— 19/32
2%	3/15/52/50	101.16	103.11	+1.27
2%	9/15/52/50	101.8	103.16	+2. 8/32
2½%	9/15/52/50*	107.13	107.9	— 4/32
		Offered at 100		
1½%	12/15/50	June 1, 1945	101.18	+1.18
2¾%	6/15/54/51*	109.9	109.15	+2. 8/32
2%	9/15/53/51	100.24	104.1	+3. 9/32
3%	9/15/55/51*	110.26	111.8	+ 14/32
2¼%	12/15/53/51*	106.28	107.13	+ 17/32
2%	12/15/55/51	100.24	104.10	+3.18
2½%	3/15/54/52	103.30	107.0	+3. 2/32
2%	6/15/54/52	100.15	104.10	+3.27
2¼%	6/15/55/52	102.3	105.20	+3.17
2%	12/15/54/52	100.10	104.12	+4. 2/32
2%	6/15/55/53*	105.24	107.3	+1.11
2¼%	6/15/56/54*	107.23	109.6	+1.15
2⅞%	3/15/60/55*	112.21	114.26	+2. 5/32
2½%	3/15/58/56	103.21	109.28	+6. 7/32
2¼%	9/15/59/56†	100.23	106.10	+5.19
2¾%	9/15/59/56*	112.2	115.3	+3. 1/32
2¾%	6/15/63/58*	112.2	115.23	+3.21
		Offered at 100		
2¼%	6/15/62/59†	June 1, 1945	100.28	+ .28
		Offered at 100		
2¼%	12/15/62/59†	Nov.15, 1945	100.28	+ .28
2¾%	12/15/65/60*	112.14	117.12	+4.30
2½%	6/15/67/62†	100.24	103.19	+2.27
2½%	12/15/68/63†	100.15	102.28	+2.13
2½%	6/16/69/64†	100.11	102.19	+2. 8/32
2½%	12/15/69/64†	100.11	102.17	+2. 6/32
2½%	3/15/70/65†	100.10	102.10	+2.00
2½%	3/15/71/66†	100.12	101.2	+1.26
		Offered at 100		
2½%	6/15/67/72†	June 1, 1945	101.14	+1.14
2½%	9/15/67/72	100.20	108.28	+8. 8/32
		Offered at 100		
2½%	12/15/67/72†	Nov. 15, 1945	101.14	+1.14

*Partially tax exempt. †Restricted issues.

BEST PERFORMERS

The largest gain was made by the bank eligible 2½s due 9/15/67/72 which advanced more than 8 points. . . . Following in line was the 2½% due 1956/58, with a price betterment of about 6¼ points. . . . The restricted 2¼% due 1956/59 was among the leaders with a gain in excess of 5½ points. . . . The partially exempt bonds were led by the 2¾% due 1960/65 which advanced almost 5 points during the year. . . . Sizable improvement was registered in the 2% taxables with the best showing in this group being made by the December 1952/54's with an increase of more than 4 points.

Digitized for FRASER
http://fraser.stlouisfed.org/

Year-End Bond Survey

(Continued from page 16)

that "the importance of high industrial production from all angles—economic, political, social, and especially from the standpoint of alleviating the existing menace of inflation—suggest that a solution must and will be found, though a troublesome intermediate period is probably to be expected. Certainly, rather than risking the retarding influence of price controls," the Survey says, "it is desirable to eliminate at first opportunity all but those obviously necessary. The resulting increase in production and the coercive workings of competition may be relied upon to keep price levels in hand while also contributing toward the solution of the many other troublesome problems confronting the country.

"The vast increase in the industrial capacity of the country growing out of wartime expansion of facilities, the well-ordered financial position of the larger factors in industry, both current and longer term, together with the desire and ability of consumers to buy all that can be produced, provide an unparalleled base for future activity if wisdom prevails in the solution of the existing retarding problems."

Railroad Financing at High Level

"Railroad financing, almost exclusively senior and refunding in character, constituted a higher percentage of total corporate financing in 1945 than in any year since 1934," according to the Survey. "To other conditions favorable to refunding, the activity in railroad financing reflected the great improvement in railroad credit which began in pre-war years and gained momentum along with the increased earnings and resulting benefits of the war years.

"Of chief concern is whether the railroads can maintain their improved status in the years ahead. On the one hand is cited the highly competitive situation likely to develop in the transportation field, the eventual over-all reduction in traffic, and the probable increase in cost of both labor and material. On the other hand, is offered the reduction in fixed charges growing out of extensive refundings, debt and tax cuts, the great improvement in current position, the increased efficiency resulting from a long-term program of rehabilitation and new equipment and, importantly, the new awareness of the place of the railroads both as a fundamental military and peacetime transportation facility."

Utility Outlook Favorable

Commenting on the utility situation, the Survey observes that a majority of companies in the electrical and gas fields have by now taken advantage of recent favorable market conditions to strengthen their capital structures through reduction of interest and preferred dividend charges, better spacing of maturities and better provision for debt reduction. "As a result it is safe to say that fixed capital charges now represent a lower percentage of operating costs than at any earlier period in the history of the industry. Other favorable factors in the situation are the relatively small labor force employed, the adequate production facilities, the simple reconversion problem and the seeming assurance of a well maintained demand for output.

"Chief anxieties ahead are the probable increase in production costs and whether there is to be a revival of pre-war activity in publicly owned power projects. On the first point, advances in labor, fuels and materials may be offset in part by a reduction in taxes and capital charges, but beyond that, relief must necessarily lie in the willingness of the regulatory bodies to grant rate increases. On the second point, indications are that the war years represented merely a truce in the strained relationship between the advocates of public and private ownership and that the deep-seated antagonisms between the two are soon to be revived."

Municipal Situation Encouraging

In the municipal market, the Survey finds an anomaly in the strengthening tendency for tax-exempt securities in the face of a probable increase in supply and a known decrease in tax rates. This can only be explained, the Survey states, "by investors' reasoning that tax reductions are and will continue for some time to be relatively small, while net increase in the supply of tax exempts (new issues over retirements, both Federal and municipal) will also be relatively unimportant."

The most encouraging aspect of the municipal situation, the Survey states, is the strengthened position of most local governments and the resulting opportunity for reasserting their traditional importance as autonomous governmental bodies if wisdom and restraint are exercised.

"By wisdom and restraint," the Survey continues, "is meant discrimination in accepting Federal aid in projects essentially local in character and usefulness, abstinence from involvment in proprietary projects more naturally lying in the field of private enterprise, control of expenses in the period ahead when costs are likely to be advancing and when demand for improvements may often be more general than wise. Also desirable for the future soundness of state and local governments is an overall survey of the sources of tax revenues with such revision in apportionment of the whole that each branch of government may discharge its functions without call or dependence on the other."

Contraction Probable in Bond Activity

Looking to the future, the Survey suggests that with the removal of the excess profits tax, effective Jan. 1, 1946, one of the chief contributing factors to the wave of refunding will have been eliminated. Though the other two factors responsible for activity in 1945, namely, low interest rates and improved credit position resulting from good earnings, remain and may reasonably be expected to continue for the foreseeable future, "the volume of refunding operations is likely to diminish in the period ahead. Nor is it probable that new debt obligations in the corporate field will increase materially, in part because the necessity is lacking and in part because of management's reluctance to add to its fixed obligations in view of the long-range uncertainties ahead."

In the governmental field the opinion is expressed that continued Treasury deficits appear inevitable in view of existing demands and commitments, hence new emissions of Treasury obligations, though in reduced volume, may be expected in the period ahead. "Increased state and municipal issues to defray the costs of postponed and needed improvements are also assured, though it is questionable whether these will appear immediately in substantial volume due to available cash reserves, to the dearth of supplies, and to the necessity of more definitive planning before new projects can be embarked upon. For the present, the prospect of foreign financing through private channels appears wholly unpromising."

Turning to the demand side, the Survey finds it probable that investing in corporate and municipal bonds will continue to be rather narrowly confined. "Despite the large amounts seeking investment, current interest rates of such bonds are not such as to attract widespread buying among small or moderate sized investors and, even among large individual buyers, tax exactions are still such as to limit accumulation and to divert many in this field to less conservative selections in their effort to build up their reduced net incomes."

The Survey concludes that contraction is probable in both the supply and demand factors in the bond market other than in the field of government obligations. "Even so, the demand gives promise of exceeding the supply of new securities of investment quality which, coupled with reasonable certainty of continued low interest rates, indicates sustained high prices for both primary and secondary investment classifications."

Newburger & Hano Partnership Changes

Newburger & Hano, 1419 Walnut Street, members of the New York Stock and Philadelphia Exchanges announce that Harry Grabosky has withdrawn as a general partner in their firm, and that Herman P. Liberman, James W. Wolff, S. Nathan Snellenburg and Robert S. Thanhauser have been admitted as general partners.

Maj. Granger Honored

Major David Granger, who recently resumed a partnership in Sulzbacher, Granger & Co., 111 Broadway, New York City, members of the New York Stock Exchange, after discharge from the Army Air Force, has been awarded the Order of British Empire officer class.

Harold W. Davis With Laird, Bissell, Meeds

Laird, Bissell & Meeds, 120 Broadway, New York City, members of the New York Stock Exchange, announce that Harold W. Davis has become associated with the firm in its New York office. Mr. Davis was formerly manager of the bond department of the New York office of F. S. Moseley & Co.

Eugene Tompane to Form Own Investment Business

Eugene F. Tompane will shortly open offices to engage in the securities business. In the past he was connected with Distributors Group, Inc.

THE
PHILADELPHIA
NATIONAL BANK

The Oldest and Largest Bank in Pennsylvania

Organized 1803

Statement of Condition, December 31, 1945

RESOURCES

Cash and Due from Banks		$194,761,881.20
U. S. Government Securities		523,752,891.25
State, County and Municipal Securities		13,895,391.83
Other Securities		40,022,270.21
Loans and Discounts		90,873,215.73
Accrued Interest Receivable		2,550,965.05
Customers' Liability Account of Acceptances		2,661,361.17
Bank Buildings		1.00
		$868,517,977.44

LIABILITIES

Capital Stock (Par Value $20.00)		$14,000,000.00
Surplus		28,000,000.00
Undivided Profits		12,443,740.45
Reserve for Taxes		3,098,674.89
Dividend (Payable January 2, 1946)		875,000.00
Unearned Discount and Accrued Interest		157,436.35
Acceptances	$5,663,549.00	
Less Amount Held in Portfolio	2,480,239.69	3,183,309.31
Deposits		
United States Treasury	$168,067,067.66	
All Other Deposits	638,692,748.78	806,759,816.44
		$868,517,977.44

Philadelphia, Pa.

Member of the Federal Deposit Insurance Corporation

Digitized for FRASER
http://fraser.stlouisfed.org/

Free Flow of World News Vital to Our Economy

(Continued from first page)

even given the courtesy of an explanation for the reversal.

The sorry episode emphasizes the central fact about the job of reporting from a totalitarian country—the fact that correspondents enjoy no basic rights of any sort. Such limited privileges as they may have are not theirs as a matter of international right, but simply official favors which may be restricted or withdrawn without warning.

This is one aspect of the problem of the free flow of world news which has been getting a lot of attention since the end of the war, though not nearly the attention it deserves. Americans, and especially American businessmen with a stake in world economy, cannot be indifferent to questions of news coverage and censorship in the rest of the world.

As the World's Financier We Need Access to the Truth

The Bretton Woods agreement meshes our finance into world finance. Colossal loans to foreign nations have been made or are in the making. The machinery of foreign trade, largely stalled by political conflicts, must somehow be unfrozen to restore a semblance of normal global health. Under these circumstances continuous access to the truth about events, personalities and conditions in other countries is obviously of the greatest importance.

The amazing part of it is that men who would not dream of doing business in the dark at home seem content to do business in the dark abroad. The average businessman would refuse to extend credits without knowing all present facts and assuring himself of access to future facts. Yet business spokesmen talk about billions of credits to Soviet Russia and other dictated areas without bothering about the news blackouts.

The recent to-do about censorship and related problems is not the exclusive concern of Mr. Kent Cooper of the Associated Press, Mr. Hugh Baillie of the United Press and other professional press executives. It is — or at least should be — the concern of the whole country. Indeed, the sooner the problem of adequate and unadulterated world news is acknowledged and faced by America, the more chance there will be of solving it at least in some measure.

Soviet's Lifting of Censorship an Empty Gesture

Let me return to the Moscow episode. Ninety-nine Americans out of a hundred, reading that Russia has lifted its censorship, assumed that from that point forward correspondents in the Soviet land were free to report as they pleased. All ninety-nine of them were completely wrong. Formal censorship is only one phase, and by no means the most vital, in the control of news from totalitarian nations.

The correspondent is hemmed in by any number of other restrictions which are actually more effective in keeping the truth from the outside world. It is not generally known that in Germany under Hitler, up to the war, there was no formal censorship. Yet the Nazis managed to keep the rest of the world sufficiently ignorant about their home affairs. Mussolini's Italy, too, did not have a formal censorship.

During the interval when censorship took a holiday in Moscow, the correspondent could file his dispatch directly at the cable office, without benefit of a censor's seal and signature. This did make his task a bit lighter by eliminating that much red tape. But only a tyro, or a reporter eager to be expelled, would have filed stories hostile to or definitely displeasing to the Soviet regime.

There has been some pressure in Congress for the idea that loans to Russia and to Soviet-dominated small countries be made contingent upon the lifting of news blackouts. The danger is that we may accept an empty gesture, such as the abandonment of censorship, which does not really alter the situation, as a substitute for the real thing.

Far more significant than the formality of censorship are such matters as free access to news sources; unrestricted rights to travel in the country to which a correspondent is assigned; elimination of delay and tinkering with news dispatches in the process of transmission; the right of newspapers and press agencies to send in reporters of their own choice even if they happen to be distasteful to the dictatorial regime in question.

Moscow Correspondents Are Virtually Prisoners

What is the actual picture of life for the working foreign correspondent in Moscow today? He is virtually a prisoner in the capital. To travel anywhere beyond the suburban area he requires permission from the Press Department of the Foreign Office; as a matter of course he is denied such permission precisely to the places where news is in the making, unless it is news which the Kremlin wants known. He cannot dig up news by approaching officials directly; they would be risking their freedom and even their heads if they talked without authorization from higher up.

Should non-official Russians be naive enough to give him information, he knows that he would be putting them in the gravest danger by using it. Time and again, when I was in Russia for the United Press, I came into possession of exciting stories which I did not dare to publish because my Russian acquaintances—though they had nothing to do with the information—would have been suspected and subjected to interrogation or worse.

To all intents and purposes the foreign correspondent in a totalitarian capital is isolated from the local population. The few natives who have the courage or the innocence to associate with him are risking their necks. In the final analysis he is dependent on the newspapers, local broadcasts and official handouts for his news. All of these sources are official, "angled," carefully calculated to cover up rather than reveal the truth. Even the best foreign reporter thus becomes unwillingly a transmission belt for the dictator's propaganda.

This is the news reporting picture in Moscow after the war. It was, of course, even more stringent during the war. And it was no better before the war. It is the normal state of affairs, rather than an exceptional phenomenon. True, there are periods when the control is milder, periods when it is unrelieved in its harshness. But the principle is unchanging; the foreign correspondent in a dictatorship is treated as an authorized "spy," whose facilities for observation and gathering facts are as close to nil as the regime can make it, and whose personal life is under incessant surveillance.

Psychological Pressures on Reporters

There is another consideration which every practising foreign correspondent knows but of which the public at large—and a good many press executives at home—are unaware. I refer to the psychological pressures under which the accredited reporter labors. These are so terrific that only the boldest, with the greatest intellectual integrity, can escape it.

In a free capital—in Washington or London—a foreign newspaperman may take a slant opposed to the government without affecting his living standards, his news sources, his social life. After all, there are plenty of Americans and Britons who share his slant. If some news sources are sealed because of his bias, others are opened wider. If some officials or colleagues are offended, others are pleased. In short, he has room for maneuvering.

In Moscow—or any other totalitarian capital—his life becomes one long torment when he is tagged as "unfriendly," which is to say unsympathetic to the regime. All doors are shut in his face. Invitations to official functions cease to arrive. The few local friends he may have acquired become frightened of him. His American colleagues — who are also his competitors—get all news breaks.

If he has any sense, he clears out, because his usefulness is limited. If he is stubborn, the government finds ways and means of pushing him out. In my own case, Mr. Litvinoff, then in Washington, induced the United Press to recall me. It was a period when "good relations with Rus-

BANKERS TRUST COMPANY

NEW YORK

CONDENSED STATEMENT OF CONDITION, DECEMBER 31, 1945

ASSETS

Cash and Due from Banks	$ 378,425,210.74
U. S. Government Securities	894,386,409.15
Loans and Bills Discounted	568,440,375.09
State and Municipal Securities	14,435,886.11
Other Securities and Investments	44,467,867.21
Real Estate Mortgages	59,258.50
Banking Premises	15,230,350.64
Accrued Interest and Accounts Receivable	5,163,632.66
Customers' Liability on Acceptances	1,036,622.97
	$1,921,945,613.07

LIABILITIES

Capital	$30,000,000.00	
Surplus	80,000,000.00	
Undivided Profits	33,317,049.61	$143,317,049.61
General Reserve		15,403,262.71
Dividend Payable January 2, 1946		1,050,000.00
Deposits		1,749,590,468.60
Reserve for Taxes, Accrued Expenses, etc.		8,321,798.28
Acceptances Outstanding	$ 2,332,749.71	
Less Amount in Portfolio	1,154,134.78	1,178,614.93
Other Liabilities		3,084,418.94
		$1,921,945,613.07

Securities in the above statement are carried in accordance with the method described in the annual report to stockholders, dated January 11, 1945. Assets carried at $424,516,297.89 have been deposited to secure deposits, including $399,015,290.68 of United States Government deposits, and for other purposes.

Member of the Federal Deposit Insurance Corporation

CHEMICAL BANK & TRUST COMPANY

Founded 1824

165 Broadway, New York

CONDENSED STATEMENT OF CONDITION

At the close of business, December 31, 1945

ASSETS

Cash and Due from Banks	$258,593,486.63
U. S. Government Obligations	790,555,297.87
Bankers' Acceptances and Call Loans	171,435,855.77
State and Municipal Bonds	72,606,529.09
Other Bonds and Investments	57,937,490.85
Loans and Discounts	275,847,577.42
Banking Houses	299,793.50*
Other Real Estate	1,159,743.00*
Mortgages	216,226.84
Credits Granted on Acceptances	3,545,295.27
Accrued Interest and Accounts Receivable	3,420,572.45
Other Assets	1,885,907.59
	$1,637,503,776.28

LIABILITIES

Capital Stock	$25,000,000.00	
Surplus	65,000,000.00	
Undivided Profits	10,050,614.95	
Unallocated Reserves	2,050,012.89	102,100,627.84
Reserves for Taxes, Expenses, etc.		4,880,137.80
Dividend Payable January 2, 1946		1,125,000.00
Acceptances Outstanding	$4,365,550.30	
(Less own acceptances held in portfolio)	162,171.97	4,203,378.33
Other Liabilities		1,034,057.22
Deposits *(including Official and Certified Checks Outstanding $45,975,338.65)*		1,524,160,575.09
		$1,637,503,776.28

Securities carried at $369,330,987.61 in the foregoing statement are deposited to secure public funds and for other purposes required by law.

** Assessed Valuation $4,611,667.14

Charter Member New York Clearing House Association
Member Federal Reserve System
Member Federal Deposit Insurance Corporation

gitized for FRASER
p://fraser.stlouisfed.org/

sia" seemed more important than loyalty to a correspondent by his home editors—a mistaken policy which helps undermine the status of our whole foreign press corps.

The easy way, the tempting way, for the American reporter in a country like pre-war Germany or present-day Moscow is to "play the game" with those in power. The psychological pressures are all the direction of compromise: better half a loaf of news than none. A man arrives with high ideals of truthful and valorous reporting. But he finds himself alone, pitted against the overwhelming pomp, power and temptations of an omnipotent State. He is not even sure that his superiors back in New York or Chicago will back him up should he run afoul of officialdom in his attempt to give his readers the unadulterated facts. Being human, he accommodates himself to reality.

Thus it happens—and we might as well face the truth—that in nine cases out of ten the permanent American correspondents in Mussolini's country tended to become propagandists for their hosts. Ditto for those in Berlin under Hitler and in Moscow under Stalin. The few exceptions found the going too tough, everyday existence for their families too difficult, and in the end had to go elsewhere.

It should be remembered, moreover, that before an American newspaperman is allowed to go to Russia he must be granted an entry visa by the Soviet government. If his past opinions raise doubts about his friendliness, he is crossed out as persona non grata. Once settled in Moscow, he faces the danger of being denied re-entry every time he goes out on vacation or to cover a story beyond the Russian frontiers.

I recall meeting a well known correspondent back from Russia during the war, just as he was about to address a luncheon meeting of the Overseas Press Club in New York. He knew me by reputation as a former Moscow man and was truly pleased to make my acquaintance. At one point he leaned over and whispered:

"Gene, everything you've described in your 'Assignment in Utopia' is still true—only more so."

Then he got up and made a speech which conveyed a picture the very opposite of what I had pictured in my book. Though he spoke guardedly and calmly, the average listener gathered that everything was "pretty wonderful" in the Socialist Fatherland. I was horrified but I knew the reason for this man's double-talk. He was going back to Moscow and could not risk being barred. His job was to report the war from the Muscovite angle and he could not afford to be excluded.

Some weeks ago the Central Government of China denied permission to several American writers to visit the civil war area in North China. The men involved included Edgar Snow of the "Saturday Evening Post" and others notorious as long-term apologists for the Communists and enemies of the Chiang Kai-shek government. Their exclusion was protested, and rightly so, by the American press. If the "Saturday Evening Post" and other American publications select to send pro-Soviet, pro-Communist reporters, that's their privilege.

The remarkable part of the story, however, is that the people who showed such immense indignation over China's restrictions on American correspondents somehow overlook restrictions vastly more serious imposed as matter of course by Russia. This strange double standard exempts Russia from responsibility for behavior considered culpable in others. I submit that we cannot hope for a genuine solution of the problem of free news-gathering unless and until we recognize that what is sauce for the Chinese goose is sauce for the Russia "propagander." As soon as we make an exception, the very principle of a free flow of news is violated and endangered.

The Soviet's Concept of News

The Soviet concept of news, like its concept of "democracy," is at the very opposite pole from our own. To the Kremlin news is a political instrument. In rations information about the outside world to its own people and about Russian affairs to the outside world. That concept is now imposed not only on Russia proper but on all the vast area under Soviet domination—Eastern and Southeastern Europe (with the exception of Greece), half of Germany and Austria, northern Iran, Manchuria, northern Korea. Those who argue that we "can do business with Stalin" in these immense areas should at least acknowledge that it will be business done in the murky atmosphere of a news blackout.

Essential Steps for the Free Flow of News

Not only press leaders but all public-minded Americans, it seems to me, owe it to ordinary American patriotism and self-interest to support every effort to increase the free flow of news. Though we cannot achieve them all at once, these are the essentials for which we must strive:

1. The right of American newspapers, radio chains, press agencies, etc. to send men and women of their own choice into all countries.

2. The lifting of censorship everywhere except under actual war conditions.

3. Unrestricted facilities for gathering news in all countries, which means access to officials, full rights to travel without police escort, elimination of wire-tapping, surveillance and other forms of espionage pressure.

4. Prompt and unimpeded facilities for transmitting news by radio, cable or mail.

To these I would add a condition which concerns American editors rather than foreign censors. The correspondent in a totalitarian country has only the prestige of his newspapers or radio chains to pit against the might of the State. Without complete, unquestioning understanding and support by his home office he is a "dead duck." Unhappily that support is not always forthcoming. The "diplomatic," double-talking correspondent, content to knuckle under to his totalitarian hosts, is too often preferred by his editors to the "trouble-maker" who falls out with the dictatorship.

I know from intimate personal observation that we have paid for this attitude in the coin of degraded, falsified news. American press policy should be, rather, to encourage correspondents abroad to take the risks of truth-telling; to refuse to transmit official propaganda without clearly labeling it as such; to find ways and means of evading censorship if the interests of truthful news for the customers back home requires it.

New Campbell Phelps Partnership Formed

Announcement is made that as of Dec. 31 Campbell, Phelps & Co., Inc., has been dissolved and a partnership has been formed under the name of Campbell, Phelps & Co. continuing the business of the old firm at the same address, 70 Pine Street, New York City. Roger S. Phelps, one of the founders of the original firm, continues this business in partnership with Kenneth C. Ebbitt, who had been associated with Lehman Brothers since 1933.

Campbell, Phelps & Co. specializes in municipal bonds.

Attacks Purchasing Power Theory

(Continued from page 13)

days and the only consideration is the providing of jobs.

Under certain conditions the Government can of course guarantee jobs. Feudalism and the old slave system provided everyone with work and security in old age. But the price paid was the loss of freedom. In order to carry out the proposal for full employment, the Government would have to exercise control over all lines of activity and underwrite the consumers' markets through Federal expenditures, and this would mean mounting deficits for an indefinite period.

Danger of Mounting Debt

The full-fledged adoption of the purchasing power theory at this stage would be most unfortunate. With the Federal debt rapidly approaching the 300-billion-dollar mark, and with the post-war budget estimated at from three to five times the pre-war period, we find ourselves on the mountain peak of finance where descent would be perilous. Our fixed charges—Federal, state and local taxes plus interest on long-term private debt—may exceed 30 billion dollars. In order to carry the burden without undue strain on our economy we shall need a minimum national income of about 125 billion dollars. In the event that our income should fall say to the level of the boom year of 1929 of around 80 billion dollars, our fixed charges would be nearly 40% of income, whereas during the dark days of 1932 they were only 27%. It is obvious, therefore, that if we are to preserve private enterprise and a democratic form of Government we must see to it not only that our economy functions effectively, but also that our expenditures are kept within reasonable bounds by eliminating all unnecessary and wasteful outlays.

Impossible to Balance All Lines of Activity

In any blueprints for the future we should realize that it is not possible to keep all lines of activity operating indefinitely at full capacity because of the variation in demand at the consumers' market place. Even though we opened up the floodgates of public funds to sustain full economic operations in this country, it would be of no avail in case of an international depression such as we had in the 1930's. To sustain our purchasing power in such an event, it would be necessary to bolster the world economy, and such a proposal would of course be fantastic.

The plight in which we find ourselves is largely the outgrowth of the policies we have followed during the past fifteen years of deficit financing, and it has been greatly accentuated of course by the war. It is futile to search for a way out so long as we continue down the wrong road. We as a nation seem to be in the same sort of haze and confusion about finance as we were about international affairs prior to Pearl Harbor. There is no easy answer to our problems. But first of all we must face reality and scrap the utopian notion that Federal spending is the key to prosperity. The Government does not create income or wealth but merely serves as an agency for the collection and distribution of funds obtained from taxes and the proceeds of Government loans upon which interest must be paid.

Remedy Is Thrift, Hard Work, and Pay-As-You-Go

Faced with the prodigious tasks of reconstruction, we have no alternative if we are to maintain solvency and integrity as a nation but to return to the fundamental principles that have been responsible for our greatness. Thrift, hard work, pay-as-you go, incentives for business enterprise, opportunities to advance in accordance with ability, wages based upon productivity, and increased production with lower prices are among the foundation stones of what is called the American system. Any radical departure from these principles is reactionary and unworkable and the utopian promises being made for the purchasing power doctrine are like a mirage on the desert, with the final outcome regimentation and serfdom.

To advocate the purchasing power theory at a time when inflationary material is so abundant, is to play with dynamite and to threaten the well-being of the entire nation. Before it is too late, we should formulate our national policy on productivity which is the true source of purchasing power and which makes possible a balanced economy, so that all groups can exchange goods and services with one another.

J. R. Ray in Sunbury

SUNBURY, PA.—Joseph L. Ray is engaging in the securities business from offices at 19 North Fourth Street. In the past he was a partner in Ray, Johnson & Co.

DIRECTORS

THOMAS W. LAMONT
Chairman

R. C. LEFFINGWELL
Chairman Executive Committee

GEORGE WHITNEY
President

HENRY C. ALEXANDER
Vice-President

ARTHUR M. ANDERSON
Vice-President

I. C. R. ATKIN
Vice-President

PAUL C. CABOT
President State Street Investment Corporation

BERNARD S. CARTER
Executive Vice-President Morgan & Cie. Incorporated

CHARLES S. CHESTON

H. P. DAVISON
Vice-President

CHARLES D. DICKEY
Vice-President

N. D. JAY
President Morgan & Cie. Incorporated

THOMAS S. LAMONT
Vice-President

GUSTAV METZMAN
President New York Central Railroad Company

W. A. MITCHELL
Vice-President

JUNIUS S. MORGAN

ALFRED P. SLOAN JR.
Chairman General Motors Corporation

E. TAPPAN STANNARD
President Kennecott Copper Corporation

JAMES L. THOMSON
Chairman Finance Committee Hartford Fire Insurance Company

JOHN S. ZINSSER
President Sharp & Dohme Inc.

J. P. MORGAN & CO.
INCORPORATED
NEW YORK

Condensed Statement of Condition December 31, 1945

ASSETS

Cash on Hand and Due from Banks		*$137,208,564.25*
United States Government Securities		*467,984,871.45*
State and Municipal Bonds and Notes		*12,103,782.96*
Stock of the Federal Reserve Bank		*1,200,000.00*
Other Bonds and Securities (including Shares of Morgan Grenfell & Co. Limited and Morgan & Cie. Incorporated)		*17,117,461.09*
Loans and Bills Purchased		*150,389,136.62*
Accrued Interest, Accounts Receivable, etc.		*2,530,442.21*
Banking House		*3,000,000.00*
Liability of Customers on Letters of Credit and Acceptances	*$ 5,959,223.91*	
Less Prepayments	*664,213.27*	*5,295,010.64*
		$796,829,269.22

LIABILITIES

Deposits	*$715,457,446.25*	
Official Checks Outstanding	*13,531,922.50*	*$728,989,368.75*
Accounts Payable and Miscellaneous Liabilities		*5,045,039.27*
Acceptances Outstanding and Letters of Credit Issued		*5,959,223.91*
Capital		*20,000,000.00*
Surplus		*20,000,000.00*
Undivided Profits		*6,378,366.69*
General Reserve		*10,457,270.60*
		$796,829,269.22

United States Government securities carried at $197,885,566.20 in the above statement are pledged to qualify for fiduciary powers, to secure public monies as required by law, and for other purposes.

Member Federal Reserve System
Member Federal Deposit Insurance Corporation

igitized for FRASER
http://fraser.stlouisfed.org/

Municipal News and Notes

In a year-round report on the status of the finances of the State of North Carolina, Charles M. Johnson, Treasurer, stated as follows:

In my report to the 1945 General Assembly I stated that North Carolina was in the best financial condition in its history and I recommended that an amount of money sufficient to retire the whole General Fund debt, both principal and interest, be set aside and invested. The General Assembly acted upon my recommendation and, therefore, for all practical purposes, we have no General Fund debt since the amount that has been invested will amply take care of the principal and interest as it becomes due.

In addition, we have a $20,000,000 Postwar Reserve Fund. This was set up by the 1943 General Assembly and it was invested in bonds and no part of it can be spent for any purpose without further action by the General Assembly. This fund has earned $526,477.37; therefore, we have in this fund, this date, $20,526,477.37. My recommendation to the General Assembly will be that this fund be used for permanent improvements at our State institutions. Practically no building has been done since the war began. It is, therefore, absolutely necessary that some new buildings be constructed and this should be done if possible without issuing any bond.

The Highway Fund is a special fund and all income is used for debt service, administration, maintenance and construction of roads. The net highway debt is $33,540,142.94 and we have a cash balance in this fund of $52,158,030.91. We therefore have much more money to completely liquidate this debt; however, all of this money will be needed for maintenance and construction of roads and will be spent as fast as possible, but on the present basis if no more bonds were issued the highway debt will be completely paid or provided for by 1951.

The General Assembly of 1941 set up a retirement system for teachers and State employees. We now have in this fund almost $20,000,000, of which $877,328.19 has been the earnings from the investments. It is on a sound financial basis and will compare favorably with any retirement system in the nation.

At June 30, 1932, which was the peak, the outstanding debt of the local units of government of North Carolina was $362,000,000. This debt has shown a continuous reduction and today it is $248,919,000 and 28 cities and towns and 20 counties and one sanitary district have set up capital reserve funds of $4,358,700 from surplus funds on hand for the purpose of meeting the cost of needed improvements and equipment.

Contend Peace Training Not Conscription

Assurances that the Truman Administration's plan for peacetime universal military training does not provide for conscripting the men into the nation's armed forces have been given by officials of the War and Navy Departments to Representative Margaret Chase Smith, Maine Republican, it was announced on Dec. 31 by the Citizens Committee for Military Training of Young Men, Inc., in New York City, according to the New York "Times" of Jan. 1. The "Times" went on to state that the committee said that Mrs. Smith, having found from her mail and from talks with individuals that they frequently believed that there would be no need for universal military training if the Army and Navy filled their quotas regularly, had "cleared up the confusion." Continuing, the "Times" said:

To clarify the point she queried Robert P. Patterson, Secretary of War, and James Forrestal, Secretary of the Navy, about it.

Replies were received by Mrs. Smith from Secretary Forrestal and John W. Martyn, Administrative Assistant to Secretary Patterson. Sending copies of the replies to the Committee for the information of Jay Cooke, President, and members of his Executive Board, Mrs. Smith expressed the hope that the letters might aid the Committee to clear up the existing misunderstanding.

"It is true," wrote Secretary Forrestal, "that arguments have been made that because we are now successfully enlisting volunteers into the regular Navy, universal military training is not needed. These statements confuse the issue.

"It was never intended that universal military training furnish men for the regular forces. Such a procedure would be conscription, contrary to our ideals and foreign to the American way of life.

"With relatively small regular forces, a trained citizen reserve to augment the regular forces in time of war or national emergency is vital to our national defense. Only through universal military training is it possible to obtain a trained reserve with the minimum necessary training.

"Universal military training trainees would not be an integral part of the regular Navy. Their training would be distinct and separate from the regular Navy trainees. Neither the number of voluntary enlistments in the regular Navy, nor post-war employment or unemployment, have any bearing whatever on the urgent need for the enactment of universal military training legislation."

Writing on behalf of Secretary Patterson, Mr. Martyn said:

"You are correct in assuming that the universal military training program is entirely separate from our normal peacetime military establishment. The size of the Regular Army and the Reserve components will be fixed by law in conformance with peacetime requirements for security and occupation forces. Enlistment of military trainees in either the Regular or the Reserve components would be strictly voluntary. In fact, trainees, under the contemplated plan, would at no time become a part of the arms and services, nor would they be available for military service during a period of national emergency except for purposes of training, without Act of Congress."

CORN EXCHANGE BANK TRUST COMPANY

ESTABLISHED 1853

A Bank Statement that any Man or Woman can Understand

Condensed Statement as of close of business December 31, 1945

Our Deposits and Other Liabilities are (includes $137,162,469.55 U. S. Deposits)	$842,036,887.50
To meet this indebtedness we have:	
Cash in Vaults and Due from Banks	$178,687,416.88
U. S. Government Securities ($161,093,824.37 pledged to secure deposits and for other purposes as required by law.)	615,281,572.93
Federal Reserve Bank Stock	1,050,000.00
State, Municipal and other Public Securities	12,672,451.51
Other Securities	1,309,321.94
Loans and Discounts	55,445,680.79
First Mortgages	5,974,354.87
Customers' Liability on Acceptances	137,401.83
49 Banking Houses	8,973,027.24
Other Real Estate	1.00
Accrued Interest Receivable	2,221,065.81
Other Assets	295,608.91
Total to Meet Indebtedness	$882,047,903.71
This Leaves	$ 40,011,016.21

Capital, $15,000,000.00; Surplus and Undivided Profits, $25,011,016.21

BOARD OF DIRECTORS

ROBERT A. DRYSDALE, *Drysdale & Company*
DUNHAM B. SHERER, *Chairman*
C. WALTER NICHOLS, *Chairman, Nichols Engineering & Research Corporation*
GEORGE DOUBLEDAY, *Chairman, Ingersoll-Rand Company*
ETHELBERT IDE LOW, *Chairman, Home Life Insurance Company*
HENRY A. PATTEN, *Vice President*
RALPH PETERS, JR., *President*
JOHN H. PHIPPS, *In Government Service*
EDMUND Q. TROWBRIDGE
BRUNSON S. McCUTCHEN, *Consulting Engineer*
WILLIAM G. HOLLOWAY, *Chairman, W. R. Grace & Company*
HERBERT J. STURSBERG, *Treasurer, Livingston Worsted Mills, Inc.*
JOHN R. McWILLIAM, *Executive Vice President*
E. MYRON BULL, *President, A. H. Bull & Co., Inc.*
SIDNEY A. KIRKMAN

Member Federal Deposit Insurance Corporation.

The Corn Exchange Safe Deposit Company operates vaults in 56 of the 74 branches conveniently located throughout the City of New York.

United States War Savings Bonds and Stamps are on sale at all offices.

FULTON TRUST COMPANY OF NEW YORK

149 BROADWAY (*Singer Building*) NEW YORK 6
1002 MADISON AVE. (*Bet. 77th & 78th Sts.*) NEW YORK 21

CONDENSED STATEMENT, DECEMBER 31, 1945

RESOURCES

Cash in Vault	$ 286,434.80	
Cash on Deposit in Federal Reserve Bank of New York	7,158,812.88	
Cash on Deposit in Other Banks	407,233.06	$41,415,149.27
U. S. Government Securities	32,660,868.53	
Demand Loans Secured by Collateral	901,800.00	
State and Municipal Bonds		471,656.98
Federal Reserve Bank of New York Stock		120,000.00
Other Securities		799,505.19
Time Loans Secured by Collateral		893,330.00
Overdrafts–Secured $5,382.42–Unsecured $31.58		5,414.00
Real Estate Bonds and Mortgages		292,382.10
Real Estate (Branch Office)		75,000.00
Accrued Interest and Other Resources		139,367.10
		$44,211,804.64

LIABILITIES

Due Depositors		$38,621,840.91
Dividend No. 165 Payable January 2nd, 1946		30,000.00
Reserved for Taxes, Expenses and Contingencies		315,195.17
Capital	$2,000,000.00	
Surplus	2,000,000.00	
Undivided Profits	1,244,768.56	5,244,768.56
		$44,211,804.64

BOARD OF DIRECTORS

EDMUND P. ROGERS, *Chairman of the Board*
ARTHUR J. MORRIS, *President*

STANLEY A. SWEET, BERNON S. PRENTICE, FRANKLIN B. LORD, RUSSELL E. BURKE, HENRY W. BULL, JOHN A. LARKIN, O'DONNELL ISELIN, E. TOWNSEND IRVIN, STEPHEN C. CLARK, CHARLES SCRIBNER, CHARLES S. BROWN, RUSSELL V. CRUIKSHANK, DE COURSEY FALES, CHARLES J. NOURSE, CHARLES S. McVEIGH, WALTER N. STILLMAN

Member Federal Reserve System and Federal Deposit Insurance Corporation

SPECIALIZING IN PERSONAL TRUSTS & BANKING

Digitized for FRASER
http://fraser.stlouisfed.org/

The Supremacy of Law

(Continued from first page)

we find that the universe, the world, matter, energy, are all governed by law. Step by step, each new scientific law, when discovered, is announced to the scientific world, and in each instance it is found that the new law was not created by man, only discovered. But, when discovered, it is found to be perfect, to be certain, to be without exception and universal in its application.

Not so man-made law. In the field of human relations man has not been satisfied merely to discover law but has assumed the function of creating law. The most painstaking effort and research in the field of human law-making has resulted in products which have been able to function only haltingly at best.

We have failed to apply even the first lesson of natural law: to be supreme, the law must be certain; much less the second; to be usable, the law must be understood.

If the law is not certain, it is not true law. If it is not understood, it cannot be used. If there are no standards, they cannot be upheld. Perhaps the time has come to draw some lessons from the laws of nature.

Rousseau said that in his time man, who had been born free, everywhere was in chains. Today most men are free, but as we look about the human scene we must confess that man, who was born in a universe of order, is everywhere in confusion.

Four phases of this confusion are of particular interest to us, and I propose to refer to them briefly. They are: (1) uncertainty in judicial decisions; (2) administrative procedure; (3) industrial warfare; and (4) international organization. Each one is sufficiently complicated and important to be the subject of many volumes, but I treat them briefly as they relate to the supremacy of law.

1. Uncertainty in Judicial Law

Recently I participated in a ceremony commemorating the 100th anniversary of the birth of Chief Justice Edward Douglass White. In preparation for that event I made some study of his life and judicial career. I found that in his 27 years on the Supreme Court of the United States he wrote 700 majority opinions, 10 concurring opinions, and only 33 dissents. Some men called him a progressive, some called him a conservative, but on his record he was a great Judge who recognized that the first principle in the supremacy of law was certainty. He found it necessary to dissent in less than 5% of his opinions. Lawyers could advise their clients as to applicable rules of law with reasonable certainty.

Today we do not find the law in this happy situation. In 1943 in the Supreme Court of the United States dissents were filed against 44% of the opinions of the court; in 1944 there were dissenting opinions in 63% of the cases; and during the last term of court there were almost as many dissents or qualified concurrences as there were majority opinions.

Is the applicable rule of law really so difficult to ascertain? Or is each Judge seeking to extract from the atmosphere about him, or from his personal sense of justice—social or otherwise—his own notion of equity, which he writes into the law?

White took the position that the Supreme Court was intended to be a stabilizing influence and one that made for certainty and uniformity in the law. In his first opinion on a great constitutional question, his dissent in the Pollock case, he said:

"My inability to agree with the court in the conclusions which it has just expressed causes me much regret. Great as is my respect for any view by it announced, I cannot resist the conviction that its opinion and decree in this case virtually annuls its previous decisions in regard to the powers of Congress on the subject of taxation, and is therefore fraught with danger to the court, to each and every citizen, and to the republic. The conservation and orderly development of our institutions rests on our acceptance of the results of the past, and their use as lights to guide our steps in the future. Teach the lesson that settled principles may be overthrown at any time, and confusion and turmoil must ultimately result. In the discharge of its function of interpreting the Constitution, this court exercises an august power. It sits removed from the contentions of political parties and the animosities of faction. It seems to me that the accomplishment of its lofty mission can only be secured by the stability of its teachings and the sanctity which surrounds them. If the permanency of its conclusions is to depend upon the personal opinions of those who, from time to time, may make up its membership, it will inevitably become a theatre of political strife, and its action will be without coherence or consistency. . . . The fundamental conception of a judicial body is that of one hedged about by precedents which are binding on the court without regard to the personality of its members. Break down this belief in judicial continuity, and let it be felt that on great constitutional questions this court is to depart from the settled conclusions of its predecessors, and to determine them all according to the mere opinion of those who temporarily fill its bench, and our Constitution will, in my judgment, be bereft of value and become a most dangerous instrument to the rights and liberties of the people."

White agreed with Kent that "the revision of a decision very often resolves itself into a mere question of expediency." Trained in the civil law where the code is an instrument of stability, he recognized that the only substitute for chaos in the common law was the doctrine of stare decisis and the willingness of the court to follow precedent. One has but to look upon the state of the law today to know that he was right.

Justice is not an exactitude. Hence, when men talk of justice they mean their conception or notion of justice. If all men had the same background, the same training, the same experience, the same motives, the same aspirations, then maybe they would have the same notion of justice. Judges think of their function as the administration of justice, whereas the lawyer, who operates in the same field on the opposite side of the bench, recognizes his function as the practice of the law. I am inclined to the view that we would do well to stress the idea of law.

If constitutions and laws are to have any meaning, their interpretation must be uniform when applied to the same facts and circumstances, irrespective of the persons before the court. Provisions of the constitution and the law which are unchanged by any amendment cannot mean one thing today and the opposite tomorrow, if this is to be a government of laws and not of men.

I vigorously dissent from any theory that the law means whatever the Judges say it means, if that is interpreted to permit the Judge by legal "double-talk" to read into the law his personal, political, social or economic theories. Constitutional law means what the people wrote and intended; statute law means what the legislative body wrote and intended; and the common law means what the people of the trade or community accepted and practiced. The function of the Judge is to determine what that law is, and to apply it to the facts of the case before him, and he is no Judge but a partisan if he changes either the law or the facts to suit his own notions or those of anyone else.

I paraphrase an opinion by a Judge in my State written almost a 100 years ago when the claims of "justice" as against "law" were urged upon him:

"Justice is the dictate of right, according to the common consent of mankind generally; or of that portion of mankind who may be associated together in one government, or who may be governed by the same principles or morals.

"Law is a system of rules devised upon an enlarged view of the relation of persons and things as they practically exist.

"Justice is a chaotic mass of principles.

"Law is the same mass of principles classified, reduced to order, and put in the shape of rules agreed upon by an ascertained common consent.

"Justice is the virgin gold from the mines that has its intrinsic worth in every case, but is subject to a varying value according to the scales through which it passes.

"Law is the coin from the mint, with its value ascertained and fixed, with the stamp of the government upon it to denote and insure its current value.

"The act of molding justice into a system of rules detracts from its capacity of abstract adaptation in each particular case, and in each case the rules of law are usually but an approximation of justice.

"Nevertheless, mankind have generally thought it better to have their rights determined by such a system of rules than by the sense of justice of any man or set of men whose duty it may have been to judge them.

"Whoever undertakes to determine a case solely by his own notion of its abstract justice breaks down the safeguards under which principles of justice have been erected into a system of law, and thereby annihilates law.

"A sense of justice, of course, must have an important influence with every well organized mind in the adjudication of cases.

"Its proper function is to superinduce an earnest desire to search out and apply in their true spirit the appropriate rules of law.

"To follow the dictates of justice when in harmony with the law must be a pleasure, but to follow the rule of law in its true spirit, to whatever consequences it may lead, is the sworn professional duty of every Judge and lawyer."

I know of no finer statement of the difference between justice and law than that made by this oldtime Judge. Justice is an ideal and a goal for which we must strive, but in the practical affairs of life a fair administration of the law is of the utmost importance not only for lawyers but for the welfare of our country.

2. Administrative Law

In 1937 the President of the United States recommended a plan for the separation of judicial and prosecuting functions in administrative agencies. He stated that the present form of administrative tribunal, which performs "administrative work in addition to judicial work, threatens to develop a 'fourth branch' of the Government for which there is no sanction in the Constitution."

The American Bar Association has been working for a number of years to bring about improvements imperatively needed in the field of administrative bureaucracy. To bring order into this chaotic field, several courses of action are needed.

First, there must be a fair administrative procedure act—either the pending McCarran-Sumners Bill or its equivalent. Second, Congress should specifically state and limit the powers which it has delegated to administrative agencies. Third, Congress should recapture its legislative power and, through its own committees and agencies, draft all subordinate rules and regulations needed to supplement acts of Congress. Without here elaborating my views on how this may be done, I refer to my article on this subject in the February, 1945, "Journal." Fourth, Congress should create a system of minor Federal courts, localized throughout the country where they would be available for the prompt hearing of the multitude of cases now tried by the executive establishment. With such changes we would be assured of an evenhanded administration of the law before trained and impartial members of the judicial establishment.

At some time this nation will surely stand, without knowing it, at a crossroads which point one way to freedom and order, and the other way to bondage and chaos. Many people cite good reasons for saying that the day of choice is at hand. If we pass blindly on, we may find ourselves so used to bargaining rather than adjudication, and so accustomed to politics rather than legal administration, that we will neither recognize nor appreciate a government according to law. This is not said in a spirit of legal isolation. The antidote for arbitrary power is not a struggle against all power—to the point of depriving governments of the means to govern and protect. *Dictatorship* v. *Anarchy*, though delusively opposite and conveniently simple labels, are extremes and not alternatives. They currently stand for things which are equally opposed to that "government under law" which the civilized world has sought for more than 200 years and has occasionally achieved. We have achieved it here on this continent, and the issue is whether we shall retain it or see it frittered away, bit by bit, as expediency and indecision dictate.

3. Industrial Warfare

Lawyers appeared on the scene in historic times in response to a public need for some group who would point out that might was

(Continued on page 42)

The Marine Midland Trust Company of New York

STATEMENT OF CONDITION DECEMBER 31, 1945

RESOURCES

Cash and Due from Banks	$ 90,766,659.99
United States Government Obligations	149,538,262.51
State and Municipal Securities	668,913.38
Stock of Federal Reserve Bank	525,000.00
Other Securities	7,445,429.80
Loans and Discounts	117,106,775.82
Mortgages	2,472,052.87
Customers' Liability on Acceptances	220,505.45
Accrued Interest Receivable	612,805.69
Other Resources	919,917.44
	$370,276,322.95

LIABILITIES

Capital	$ 5,000,000.00	
Surplus	12,500,000.00	
Undivided Profits	2,250,515.38	$ 19,750,515.38
Provision for Taxes, Interest, etc.		1,756,984.82
Liability on Acceptances		284,980.45
Other Liabilities		598,175.27
Deposits		347,885,667.03
		$370,276,322.95

Securities carried at $81,100,000.00 in the above statement are pledged to secure U. S. War Loan Deposits of $75,001,745.80 and other public deposits and for other purposes required by law.

DIRECTORS

DAVID G. BAIRD, *Vice President, Marsh & McLennan, Inc.*
FREDERICK BEERS
JAMES G. BLAINE, *President*
EDGAR H. BOLES, *President and Chairman of the Board, General Reinsurance Corp.*
SAMUEL S. CONOVER, *Chairman, Executive Committee*
CHARLES H. DIEFENDORF, *President, The Marine Trust Company of Buffalo*
EDWARD L. FULLER, *President, International Salt Co.*
PAUL H. HUSTED
JOHN G. JACKSON, *Jackson, Nash, Brophy, Barringer & Brooks; Chairman, American Viscose Corporation*
FRANK A. KETCHAM
SEYMOUR H. KNOX, *Chairman of the Board, The Marine Trust Co. of Buffalo*
EDWARD H. LETCHWORTH, *Kenefick, Cooke, Mitchell, Bass & Letchworth, Buffalo*
F. A. McKOWNE
BAYARD F. POPE, *Vice Chairman, Executive Committee*
JOSEPH P. ROUTH, *Chairman and President, The Pittston Company*
EUSTACE SELIGMAN, *Sullivan & Cromwell*
HAMPDEN E. TENER, *Honorary Chairman of the Board, Irving Savings Bank*
HARRAL S. TENNEY, *Vice President and Secretary*
CLOUD WAMPLER, *President, Carrier Corporation*
HENRY J. WYATT, *Executive Vice President, Crum & Forster*

MAIN OFFICE—120 BROADWAY

128 Chambers Street · 110 William Street · 143 Liberty Street · 17 Battery Place · Park Ave. at 46th Street

Member Federal Deposit Insurance Corporation

igitized for FRASER
http://fraser.stlouisfed.org/

The Supremacy of Law

(Continued from page 41)

not the equivalent of trial and that trial by battle was the poorest conceivable method of settling controversies. Law and evidence have now become the accepted substitute for force in all personal and business controversies where the law prescribes rights and duties. In two fields, however, force is still the usual means of attempting to settle controversies which could be settled better and with an infinitesimal per cent of the cost by negotiation, conciliation, arbitration or adjudication. I mean international warfare and industrial warfare.

I cannot conceive of a single issue between labor and capital, or between employe and employer, that can be settled justly by a lockout or a strike. When I read of new strikes every day, I feel a sense of frustration for democracy. Whether it is labor or capital that is to blame is not of any particular importance. What is important is that we make the processes of democracy work and that we find some method of settling these controversies to the exclusion of force and warfare. I am in favor of negotiation, conciliation, mediation, arbitration and adjudication. When the differences between man and man, group and group, nation and nation, are determined by agreement, or, that failing, by evidence and law rather than by force, democracy is functioning and the lie is given to those who say self-government is an impractical and unworkable theory.

One of the major causes of industrial unrest is that the reciprocal rights and responsibilities of labor and management are in a state of uncertainty. We hear a great deal about the rights of the employe and the rights of the employer, but nothing from either about their responsibilities to the other. Yet employment is a relationship into which is merged both rights and duties. These should be clearly defined.

This need not be done by compulsory legislation. I think there is another remedy—self-imposed restraint, exercised by both sides. There is a verse in the Old Testament to the effect that where there is no restraint, the people perish. Certainly it is true that the democracies of the past have usually perished from want of restraint.

Does anyone think our form of government could survive a prolonged strike in which two great organizations, each with millions of members, were fighting each other and, from lack of restraint on one side or the other, had determined to persevere to the last extreme of bitterness? Would the public stand idly by if all employers in the nation combined to crush labor by a concerted lockout from one end of the country to the other? The question answers itself. Probably neither situation will ever develop, but it is certainly time for both sides to realize that the great development and prosperity of this country came about through the cooperative effort of capital and labor, and not from their strife.

In every community where there is an industrial problem I think a conference group should be organized, large enough to give representation to all elements of labor and to all types of employers, but small enough to permit personal contact and full opportunity for discussion of mutual problems. Whatever the problems are, the first step toward their solution is free discussion.

A pattern can be taken from the lawyer's notebook. A few years ago in all parts of the country there were local controversies between lawyers, on the one hand, and bankers, on the other, concerning the drawing of wills and the administration of estates in probate. There were similar jurisdictional quarrels between the lawyers and the real estate people over the drawing of instruments and the closing of real estate transactions. In many communities the parties decided to fight it out, each claiming its rights were exclusive of the other's. Considerable litigation resulted.

In other places local groups were formed to discuss the common problems and see if there was some line of demarcation that could be fixed. When the controversy passed from the local to the national stage it was determined that negotiation and conciliation were preferable to conflict. Conference groups were then formed between the American Bar Association, on the one hand, and the American Bankers Association, on the other, to discuss trust and probate problems, and another group between the lawyers and the realtors to determine the real estate disputes. Agreements were negotiated, promulgated, and have been generally accepted throughout the country. The rights of the various parties are now understood, and, being understood, are respected.

Why would not such a method be feasible in labor relations? Out of such conferences could come standards of conduct and codes of ethics. The code of ethics of the lawyers and that of the doctors speak largely of their responsibilities. When the employer and the employe begin to think and speak in terms of their responsibilities to each other, the matter of rights will take care of itself. This is the method of democracy. It is self-restraint, without which there is no lasting hope for our form of government.

Last February in speeches in Detroit and Los Angeles, both great industrial centers, I made the suggestion that local conference groups be organized to work out codes of ethics for both employer and employe. The speeches received a good deal of local publicity in each place and I had letters not only from lawyers, but also directly from some labor people, manifesting their interest in the idea. The President of the Los Angeles Bar Association appointed a committee to see what the bar association could do to help bring about the establishment of a voluntary code between Management and Labor in that community.

The last of March the President of the United States Chamber of Commerce and the presidents of the American Federation of Labor and the Congress of Industrial Organizations issued a general statement on labor-management cooperation. In June Senator Vandenberg, on returning from the San Francisco Conference, where all sorts of difficult problems were ironed out in the conference rooms, suggested that the Secretary of Labor call a national conference of industrial and labor groups to work out the ever-increasing controversies between Management and Labor.

Shortly thereafter, I tendered the services of the American Bar Association to the organizers of the Labor-Management Conference and to the Secretary of Labor. I was courteously thanked but was told that Labor and Management felt they could better settle their difficulties without intervention, even that of a great body of lawyers who in their practice represent both Management and Labor and that group even more important, the general public.

Two weeks ago, with the rest of the country, we read that the national Labor-Management conference had adjourned in failure. We were distressed, but not surprised. Our lack of surprise was not that of the pessimist who had expected little or nothing from the conference, but that of experienced lawyers, who, in a thousand instances from the smallest hamlet to the largest community in the country, have seen dissent and disagreement grow and flourish when men of opposite views square off at each other to demand their respective rights.

If there were lawyers present at the conference, they were there, not as the principal negotiators in an effort at conciliation and compromise, but merely as technical adjuncts of the accredited spokesmen of the businessmen and the labor leaders who did the talking and made the demands.

Something in human nature always seems to make it difficult to recede from a demand publicly made. Every lawyer knows that his chances of compromising a law suit are infinitely greater if he can meet with the attorney for the other side out of the presence of his client, where the two, whose business it is to know not only rights but responsibilities and who know the method of compromise and conciliation, can concede some merit to the opposition without losing face. It was with this in mind that I tendered the services of the American Bar Association to the conference.

Since the efforts of Labor and Management to solve their own problems have resulted only in increased industrial warfare, it is obviously high time for the lawyers to step in and see that settled principles of law are applied to this field. Just as international warfare must be ended, so, too, must industrial warfare, and in lieu thereof we must substitute the processes of law.

I do not intend to analyze or express any opinion on the various bills pending in Congress dealing with one or another phase of this problem. There is one obvious step that we as a profession may take, and I recommend it to you. That is the establishment of a Section of Labor Law where lawyers representing both Labor and Capital can meet and, around the table, commence the solution of these terrible problems.

I have the utmost faith in the fairness of the average lawyer and I believe that if we can draw into a Labor Section hundreds of lawyers from all parts of the country, who will combine their knowledge, experience, and judgment, principles of conduct will crystallize which can be immediately used in the settlement and solution of individual problems which arise in the field. Such a section could study labor law as a science, promote its fair and just administration, encourage uniformity throughout the nation in the handling and settlement of such problems, and thereby promote not only justice and human welfare but industrial peace and the supremacy of law.

4. International Organization

War between nations, too, is a resort to force to settle issues which could be better settled in some peaceful way. The development of the atomic bomb, with which civilization can now destroy itself, has made it absolutely imperative that we find some substitute for force in the settlement of international disputes.

The American Bar Association has taken an active part in the movement to bring justice and law into international affairs. The creation of the United Nations Organization is a great step toward this end, and the American Bar Association, as one of the consultants at San Francisco, is proud to have had a part in the commencement of an organization which is destined to have the profoundest effect upon our lives and upon the life of our country.

The provision made in the Charter for the pacific settlement of international disputes is heartening to those who believe in the supremacy of law. Each party to a dispute pledges itself to seek a solution, first, by negotiation, inquiry, mediation, conciliation, arbitration or judicial settlement. If the parties themselves fail to settle a dispute which threatens international peace and security, the Security Council, as the representative of the community of nations, intervenes. Legal disputes will normally be referred to the International Court of Justice, while non-legal disputes will be investigated and settlement recommended on such terms as may be deemed appropriate. If the recommended settlement is not complied with, sterner measures may be employed, including the use of armed forces.

Under Article 43 all members agree to make available to the Security Council certain armed forces and facilities to maintain international peace and security. Such a use of force to uphold law is a proper police function, and to that end we might tender the use of any modern weapons we possess, however formidable, including the atomic bomb.

My praise of the United Nations Organization is tempered by the knowledge that its high destiny to maintain international order may be frustrated by the veto power retained by each of the five permanent members of the Security Council. In the advancing development of law administration the old requirement for a unanimous jury verdict is giving way to a two-thirds or three-fourths vote in civil cases. While unanimity is still required in capital criminal cases at the trial level, appellate decisions in both civil and criminal matters are made by majority vote. The Constitution itself may be amended by vote of three-fourths of the States. The only veto recognized in our political system is that of the executive in legislative matters, and that may be overruled by a two-thirds vote of the Congress.

The veto confronts the world with the choice of unanimity or frustration. Unanimity purchased at such a price can produce only the lowest common denominator in international law and political morality. Sitting on the brink of the atomic age, the world needs, not the lowest, but the highest, concept of international law and political morality. International order and world security hang on a slender thread, indeed, if the settlement of disputes must await the unanimous concurrence of all major powers. The United States should take the lead to amend this provision.

Conclusion

If judicial law is uncertain, if administrative procedure is in confusion, if industrial relations have degenerated into warfare, and international affairs into the anarchy of recurrent war, what is to be done about it?

What was done about the confusion, the frustration, and the incipient warfare between the colonies which followed their successful War for Independence? They agreed upon a successful formula that guaranteed the supremacy of law. They raised standards to which the wise, the good and the honest might repair. In the fields of law it is our responsibility to raise those standards, to see that they are just, to see that they are certain, to see that they are understood.

Let us be about the task.

Carrere to Manage Branch for Merrill Lynch Co.

JACKSONVILLE, FLA.—Henry M. Carrere has been appointed manager of Merrill Lynch, Pierce, Fenner & Beane's office at 116 West Forsyth Street, to succeed Roland D. Baldwin who resigned.

Following service with the Marine Corps in World War I, Mr. Carrere became associated with E. A. Pierce & Co., New York City, remaining with them until coming to Jacksonville 12 years ago and joining the present firm.

Says Strikes Handicap Full Production

(Continued from page 8)

that there is not an undue strain on our materials in short supply, and also to make sure that we meet our minimum essential export obligations.

(6) In a drive to relieve acute clothing shortages, particularly affecting the returning veteran, and at the same time curb inflation in clothing prices, CPA has been working closely with OPA to develop a large-scale low cost clothing program.

(7) Most recent reconversion step by the Civilian Production Administration has been to implement the President's moderate-cost housing program with veterans' preference in occupancy. The program is designed to produce during 1946 between 400,000 and 500,000 dwelling units costing less than $10,000 or renting for less than $80 per month. This will be accomplished under Priorities Regulation 33 by giving HH priorities ratings to assist veterans and builders for veterans to obtain scarce building materials.

Mr. Small stated further that on the production lines, progress is still slower than was hoped for; due to a variety of reasons including shortage of component parts, work stoppages, uncertainty as to wage-cost factors, and reluctance to make long-term commitments.

In the case of many items of consumer durable goods—notably passenger cars, refrigerators and washing machines—manufacturers have so far been able to do little beyond producing enough models for their thousands of distributors to use as samples. No substantial amounts are expected to be delivered to the public until the early part of 1946. In contrast, construction and farm machinery, some transportation equipment and heavy trucks, and some other items that were produced through the war period are now being produced at above pre-war rates.

Sufficient tires to meet all car and truck manufacturers' needs seem to be assured, particularly since their immediate needs will not be as great as was anticipated, the CPA report said.

The textile shortage continues to be about the most difficult problem, according to the Small report. This is due, he said, principally to the shortage of manpower—the cotton textile industry alone is short about 94,000 workers from its 1942 peak of 504,000—and the problem is intensified by the great losses in production in other parts of the world. It is also stated in the report that the Civilian Production Administration has had considerable success in its appeal to retail outlets of men's suits, topcoats, shirts and shorts to give particular attention and preferential treatment to outfitting the returning veterans.

Paul Zizelman Trading Mgr. for Clark & Co.

Clark & Co., 40 Wall Street, New York City, announce that Paul H. Zizelman, Jr., recently returned from active service with the U. S. Army, is now manager of their trading department. In the past he was with Hoit, Rose & Troster.

F. H. Breen & Co. Is Formed in Los Angeles

LOS ANGELES, CALIF.—F. H. Breen & Co. is being formed with offices at 609 South Grand Avenue. Officers are Francis H. Breen, President and Treasurer; George H. Zeutzius, Vice-President, and Florence L. Nagel, Secretary. Mr. Breen was formerly in business in Los Angeles as an individual dealer.

gitized for FRASER
p://fraser.stlouisfed.org/

Wages, Profits and Prices

(Continued from first page)

duced. There are also various other charges against these receipts, such as the cost of materials and supplies, the maintenance of plant, reserves for depreciation and taxes, and the like. Profit is the residual share. It is what remains, if anything, after meeting all costs.

The Managerial Functions

The exaggerated emphasis that has been laid on the wage bargain, by legislation and otherwise, has obscured the fact that the managerial function involves a wide range of bargaining. Thus, to obtain capital funds, in so far as they are provided by banks or bond purchasers, there must be bargaining with the prospective lenders. Similarly, bargaining is involved in every purchase of materials, supplies, or equipment, and in every lease or purchase of a site. Finally, the sale of the product is a continuous process of bargaining with dealers or consumers.

All of these bargains occur in a free market. In fact, the essence of bargaining is that it must be free. Neither party must be subjected to compulsion or coercion, otherwise the transaction is conducted under duress, a condition which, in law, invalidates the commitment. Thus, management is not legally obliged to deal with a specified landowner in negotiating for a factory site, or with a particular bank or group of investors in obtaining capital funds. Nor is management under any legal compulsion to sell its product to a particular group of consumers. Throughout the entire range of the dealing and trading and negotiating involved in the management of production, there is no suggestion of legal direction or compulsion, except as noted below. On the contrary, there is a complete freedom save where a producer must deal with a monopolistic supplier of materials or with a monopolistic consumer of his product. Such instances are so rare as to be of little over-all effect upon the freedom of the bargaining process.

Wage Bargaining Not Free

The striking exception to this freedom is the wage bargain. Federal legislation now confers a monopoly of bargaining upon the particular organized group which may have outvoted other groups for this privilege in a given plant. The law requires the employer to restrict his wage dealings and discussion to the group which has acquired the bargaining monopoly and forbids him to enter into similar negotiations with any other group, unless and until that group may have ousted the first one in a subsequent plant election. Because of this situation, so contrary to the concepts of free bargaining, the kind of collective wage bargaining which must now occur has become recognized as a one-way street. Wages always go up, never down. Large increases are demanded for trading purposes and the employer is always glad to settle on some compromise basis where he does not have to meet the full demand.

Obviously, it is utterly erroneous to call such proceedings by the name of bargaining. A better definition of what the Wagner Act miscalls "collective bargaining" would be "the compulsory acceptance of the wage demands of a particular labor group having a monopoly, under Government sanction, of the privilege of making such demands."

Restore Genuine Collective Bargaining!

As the first step toward clearing the air and moving toward a basis of more realistic adjustment, there should be acceptance of the principle of genuine collective bargaining. The essence of this principle is freedom on both sides to deal with more than one party. The term "collective bargaining" is, of course, much older than the Wagner Act. It was devised long ago to describe the procedure whereby agreements as to wages, hours, and conditions of work were made between an employer and a group of workers, rather than between the employer and the several workers separately. Despite wage agreements, the workers have always been free to leave one employer at any time and seek work with another. Denial of this privilege, even for the life of a wage contract, would mean peonage or involuntary servitude. On the other hand, the employer has always been considered to be bound for the period of the wage agreement, provided he remains solvent. The difficulty has always been over the renewal of the agreement. Until the Wagner Act tied the employer's hands so completely, he was at least reasonably free at such times to enter into negotiations with other groups in the event of an impasse in his bargaining with a particular group.

Employers have now lost this freedom completely. It should be restored to them. They should be as free to deal with different labor groups as the workers are to deal with different employers. If any employer cannot come to terms with a CIO group, for example, he should be free to open negotiations with an AFL group, or with a group of workers not identified with either major labor organization. The monopoly conferred on a particular labor group by the Wagner Act is a travesty on bargaining.

Fallacy of Labor Exploitation

Aside from the opposition of labor leaders, who would see in such a plan the grave jeopardy of their jobs and influence, such resistance as might be offered to this proposal would hark back to Karl Marx and early 19th Century factory conditions. It would be charged that the door would thus be opened to an exploitation of labor through incessant playing of one group of workers against another. We concede that the history of the factory system, especially in its earlier days, reveals instances of worker exploitation. But the experience of a century ago is no guide for our future. In the period which lies ahead of this country, there would be little opportunity for resumption of such practices, even if management as a whole were disposed to undertake them, which is extremely doubtful. The squeezing of wages toward the subsistence level, so much emphasized by Marx and his followers, is possible only where there is a vast supply of labor in excess of the capital available for them to use. Such was the situation in the early history of the factory system. It is no longer the case here. Immigration is severely restricted, and the number of persons in the working-age groups 19-65 is likely to decrease with every decade for some time to come. Compared with the nation's capacity to provide capital, there is every reason to anticipate that in future labor service, rather than capial, will become the scarce factor in production. Under such circumstances, the danger to be guarded against is the exploitation of capital and management by labor, rather than the reverse.

Furthermore, the exploitation of labor that would be alleged to occur through the constant playing of one set of workers against another would mean spasmodic interruptions of production as the shifts were made and new workers were inducted. The most urgent desire of every employer is to maintain his production at the maximum warranted by his sales, and to push his sales to the utmost. To these ends, steadiness of employment would be, in his mind, of far greater importance than gains from wage chiseling, with its concomitant high labor turnover and higher production costs.

To state the issue baldly, why should not an employer, having failed to reach an agreement with one group of workers as to wages or other matters of employment, be free to invite some other group to enter into negotiations with a view to arriving at mutually agreeable terms just as the workers are free to approach some other employer? The ships and railroads are jammed with returning veterans. Why should not an employer who finds himself deadlocked in a miscalled collective bargain with some monopolistic union group be free to invite a group of veterans to consider jobs with him?

This is not an unreasonable position to take with respect to labor. In demanding a certain scale of wages, the clear implication is that the going market value of the labor service is being quoted. An assumption of this sort is always made in any other kind of bargaining. If a dealer offers an article at $1.00, he necessarily operates on the theory that there are customers ready to pay that price. If no buyers appear, the smart thing is to reduce the price, if only to move the stock and cut the loss. If one employer—i.e., customer for labor service—will not pay the price — i.e., wage — demanded for certain labor services, the proper move for the labor group which has set its wage or price would be to look for another taker. If there are no other takers at the rates demanded, this should indicate that the price —i.e., the wage—is too high. But under present law there is no need to consider whether or not the monopolistic labor group has overpriced its services. It has the full weight of Federal authority behind it in demanding as much as can be squeezed out of the unfortunate employer who has been deprived, by Federal law, of all freedom of bargaining for labor services.

Profits Have no Bearing on Wage Bargain

Another aspect of the current controversy is the proposal to settle the wage bargain by reference to the employer's books. The ostensible purpose of such reference is to verify the statement of earnings as published in the reports to stockholders, as revealed in tax returns, and as reported to other official agencies. The brief exposition of elementary economic principles given at the outset of this discussion will show that the amount of profit earned has no bearing whatever upon the wage bargain. This bargain and all others entered into by management must be concluded before it can be known whether or not there is to be a profit. Should there be a deficit rather than a profit, we may be sure that labor would resist strenuously any proposal to permit recovery of a sufficient proportion of the wages already paid to wipe it out. In this labor would be right. The entrepreneurial function includes, among other things, the assumption of the risk of loss. When losses occur, they must be borne by the owners of the equity capital. But it is essential that the entrepreneur shall be as free as any other economic agent in the bargains by which his costs and his receipts are determined. Otherwise the risk becomes wholly incalculable.

If profits in any industry should be at a level which would be regarded by other investors as excessive, or even liberal, in relation to the risks, additional capital investment will be attracted into the industry until the profits situation approaches normal, having due regard for the risk involved. This is the function of profits in a free enterprise economy, namely, to stimulate investment and to guide the direction of the investment flow into the fields where more capital is evidently required. More jobs are created thereby and more goods are produced, thus enhancing the general wellbeing. The performance of this function requires that there be no extraneous interference of the sort involved in the current labor proposals. An excess profits tax would be a similar sort of interference in ordinary peace times.

The adjustment of wages by reference to profits evidently involves an expropriation, by labor, of a part of the profit, in so far as this can be estimated and used as a basis for the wage settlement. There is a shortsighted shrewdness in the labor tactics of attacking first certain large, well-established companies in their demand to secure large wage increases on the basis of the profits earned. Such firms have little need for new, outside capital. They are established, going concerns. To lose this particular battle would not bankrupt them, hence their vulnerability to labor and political pressures.

But wage levels so established would percolate throughout industry. These levels would have no relation whatever to the prices or the profits in the many far corners of industry that would be affected. The results would be, first, greater unemployment since many employers simply could not comply with such wage demands, and, second, a drying up of capital investment because the returns would no longer be in proper relation to the risk calculations. That such results are anticipated may be inferred from the vigorous support of the labor groups for the original version of the full employment bill, with its virtual Government guarantee of whatever deficiency of jobs and investment may ex-

(Continued on page 44)

gitized for FRASER
p://fraser.stlouisfed.org/

Wages, Profits and Prices

(Continued from page 43)

ist. The current wage demands provide added assurance that extensive Government support will be needed, in both respects, if they are granted.

Should Labor Have a Monopoly?

The concept of collective bargaining which is now the law is wholly at variance with what is demanded by the public, and even by the Department of Justice, in other sorts of bargains. For example, if a contract is to be let by a school board or a city council for a construction job or a batch of supplies, we insist upon competitive bidding with the award to the lowest responsible bidder. There is always public clamor if only one bidder is permitted to enter. The Department of Justice has fumed, more than once, at bids which suggested collusion or an absence of real competition in bidding or pricing. Yet we provide harsh penalties upon an employer who, having a certain amount of work to be done, should seek to have it done under any sort of competition among those able and willing to work. These penalties would be imposed by legislation, and in some cases by striking workers who would not hesitate between damage to an employer's property and giving way to another group of workers willing to do the work at less pay.

The principle underlying the strike is perfectly clear. It is expressed in the old adage: "Shoot or give up the gun." That is, workers should always be free to work or not; they should be free to cease work by concerted action with a view to urging or forcing an employer to grant their demands. But they should have no standing whatever, in law or in public opinion, in preventing others from taking their jobs. The tradition of picketing dates back to the old surplus-of-labor days and the struggle of the organized groups to maintain their own position regardless of what happened to the unorganized labor mass. Today and for the future, if an adequate supply of competent workers can be hired to replace the strikers at a wage below what is demanded by the striking group, it is a reasonably clear indication that this group has overpriced its services. Instead of recognizing this fact, the law and the courts have become increasingly softheaded on the subject, until today all degrees of labor conspiracy and monopolistic practice are immune.

Account Books Reveal Only Past

Let us go back again to the question of the employer's books. Suppose he were compelled, by superior force of law, to bring them into a wage bargaining session. With the best of intentions, they could not be made to yield anything of value to the discussion without a thorough examination and audit. This would be a long process, even under competent auditors, and the cessation of production meantime, if a strike were in progress pending settlement, would be quite likely to alter the future profits prospects. Even so, the books would reveal only the past, closed transactions, whereas the wage rates at issue would be those to prevail in future production periods. It is highly disingenuous to argue that because an employer's books show a certain profit in a past period, he can therefore afford to pay a specified wage in a future period. This is peculiarly true as we emerge from the war period, one in which the severe terms of the excess profits tax made many employers indifferent to wage rates and wage costs, since they were shifted, in any event, to the taxpayers through the confiscatory excess profits tax.

It is well understood, on all sides, that wage rates established now will become a floor rather than a ceiling. The demand for a 30% wage increase in certain industries is based on the assertion that the employer companies can afford to pay such rates in 1946, while selling at 1942 prices. The Department of Commerce, in an ill-advised and in many respects an unscientific document, exhibited figures to show that liberal wage increases could be granted generally for 1946, without involving price advances. The best that can be said for this document is that it is an installment on a debt. No one can now forecast with any accuracy what the business situation will be throughout 1946. None of the wage disputants has given any thought to 1947 or later years. If labor is driving toward a genuine profit-sharing scheme this should be made plain. It should also be understood that the complement of profit-sharing is loss-sharing, which would mean substantial wage reductions in the event that losses rather than profits were in prospect.

Accounts Are Result of Judgment

All accountants understand that the data contained in business books of record represent in part exact and verifiable transactions, and in part the results of judgment. The volume of sales illustrates the former, while the valuation of inventory and other assets, and the proper charge-off for depreciation and obsolescence illustrate the latter. The income account is based upon entries of both sorts. As to all items which rest upon an exercise of judgment or discretion, it is easy to see that the door would be opened to vigorous and prolonged controversy between the representatives of labor and management. It is not uncommon now, in labor circles, to encounter the charge that excessive depreciation writeoffs are a method of concealing profits. In the past the Treasury has held a somewhat similar view, as witnessed by its disallowances and its insistence upon maximum useful life schedules for setting allowable depreciation rates. Under any proper conception of the responsibility of management, determination of the proper rate of depreciation must be recognized as a managerial function. It is an accounting device to assure the recovery of the dollars spent for wasting or depreciable assets, and the only way by which it could become a source of concealed profits would be by writing off more than 100% of the depreciable basis. No reputable auditor would countenance such a practice. To expose the results of managerial judgment in this instance to review by any group bent upon securing advantage for itself by enforcing a revision, would be tantamount to abrogation of managerial responsibility.

Mischief of Fact-Finding Boards

The introduction of so-called "fact-finding boards" offers far greater prospects of mischief than of constructive results. For example, what kinds of facts are these boards supposed to seek? And what is to be done with them when found, since the boards have no authority to issue enforcable decisions. We have here another illustration of the great American weakness—or vice—which is to deal with one mistake by setting up another facility. By setting up enough boards and commissions, we lose sight of the original error in the maze of error which the boards themselves commit.

Obviously, the wage fact-finding boards are expected to pass, as a kind of impartial tribunal, upon the soundness of the labor demands for wage increases that are related to the profits record and prospects. If the profits have no place in the wage controversy, then the boards become a fifth wheel on the wagon.

A particularly inept note was introduced by the President's suggestion that an employer's "ability to pay" should have a bearing on the wages paid. This concept has been sufficiently abused in the field of taxation, without subjecting it to further abuse in the field of wages. Actually it makes no sense at all in the latter field. For example, the federal government, as an employer, has far greater ability to pay than any private employer, judged by relative income receipts. Yet it does not follow this rule, even to the extent of paying as much as it should to some of its important career men. Mr. Truman would promptly veto a bill to pay clerks and stenographers $10,000 a year simply because the federal government had an annual income of $26 billion a year.

Wages Determined by Value of Services

A far more important principle for the determination of wages is that they should be in relation to the value of the services rendered. An employer whose plant is equipped with the best of tools and machinery can afford to pay good wages because the labor services devoted to the operation of this equipment is relatively valuable to him. The point that is entirely overlooked in the demand that wages be adjusted on the basis of profits is that the high productivity of labor, when applied in connection with the most advanced technical equipment, is fully as much a result of the capital used as it is of the labor itself. Those who own and supply the tools can participate in the gainful result only by receiving profits. No more significant comment has ever been made upon the essential teamwork of labor, capital, and management than the reply reported to have been given by the labor representatives to the offer of Mr. Higgins to sell them his New Orleans plan. In effect it was—"We cannot afford to buy the plant, and if we could, we would not know how to run it." By encroaching upon the profits, or even by placing them in jeopardy through a critical attack upon the results of the accounting for profits, labor is moving in a direction well designed to impair its own productivity through discouraging the flow of capital upon which the provision of still better tools depends.

Wages and Prices

Finally, a word must be said of the interest of the long-suffering general public. A vital aspect of the current wage controversy is that prices shall not be increased. No one has raised the issue of reducing prices, yet the history of all our mass production industries has been one of steadily lower prices and a constantly improved product. This is what some 140,000,000 people are waiting and hoping for. They know that great technical advance has occurred during the war. They want to see cars, refrigerators, washing machines, radios, vacuum cleaners, etc., etc., come out at prices that continue the downward trend. They do have a lot of money to spend now for such things, but all the talk about these billions of extra purchasing power being so "hot" as to make consumers indifferent to prices and values is pure bunk. They will get this way only when the bullheaded tactics of those who are holding up production drive them to it, and this includes labor leaders, politicians, and business executives.

The wages-profits dispute raises the issue of where the main fruits of technical advance should go. In the past they have been shared by labor and the general public, through better wages and lower prices. Strictly construed, labor is now demanding that wages should absorb these technical gains within the 1942 price level. Should a precedent of this sort be established, it would follow that the wages of a comparatively small group of workers should absorb all similar future gains, so that 1942 prices would become a minimum below which future prices could not fall.

The effort to absorb the whole fruit of technical advance can only lead to the destruction of both the advance and the fruits thereof. These fruits are garnered by an expansion of the market, and this depends on a steady decline in the price of the product as output increases. With an expanding sales volume, good wages can be paid. It is, in fact, the only valid guarantee that any employer can give of good wages, law or no law.

Russell McInnes With Wood, Hoffman, King

Wood, Hoffman, King & Dawson, 48 Wall Street, New York, municipal bond counsel, have announced that Russell McInnes has become associated with them as a municipal bond attorney. Mr. McInnes is a graduate of Brown University (Ph.B.), New York Law School (LL.B.), and Columbia University (M. A. Public Law) and is a member of the New York Bar and the American Bar Association.

Before becoming associated with Wood, Hoffman, King & Dawson he was attorney in the Municipal Bond Department of Lehman Brothers, New York investment bankers, and formerly lecturer in public law at New York University and for Columbia University. He is the author of various articles dealing with this subject. While associated with Lehman Brothers, Mr. McInnes specialized in revenue bond financing and in the development of revenue bond law.

Roosevelt & Son Admits

Roosevelt & Son, 30 Pine Street, New York City, announce that John K. Roosevelt has been admitted to the firm as a general partner.

Digitized for FRASER
http://fraser.stlouisfed.org/

Signing at Washington by 28 Nations Of Bretton Woods Agreements

With the formal signing in Washington on Dec. 27 of the Bretton Woods Monetary Agreement by 28 of the 45 Nations which drafted them in July 1944, Secretary of the Treasury Vinson issued a statement in which he pointed out that "four long years of intensive work have gone into the laying the ground work for this day—the day upon which the International Fund and Bank take their places in the mighty arsenal for peace, we of the United Nations are so carefully preparing." He added that the United States is resolved as are the other Governments represented, "to do all in its power to make these institutions an outstanding example of the results that can be accomplished by the united action of those who want and are willing to work for a peaceful and prosperous world."

The agreements provide for the establishment of the International Bank for Reconstruction and Development and the International Monetray Fund, the texts of which were given in our issue of July 27, 1944—pages 388 to 406.

Russia was the only big power absent with the signing of the agreement Dec. 7, but she had until Dec. 31 to ratify and sign as one of the original 45, said Associated Press advices from Washington Dec. 27 which added that the larger nations signing were the United States, Great Britain, France and China.

In later Associated Press accounts from Washington Jan. 1 it was stated that Russia and eight other eligible nations permitted the Dec. 31 deadline to pass without becoming charter members of the World Bank and Stabilization Fund, the State Department disclosed. The Jan. 1 press advices added:

In addition to Russia, the eligibles still unsigned are Australia, New Zealand, Venezuela, Liberia, Haiti, Salvador, Nicaragua and Panama.

The Monday deadline was not all-important, officials said. Any of the nine eligibles can decide to participate in the bank and fund at any future date if its application is accepted by the bank and the fund governing boards. These agencies have not yet been set up.

In Associated Press advices Dec. 27 from Washington, it was stated:

The agreements establish a $9,100,000,000 International Bank to make loans to help rebuild and rehabilitate war-torn countries and $8,800,000,000 Fund to keep world currencies stabilized.

They still can be signed until next Monday [Dec. 31] by the other countries participating in the United Nations 1944 Monetary Conference at Bretton Woods, N. H. After that date, a nation wishing to participate will have to be approved by the Fund or Bank boards.

Appointment of boards of governors by each signatory country is the next step in setting the two institutions on a going basis.

The two agreements were signed in a 26-minute ceremony at the State Department.

Treasury Secretary Fred M. Vinson signed for the United States; the Earl of Halifax, British Ambassador, for Great Britain; Ambassador Henri Bonnet, for France, and Ambassador Wei Tao-Ming, for China.

Other signatories were Belgium, Bolivia, Brazil, Canada, Colombia, Costa Rica, Ecuador, Egypt, Ethiopia, Greece, Guatemala, Honduras, Iceland, India, Iraq, Luxembourg, Netherlands, Norway, Paraguay, Philippine Commonwealth, Poland, Union of South Africa, Uruguay and Jugoslavia.

It was stated on Jan. 1 by the Associated Press that in the three days following the ceremonies which brought the two big financial organizations into formal existence on Dec. 28, six additional countries signed the necessary documents to become original members, State Department officials said. We likewise quote from Washington Associated Press advices Jan. 1:

These were Mexico, Peru, Cuba, Chile, the Dominican Reublic and Iran. Twenty-eight of the 45 governments which drafted the bank and fund agreements at Bretton Woods, N. H., in 1944 signed at the formal ceremonies.

A 29th government, Denmark, also participated in the ceremonies but is not yet listed as a member because the Danish Government, not actually in existence at the time of the Bretton Woods Conference, has not yet been assigned a contribution quota for the bank and fund.

Still another government, Czechoslovakia, signed after the ceremonies were over. The Czech Ambassador, Vladimir Hurban, was too ill to attend the ceremonies, and signed at his Embassy.

From the Associated Press accounts from Washington Dec. 27 we take the following:

Dean Acheson, Acting Secretary of State, described the establishment of the fund and bank as "symbolic of ever-increasing cooperation of all nations" looking toward a better world.

Henry Morgenthau Jr., former Secretary of the Treasury, who headed the Bretton Woods conference, said he felt "that this is a new step in international finance and can't help but bring better conditions in the world."

As provided by that conference, the pacts were to take effect only if ratified and signed before Dec. 31 by Governments having 65% of the fund quotas ($5,720,000,000) and bank subscriptions $5,915,000,000). Those signing today have total quotas well in excess of the 65%.

Forty-four nations have been assigned quotas. No shares have yet been fixed for Denmark.

The fund quota of the United States, first country to ratify, is $2,750,000,000, and its subscription to the bank is $3,175,000,000. This total of $5,925,000,000 represents nearly one-third of the aggregate capital of the two accounts.

Great Britain's aggregate will be $2,600,000,000. Russia's will be $2,400,000,000, when and if she comes in.

The next step will be the appointment by signatory countries of a Governor for the fund and a Governor for the bank.

The United States will call the first meetings of the two boards of directors under the rule giving this authority to the power putting up the most capital.

The following is the statement issued on Dec. 27 by Secretary Vinson at the time of the formal signing in Washington of the Bretton Woods Agreements:

History is being written today as we execute these documents and breathe the breath of life into the International Monetary Fund and the International Bank for Reconstruction and Development.

We can be thankful that the history we are now writing is not another chapter in the almost endless chronicle of war and strife. Ours is a mission of peace—not just lip service to the ideals of peace—but action, concrete action, designed to establish the economic foundations of peace on the bed rock of genuine international cooperation.

Four long years of intensive work have gone into laying the groundwork for this day—the day upon which the International Fund and Bank take their places in the mighty arsenal for peace we of the United Nations are so carefully preparing. But these past four years in which we have wrestled with the fundamental problems of international currency stability and investment are but prologue. The birth of these two great international financial institutions is not an end in itself but only a means to the end of international peace and prosperity. Our task, therefore, has but just commenced.

If these two great international institutions are to achieve the mission which the world has so hopefully entrusted to their care, it will require the wholehearted and concerted cooperation of each of the member countries and their peoples.

The Government of the United States is resolved—as, I am sure, are the other governments represented here—to do all in its power to make these institutions an outstanding example of the results that can be accomplished by the united action of those who want and are willing to work for a peaceful and prosperous world.

Recent announcements of the approval by various Governments of the Bretton Woods Agreement are indicated as follows:

Associated Press advices from London Dec. 20 stated that British adherence to the Bretton Woods plan for a world bank became law today when royal assent to the measure was announced in the House of Lords.

The Prague Radio said tonight [Dec. 20] that Czechoslovakia's National Assembly had ratified the Bretton Woods monetary stabilization agreement.

It was made known in United Press advices from New Delhi Dec. 23 that the Government of India has approved the Bretton Woods agreements and will add its name to the list of signatory nations in Washington on Dec. 27.

At the same time the United Press advices as given in the "Wall Street Journal" said: The Bretton Woods Monetary Agreements were approved by both houses of the Egyptian Parliament by almost unanimous votes. The Egyptian government will sign the agreement at Washington on Dec. 27.

Announcement was made by the Government of Paraguay on Dec. 22 that it had approved the Bretton Woods Monetary Agreements.

Baghdad, Iraq, advices Dec. 24 (Reuter), reported that the Iraq Senate on Dec. 24 ratified the Bretton Woods Monetary Agreement. The Iraq Chamber of Deputies ratified the pact on Dec. 22.

It was reported in United Press advices from Paris on Dec. 27 that the Monetary Stabilization Agreement and a $550,000,000 loan by the American Export-Import Bank were approved unanimously by the French Constituent Assembly early that day.

Chas. Beckwith Returns to Francis I. duPont

Francis I. duPont & Co., 1 Wall Street, New York City, members of the New York Stock Exchange, announces that Lt. Comdr. Charles L. Beckwith, USNR, has returned from active duty and has resumed his position with the firm.

John C. Stewart With Cruttenden & Company

OMAHA, NEB.—John C. Stewart has become associated with Cruttenden & Co. of Chicago. Prior to serving in the armed forces he was Lincoln, Neb. manager for Harris, Upham & Co. and was with Gooch & Co. of Lincoln.

Wm. Fuller Installs Wire to Pacific Co. of Calif.

CHICAGO, ILL.—William A. Fuller & Co., 209 South LaSalle Street, members of the Chicago Stock Exchange, announce the installation of a direct private wire to the Pacific Co. of California, 623 South Hope Street, Los Angeles.

Expects 50% Gain in New Construction Dollar Volume in 1946

Even in the face of present retarding factors, F. W. Dodge Corporation, fact-finding organization for the construction industry, estimates total dollar volume of new construction next year as 50% greater than in 1945 in the 37 States east of the Rocky Mountains. The estimate for all construction in the 37 eastern States is $4,750,000,000 against $3,160,000,000 expected for 1945 on the basis of the record for the first ten months of this year.

"In dollars, this volume is greater than that of any of the years immediately preceding the war," a statement issued by the Corporation Dec. 7 declares. "Taking cost increases into account, it represents a physical volume somewhere between that of 1939 and 1940. The percentage increase is about as high as the highest ever previously attained from one calendar year to the next," the over-all estimate of the Dodge Corporation indicates.

The Corporation anticipates an increase next year of 20% over 1945 in non-residential construction, with substantial increases in public and religious buildings in this classification. An increase of 178% in residential construction, with a total next year of $1,350,000,000 in the eastern States, is estimated. One- and two-family house construction will dominate residential building in 1946, the report states.

Potential demand is generally considered so large that it is likely to require construction, over an extended period, in larger amounts than in any previous peacetime years.

"There is plenty of factual evidence of a vast accumulated demand in the form of estimated shortages, contemplated and planned construction projects running into many billions of dollars, announced expansion and rehabilitation programs of industries, commercial organizations, utilities, State and local governments," the Corporation points out.

At the same time it declares three kinds of retarding factors exist to delay revival. These are increased costs and current confusion about market conditions, continuing government controls so far as prices and rents are concerned, and the growing pains of an industry called upon to expand its operations very suddenly.

"Many prospective investors receive a shock when presented with current estimates. For good reason these are frequently higher than published cost index numbers, which range for different types of structures from 25 to 35% over averages for 1939. Some contractors are refusing to make lump sum bids, preferring to take work on a cost-plus basis. Lump sum bids must necessarily include margins of safety to protect the contractor against uncertainties on prices, deliveres of materials, wages, work stoppages and labor efficiency," the statement says.

While the War Production Board on Oct. 15 abolished all L-41 orders, which limited construction to types needed in the war effort, the OPA price and rent controls remain a retarding factor, in the opinion of the Dodge Corporation.

According to the Corporation:

"Price controls, highly desirable in theory, have acted in some degree to retard production of needed materials. OPA has reluctantly granted some increases in ceiling prices to permit manufacturers to offer the increased wages necessary to recruit adequate manpower. The process for securing approvals for increases is frequently drawn out, and the continued effectiveness of price control in a peacetime market is an open question.

"Rent control is a deterrent to new rental projects. OPA has been petitioned to exempt from rent ceilings all new rental housing, as a sound measure to encourage this much-needed class of building, which is now the one type of project definitely retarded by a specific control of the Federal Government."

Manpower in the designing, building, and materials and equipment fields is still comparatively scarce, but according to Dodge's interpretation this condition is not likely to last very long. "Present conditions with respect to materials and manpower do not suggest any ultimate limit on the capacity of the industry," the study says. "They do indicate, however, a moderate speed of expansion in the transition year 1946."

M. Courts & J. Glenn Rejoin Courts & Co.

ATLANTA, GA.—Courts & Co., 11 Marietta Street, N. W., members of the New York Stock Exchange and other Exchanges, announce that Malon C. Courts, Lieutenant Commander USNR, and Jack F. Glenn, Lieutenant, USNR, have been released from active duty and have resumed as general partners in the firm.

Thomas L. Hume Sons Formed in Washington

WASHINGTON, D. C.—Announcement is made of the formation of Thomas L. Hume Sons, Inc. successor to the proprietorship Thomas L. Hume established in 1899. The new firm, which holds membership in the Washington Stock Exchange, will be located at 917 15th Street, N. W., and will specialize in Washington, D. C. securities.

W. R. Arnold V.-P. of Perrin, West Co.

BOSTON, MASS.—W. Richmond Arnold has been elected a vice-president of Perrin, West & Winslow, 24 Federal Street, members of the Boston Stock Exchange. Mr. Arnold became associated with the firm in 1938 when it was organized, leaving in 1942 to accept a commission in the United States Naval Reserve. He rejoined the firm in 1945.

Goldman, Sachs Admit G. Levy & W. Creely

Gustave L. Levy and Walter J. Creely, who have been associated with Goldman, Sachs & Co., members of the New York Stock Exchange for many years, have been admitted as general partners in the firm. Mr. Levy will be in the firm's New York office, 30 Pine Street. Mr. Creely will be resident partner in the St. Louis office, Boatmen's Bank building.

Republican Committee Meets in Chicago

At its two-day meeting in Chicago, Dec. 7 and 8, the Republican National Committee endorsed unanimously the declaration of principles drawn up by party members of Congress as a present platform, but in order to meet the objections of members from the Middle and Far West who felt that the Congressional statement was inadequate, made provision for augmenting it. Herbert Brownell, Jr., National Chairman, was authorized to appoint a subcommittee of seven to receive supplementary suggestions from party members throughout the United States, the Associated Press reported in its Chicago advices of Dec. 8.

igitized for FRASER
ttp://fraser.stlouisfed.org/

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.

MONDAY, JAN. 7

THE VISKING CORP. on Dec. 19 filed a registration statement for 150,000 shares of class A common stock, $5 par. The shares are issued and are being sold by certain stockholders.

Details—See issue of Dec. 26.

Offering—The shares are being purchased from a group of stockholders. The largest block, 54,000 shares is being purchased from E. I. du Pont de Nemours & Co. Price to be received by the selling group and price to the public will be filed by amendment. Company's capitalization consists of 540,000 shares of class A, $5 par common and 54,000 shares of class B common stock, par $5.

Underwriters—A. G. Becker & Co., Inc. and Lehman Brothers.

TUESDAY, JAN. 8

BROWN SHOE CO., INC., on Dec. 20 filed a registration statement for 40,000 shares of cumulative preferred stock (no par). The dividend rate will be filed by amendment.

Details—See issue of Dec. 26.

Offering—The price to the public will be filed by amendment.

Underwriters—Goldman, Sachs & Co., and Lehman Brothers head the underwriting group.

PORTLAND MEADOWS has filed a registration statement for $900,000 in unsecured income notes due Jan. 1, 1971, providing for interest at the rate of 10% payable only from income.

Address—911 Spalding Building, Portland, Ore.

Business—Portland Meadows was incorporated in Oregon Nov. 10, 1945, and has an authorized capital stock of $100,000. It is the purpose of the corporation to acquire property in vicinity of Portland, Ore., on which to construct a race track and to construct grandstands, clubhouse, etc.

Offering—The offering is to be at par, with total net proceeds to the corporation placed at $900,000.

Proceeds—Proceed from sale of income notes, together with the proceeds from issuance of the capital stock will be utilized approximately as follows: Grandstand and clubhouse $600,000, stables $100,000 and other improvements which, with operating capital of $65,000, total $1,000,000.

Underwriters—No underwriter named.

Registration Statement No. 2-6054. (12-20-45). Originally filed at San Francisco.

WEDNESDAY, JAN. 9

LIQUID CARBONIC CORP. has filed a registration statement for 72,810 shares of 3½% cumulative convertible preferred stock, $100 par. Price to the public will be filed by amendment.

Address — 3100 South Kedzie Avenue, Chicago 23, Illinois.

Business—Includes a manufacture and sale of carbonic gas, pressure reducing regulators and gas cylinders, flavoring extracts, dry ice, ice cream cabinets, oxygen, acetylene and medical gases home freezers, etc.

Offering—The preferred shares are to be offered to common stockholders at the rate of one preferred share for each 10 shares common held. Subscription rights expire at noon, Jan. 26, 1946. Any shares not subscribed for by common stockholders will be offered to the public.

Proceeds—The company will apply $3,101,823 of the net proceeds to the redemption of all of the outstanding 4½% cumulative preferred stock, series A, at the redemption price of $107. Accumulated and unpaid dividends will be paid from other funds of the company. The registration statement says that it is anticipated that substantial amounts will be required within the next 3 years to provide for expected increases in inventories and customers' receivables. It is estimated that the amounts required for these purposes will be supplied by earnings to be retained in the business and funds to be supplied by depreciation and other non-disbursement charges.

Underwriters—Laird, Bissell & Meeds, Spencer Trask & Co. and Merrill Lynch, Pierce, Fenner & Beane head underwriting group.

Registration Statement No. 2-6055. Form S-1. (12-21-45).

TENNESSEE GAS & TRANSMISSION CO. has filed a registration statement for an indeterminate number of shares of common stock (par $5). Of the total, 238,000 shares will be purchased from the company by the underwriters, while other shares will be purchased from certain stockholders.

Address — Commerce Building, Houston, Texas.

Business—Operates a natural gas transmission pipe line.

Offering—The offering price to the public will be filed by amendment.

Proceeds—The net cash proceeds to the company, together with treasury funds, will be used for the purchase of the additional compressor stations built and now owned by the Reconstruction Finance Corporation upon the consummation of negotiations which are now in progress. The cost of the construction of such compressor stations is estimated at $6,300,000. In the event the purchase is not consummated, the proceeds will become part of the corporate funds of the company.

Underwriters — Stone & Webster and Blodget, Inc., and White, Weld & Co. head the underwriting group.

Registration Statement No. 2-6056. Form S-1. (12-21-45).

PACIFIC COAST AGGREGATES, INC., has filed a registration statement for 15,000 shares of cumulative preferred stock, convertible series, $100 par value.

Address—85 Second Street, San Francisco, Cal.

Business—Crushed rock, sand, gravel and ready-mix concrete.

Offering—The price to the public will be filed by amendment.

Proceeds—The proceeds will be used as follows: Approximately $700,000 for the construction of a new aggregates producing plant at Eliot, Cal.; $300,000 for a new aggregates producing plant to replace the plant at Riverrock, Cal.; $150,000 for additional aggregates bunkers; $150,000 for construction of new warehouses, and $120,000 for additions and replacements at Fair Oaks plant.

Underwriters—Blyth & Co., Inc., and Schwabacher & Co. are principal underwriters.

Registration Statement No. 2-6057. (12-21-45). Originally filed at San Francisco.

MONDAY, JAN. 14

PHILIP MORRIS & CO., LTD., INC. has filed a registration statement for 149,883 shares of cumulative preferred stock, par $100. The dividend rate will be filed by amendment.

Address—119 Fifth Avenue, New York, N. Y.

Business — Cigarettes and smoking tobacco.

Offering—The company offers to the holders of its common stock rights to subscribe for the new preferred at the rate of one and one-half shares of the cumulative preferred stock, for each 20 shares of common stock held at a price to be filed by amendment.

Proceeds—During the 13 months preceding Oct. 31, 1945, the company's cash requirements have substantially increased. From Sept. 30, 1944 to Oct. 31, 1945, its inventories rose from $69,571,841 to $106,885,352. During this period the company financed its needs for cash in part by bank loans which on Oct. 31, 1945, amounted to $53,850,000. The proceeds of these loans were added to the company's cash balances and were used to finance in part the increase in inventories. It is expected the net proceeds from sale of stock will be applied principally to the reduction of the company's bank loans. The statement says the directors intend to authorize the sale of approximately $15,000,000 debentures due Feb. 1, 1966, shortly after the rights to subscribe to the cumulative preferred stock have expired and to apply the proceeds of the sale in part to the redemption of all of the company's $5,700,000 3% debentures due May 1, 1962, and $5,800,000 3% debentures due March 1, 1963, or an aggregate principal amount of $11,500,000.

Underwriters — Lehman Brothers and Glore, Forgan & Co., head the underwriting group.

Registration Statement No. 2-6058. Form A-2. (12-26-45).

MADISON GAS & ELECTRIC CO. has filed a registration statement for $4,500,000 first mortgage bonds, due Jan. 1, 1976.

Address — 100 North Fairchild Street, Madison, Wis.

Business—Public utility.

Offering—The price to the public will be filed by amendment. The bonds will be sold by the company at competitive bidding.

Proceeds—The proceeds will be used to redeem $3,400,000 first mortgage bonds, 4% series, due 1960, at the redemption price of 104½, and to redeem 5,000 shares of 6½% preferred, series A, par value $100 at $105 per share. Any balance will be placed in the treasury for expansion purposes.

Underwriters—To be filed by amendment.

Registration Statement No. 2-6059. Form S-1. (12-26-45).

SINCLAIR OIL CORP. has filed a registration statement for 100,000 shares of common stock (no par). The shares are issued and outstanding and are being sold by a present stockholder.

Address—630 Fifth Avenue, New York, N. Y.

Business—Company is almost exclusively a holding company, holding stock and obligations of subsidiary and other companies engaged in various branches of the petroleum industry.

Offering—The price to the public will be filed by amendment. The statement says shares purchased upon the initial offering will carry the right to receive the dividend of 25 cents per share which has been declared payable on Feb. 15, 1946, to stockholders of record Jan. 15, 1946. The identity of the seller will be filed by amendment. H. F. Sinclair, President and Director, as of Nov. 30, 1945, held 168,366 shares of the common stock. According to the registration statement the company on July 17, 1944, sold 150,000 shares of common stock held in the treasury to H. F. Sinclair, President and Director, pursuant to authorization by the stockholders on May 17, 1944. The statement said no cash proceeds were received by the company on the date of the sale, but the purchase price for the shares, being $13.25 per share and amounting to a total of $1,987,500 is payable on or before June 1, 1947, with interest at the rate of 3% per annum, payable quarterly. There were no underwriters in connection with the sale. The company on Aug. 16, 1945, sold an issue of $60,000,000 20-year 2¾% sinking fund debentures.

Proceeds—The proceeds will go to the selling stockholder.

Underwriters—To be filed by amendment.

Registration Statement No. 2-6060. Form A-2. (12-26-45).

UTAH FUND, INC., has filed a registration statement for 89,900 shares of capital stock, par $1.

Address—323 Newhouse Building, Salt Lake City, Utah.

Business—Investment company.

Offering—At market.

Proceeds—For investment.

Registration Statement No. 2-6061. Form S-5. (12-26-45).

CHESGO MINES, LTD., has filed a registration statement for 1,250,000 shares of $1 par value stock, non-assessable.

Address—50 Jarvis Street, Fort Erie, Ontario, Can.

Business—Incorporated on May 15, 1945, to explore and develop mining claims.

Offering—The public offering price is 35 cents per share.

Proceeds—The proceeds will be used to continue prospecting and development work.

Underwriters—W. R. Manning & Co., Toronto, Ontario, Canada.

Registration Statement No. 2-6062. Form S-11. (12-26-45).

TUESDAY, JAN. 15

SHELLMAR PRODUCTS CORP. has filed a registration statement for 40,000 shares 4¾% cumulative preferred stock, $50 par, and 150,000 shares of common, no par. The common stock is outstanding and is being sold by certain stockholders.

Address—224 South Michigan Avenue, Chicago, Ill.

Business—Specialized protecting packaging materials.

Offering—The offering prices of the preferred and common stocks will be filed by amendment.

Proceeds—The net proceeds to be received by the company from the sale of 40,000 shares of preferred, with treasury funds, will be used to purchase 600 shares of common stock of Self-Locking Carton Co., being all its outstanding stock not presently owned by Shellmar. Thereupon the 117,296 shares of Shellmar common owned by Self-Locking will be cancelled and not reissued. Proceeds from the sale of 150,000 shares of common will go to the selling stockholders.

Underwriters—Glore, Forgan & Co. heads the underwriting group.

Registration Statement No. 2-6063. Form S-1. (12-27-45).

VICTOR CHEMICAL WORKS has filed a registration statement for 40,000 shares of cumulative preferred stock, par $100. The dividend rate will be filed by amendment.

Address—141 West Jackson Boulevard, Chicago, Ill.

Business—Phosphorous, high grade phosphoric acid, and phosphate for food, pharmaceutical, technical and manufacturing purposes.

Offering—The price to the public will be filed by amendment.

Proceeds—The net proceeds will be utilized as follows: $2,500,000 to construction of a new electric furnace plant near the Florida phosphate rock deposits; $1,000,000 for additional processing facilities and the balance added to working capital to finance the increased volume of business which the new manufacturing facilities are expected to produce.

Underwriters—F. Eberstadt & Co., heads the underwriting group.

Registration Statement No. 2-6064. Form S-1. (12-27-45).

NEW YORK STOCKS, INC., has filed a registration statement for 1,000,000 shares of special stock.

Address—48 Wall Street, New York, N. Y.

Business—Investment company.

Research and Advisory Service—Manhattan Research Associates, New York.

Offering—At market.

Proceeds—For investment.

Registration Statement No. 2-6065. Form S-5. (12-27-45).

COLONIAL AIRLINES, INC., has filed a registration statement for 91,400 shares of capital stock, par $10.

Address—630 Fifth Avenue, New York, N. Y.

Business—Transportation by air of mail, passengers and express.

Offering—The company is granting to holders of its capital stock of a date to be fixed in January, the right to subscribe for not in excess of 91,400 shares of authorized but unissued capital stock in the ratio of one additional share for each three shares held. The subscription price is $20 per share. The capital stock not subscribed to by stockholders will be purchased by the individual members of the board of directors of Colonial Airlines at the same offering price of $20 per share, for their own accounts.

Proceeds—Net proceeds which are estimated at $1,751,178 after deducting expenses will be applied towards the purchase of additional aircraft and other necessary operating property and equipment aggregating in cost $1,327,000. The balance will be available for general corporate purposes, including maintenance of cash balances as current working capital, and the payment of corporate obligations.

Underwriters—No underwriting.

Registration Statement No. 2-6066. Form S-2. (12-27-45).

WEDNESDAY, JAN. 16

DETROIT HARVESTER CO. has filed a registration statement for 101,769 shares of common stock, par $1.

Address—5450 West Jefferson Avenue, Detroit, Mich.

Business — Power take-offs, mowers, sweepers, window regulators, glass channels, miscellaneous automobile hardware, etc.

Offering—The price to the public will be filed by amendment.

Proceeds—Of the proceeds, $1,200,000 will be applied to the repayment of present bank loans; and the balance for building improvements, machinery and equipment at the various plants as follows: Zanesville plant (implement division) $240,000; Detroit plant (harvester division) $155,000, and Toledo plant (dura division) $150,000.

Underwriters—Reynolds & Co. heads the underwriting group.

Registration Statement No. 2-6067. Form S-2. (12-28-45).

AMERICAN POTASH & CHEMICAL CORP. has filed a registration statement for 479,726 shares of capital stock (no par). The shares are issued and outstanding and are being sold by the Alien Property Custodian who directed the company to file the registration statement.

Address—609 South Grand Avenue, Los Angeles, Cal.

Business—Production and sale of potash, boron products, soda ash and salt cake.

Underwriters—The Alien Property Custodian proposes to sell the 479,726 shares of stock at public sale to the highest qualified bidder. If any such bid is accepted and if the successful bidder plans to distribute the shares the prospectus will be amended to include the requisite additional information. The shares to be offered constitute 90.79% of the 528,390 shares outstanding. In 1942, the Alien Property Custodian under the authority of the Trading With the Enemy Act found that 479,726 shares of common stock being 90.79% of the capital stock of American Potash, were the property of nationals of Germany and vested said property in himself to be held or sold in the interests of the United States. The vesting order, as amended, described the vested property as follows: "474,726 shares (89.84%) registered in the following names: Consolidated Gold Fields of South Africa, Ltd., 127,723; Gold Fields American Development Co., Ltd., 201,531; New Consolidated Gold Fields, Ltd., 69,712, and Administratiekantoor Diligentia, 75,760; total, 474,726, all of which shares are held for the benefit of Wintershall, A. G., Germany, and Salsdetfurth, A. G., Germany, and each of them." Also 5,000 shares (0.95%) of similar stock held in the name of MacNaughten & Co. for the benefit of the Estate of August Diehn, a national of Germany, making total shares vested 479,726. The company is informed that in 1929 the three Gold Fields groups sold their beneficial interested in the vested shares.

Proceeds—American Potash will receive no proceeds from the sale.

Registration Statement No. 2-6068. Form S-1. (12-28-45.)

PALESTINE ECONOMIC CORP. has registered 20,000 shares of common stock, $100 par value.

Address—570 Lexington Avenue, New York, N. Y.

Business—Financing of enterprises in Palestine of a banking, credit, industrial, land, agricultural and utility nature.

Offering—The offering price to the public is $100 per share.

Proceeds—The registrant intends to use the proceeds in the ordinary course of its business in Palestine.

Underwriting—No underwriting.

Registration Statement No. 2-6069. Form S-1. (12-28-45)

TEXTRON, INC., has filed a registration statement for 300,000 shares of 5% convertible preferred stock, par $25.

Address — 808 Turks Head Building, Providence, R. I.

Business—Yarns, etc.

Offering—The price to the public will be filed by amendment. The 5% convertible preferred may be retired at any time on 30 days' notice at $26 a share, plus accrued dividends. The 5% convertible preferred will be convertible, until 10 days prior to the redemption date, if called for redemption, into common stock, share for share.

Proceeds—It is anticipated that the proceeds of the sale of the preferred will be applied to the purchase of properties and/or controlling or minority stock interests in certain businesses similar or complementary to the type of business conducted by the corporation or its subsidiaries, which the directors may consider desirable in order to increase the supply of yarns, fabrics, materials, etc., for the expansion and integration of the business of the corporation. Any balance will be available for the purchase of machinery, for additional working capital or for the payment of indebtedness.

Underwriting—To be filed by amendment.

Registration Statement No. 2-6070. Form S-1, (12-28-45.)

COLUMBIA PICTURES CORP. has registered 75,000 shares of cumulative preferred stock (no par) and 75,000 shares of common (no par) and 75,000 non-detachable warrants for common stock. The common shares are initially to be reserved for issuance in the event of the exercise of the non-detachable warrants for common stock attached to the certificates for preferred stock. The dividend rate on the preferred will be filed by amendment.

Address — 729 Seventh Avenue, New York, N. Y.

Business—Production and distribution of motion pictures.

Offering—The price to the public of the preferred shares will be filed by amendment.

Proceeds—The net proceeds will be used to redeem at $53 per share plus accrued dividends, all outstanding shares of $2.75 preferred convertible stock, and to increase the working capital of the corporation. All or a part of such additional working capital may be applied, when conditions permit, towards the improvement of the studio and for additional studio and studio facilities of the corporation, the exact amounts of which have not yet been determined.

Underwriters—The underwriting group is headed by Hemphill, Noyes & Co. and Hallgarten & Co.

Registration Statement No. 2-6072. Form A-2. (12-28-45)

UARCO, INC., has registered 56,161 shares of common stock (no par).

Address—141 West Jackson Boulevard, Chicago, Ill.

Business—Manufacture of various business stationery forms.

Offering—The price to the public will be filed by amendment.

Proceeds—Of the net proceeds, $210,000 will be used to reimburse the company's treasury for funds applied to the retirement during 1945 of the entire outstanding issue of 2,100 shares of 6% cumulative preferred stock at $100 per share and accrued dividends. The balance will be spent on a plant expansion program, including $485,000 for machinery and equipment, approximately $165,000 for buildings and $165,000 in sales expansion. Any balance will be added to working capital.

Underwriters—Kidder, Peabody & Co. heads the underwriting group.

Registration Statement No. 2-6073. Form A-2. (12-28-45)

UNION TRUSTEED FUNDS, INC., has filed a registration statement for 75,000 shares of Union Common Stock Fund.

DIVIDEND NOTICES

CANCO **AMERICAN CAN COMPANY**

COMMON STOCK

On December 27, 1945 a quarterly dividend of seventy-five cents per share was declared on the Common Stock of this Company, payable February 15, 1946, to Stockholders of record at the close of business January 24, 1946. Transfer books will remain open. Checks will be mailed.

R. A. BURGER, *Secretary.*

NATIONAL DISTILLERS PRODUCTS CORPORATION

The Board of Directors has declared a regular quarterly dividend of 50¢ per share on the outstanding Common Stock, payable on February 1, 1946, to stockholders of record on January 15, 1946. The transfer books will not close.

THOS. A. CLARK, TREASURER

December 27, 1945

PACIFIC GAS AND ELECTRIC CO.

DIVIDEND NOTICE

Common Stock Dividend No. 120

A cash dividend declared by the Board of Directors on December 19, 1945, for the fourth quarter of the year 1945, equal to 2% of its par value, will be paid upon the Common Capital Stock of this Company by check on January 15, 1946, to shareholders of record at the close of business on December 28, 1945. The Transfer Books will not be closed.

E. J. BECKETT, *Treasurer*

San Francisco, California

Universal Pictures Company, Inc.

DIVIDEND

The Board of Directors has declared a quarterly dividend of 50c per share on the outstanding stock of the Company, payable January 31, 1946 to stockholders of record at the close of business on January 15, 1946.

Digitized for FRASER
http://fraser.stlouisfed.org/

Address—63 Wall Street, New York, N. Y.

Business—Purchase, sell and hold for investment securities subject to the limitations of the certificate of incorporation and to the provisions of a trust agreement.

Offering—At market.

Proceeds—For investment.

Underwriters—Lord, Abbett & Co., Inc., is named principal underwriter.

Registration Statement No. 2-6071. Form A-1. (12-28-45)

NEWPORT INDUSTRIES, INC., has filed a registration statement for 40,000 shares of cumulative preferred stock, par $100. The dividend rate will be filed by amendment.

Address—P. O. Box 911, Pensacola, Fla.

Business—Naval stores.

Offering—The price to the public will be filed by amendment.

Proceeds—The company will apply the net proceeds, with general funds of the company, to defray the cost of constructing a new plant at Oakdale, La.

Underwriters—Union Securities Corporation heads the underwriting group.

Registration Statement No. 2-6074. Form S-2. (12-28-45)

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.

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.

ATLANTIC REFINING CO. on Dec. 14 filed a registration statement for $25,000,000 20-year debentures due Jan. 15, 1966 and 102,000 shares of cumulative preferred stock, Series B, par $100. The interest and dividend rates will be filed by amendment.

Details—See issue of Dec. 20.

Offering—The preferred stock is offered by the company to the holders of its common stock at a price to be filed by amendment at the rate of one share of preferred for each 26 shares of common held of record at the close of business on Jan. 8, 1946. The underwriters have agreed to purchase any unsubscribed preferred stock. The public offering prices of the debentures and preferred will be filed by amendment.

Underwriters—Smith, Barney & Co. head the underwriting group.

AUTOMATIC CANTEEN CO. OF AMERICA on Dec. 12 filed a registration statement for 129,966 shares of common stock, par $5.

Details—See issue of Dec. 20.

Offering—Price to public will be filed by amendment.

Underwriters—Hornblower & Weeks and Central Republic Corp., Inc.

BERYLACA YELLOWKNIFE GOLD MINES, LTD., on Dec. 10 filed a registration statement for 5,720 shares common stock (par $5).

Details—See issue of Dec. 20.

Offering—Company has an authorized capital of $40,000, divided into 8,000 shares (par $5). There have been issued for property, 2,000 shares, in escrow; issued for cash 280 shares and in treasury 5,720 shares which are being offered at par for public subscription.

Underwriters—None named.

BUFFALO BOLT CO. on Dec. 14 filed a registration statement for 58,386 shares of common stock, par $1.

Details—See issue of Dec. 20.

Offering—The underwriters are offering 43,386 shares at a price to be filed by amendment. In addition there may be eventually offered under the prospectus all or a part of an additional 15,000 shares of common, issued and delivered by the company to Lee Industries, Inc., on Aug. 10, 1945, Buffalo Bolt acquired the assets subject to liabilities of Eclipse Lawn Mower Co. from Lee Industries for 15,000 shares of Buffalo Bolt common. Lee Industries distributed to its stockholders the 15,000 shares of Buffalo Bolt common which, at the then market value of $10 per share, were worth $150,000. Lee Industries was dissolved on Sept. 17, 1945.

Underwriters—Van Alstyne, Noel & Co. heads the underwriting group.

BUFFALO NIAGARA ELECTRIC CORP. on Dec. 12 filed a registration statement for 350,000 shares of preferred stock ($100 par). The dividend rate will be filed by amendment.

Details—See issue of Dec. 20.

Bids Invited—Bids for the purchase of the stock will be received by the corporation at Room 1800, 15 Broad St., N. Y. City, up to 11:30 a.m., Jan. 8, 1946.

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.

CARRIER CORP. on Dec. 14 filed a registration statement for 120,000 shares of cumulative preferred stock. The dividend rate will be filed by amendment.

Details—See issue of Dec. 20.

Offering—The company will offer the preferred stock to the holders of its common stock on a pro rata basis upon terms and at a price to be filed by amendment, on the basis of so many shares of preferred for each 100 shares of common held. The underwriters have agreed to purchase such shares of preferred as are not subscribed for by the common stockholders, together with the balance of the authorized 120,000 shares which are not offered to stockholders. The public offering price will be filed by amendment.

Underwriters—Harriman Ripley & Co., Inc. and Hemphill, Noyes & Co. head the underwriting group.

CONSOLIDATED BISCUIT CO. on Dec. 12 filed a registration statement for 80,750 shares of common stock, par $1.

Details—See issue of Dec. 20.

Offering—The new stock will be offered to common stockholders of record some time in January at $10 per share in the ratio of one share for each four shares held.

Underwriters—None mentioned.

DALLAS RAILWAY & TERMINAL CO. on Dec. 13 filed a registration statement for 162,500 shares of common stock (par $20).

Details—See issue of Dec. 20.

Offering — The shares are presently owned by Electric Power & Light Co., parent of Dallas, and proceeds from the sale will be received by Electric Power & Light. Upon consummation of the sale Dallas will cease to be a subsidiary or an affiliate of Electric.

Underwriters—To be sold at competitive bidding.

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.

EUREKA CORP., LTD., on Sept. 28 filed a registration statement for 2,595,000 shares of common, par $1.

Details—See issue of Oct. 4.

Offering—Toronto Mines Finance, Ltd., has entered into a firm commitment to purchase 480,000 shares at $1.23 per share, and has an option on 1,920,000 shares at the same price. The offering is to be made among the shareholders of Ventures, Ltd., Frobisher, Ltd., and La Luz Mines, Ltd. (Canadian companies) at $1.25 per share, and to Eureka stockholders. Price is expressed in terms of Canadian money. Shares not so acquired will be offered generally to the public. Should the option not be exercised by Toronto Mines Finance, Ltd., the company itself will make the offering, as aforesaid. The remaining 195,000 shares are to be purchased by the company geologist, officials and employees.

GENERAL 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.

GRAHAM-NEWMAN CORP. on Dec. 7 filed a registration statement for 14,999 shares of capital stock, minimum stated value of $50 per share.

Details—See issue of Dec. 20.

Offering—Of the 14,999 shares being registered, additional shares in a number as yet undetermined, but estimated to be no less than 6,250 and no more than 7,500, will be offered to all stockholders, pro rata, at a price of $100 per share which is less than net asset value, and this offer will expire on Jan. 30, 1946. Any stock not subscribed for will be deregistered and will not be issued.

Underwriters—None named.

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.

McCRORY STORES CORP. on Dec. 4 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.

Details—See issue of Dec. 13.

Offering—The 60,000 shares of preferred are being offered to holders of its common stock of record Dec. 27, in the ratio of 3/50ths share of preferred for each common share held at $104 per share. 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 Dec. 1, 1946.

Underwriters — Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co., head the underwriting group.

NATIONAL LINEN SERVICE CORP. on Nov. 16 filed a registration statement for 30,000 shares of 4½% cumulative convertible preferred stock par $100 per share.

Details—See issue of Nov. 22.

Offering—The company is offering to holders of its $5 cumulative preferred stock and $7 cumulative preferred the opportunity to exchange their shares for the new shares on a share for share basis, plus a cash payment. The price to the public is $103 per share.

Underwriters—Clement A. Evans & Co., Inc., Atlanta, Ga. heads the group.

NEW YORK DOCK CO. on Dec. 5 filed a registration statement for $12,000,000 first mortgage 3½% bonds due Dec. 15, 1970.

Details—See issue of Dec. 13.

Offering—The price to the public will be filed by amendment.

Underwriters—The underwriting group will be headed by Hayden, Stone & Co., and Halsey, Stuart & Co., Inc.

Offering temporarily postponed.

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.

Request to withdraw registration statement filed Dec. 27.

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.

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.

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.

Bids Invited—Bids for the purchase of the bonds will be received by the company at 1429 Walnut St., Philadelphia, up to 11 a.m., Jan. 14, 1946, the successful bid to specify the interest rate.

SOUTHERN UNION GAS CO. on Dec. 10 filed a registration statement for 27,000 shares of 4½% cumulative preferred stock, par $100.

Details—See issue of Dec. 20.

Offering—The price to the public will be filed by amendment.

Underwriters—E. H. Rollins & Sons, Inc., heads the underwriting group.

STERLING ENGINE CO. on Dec. 12 filed a registration statement for 100,000 shares of 55 cent cumulative convertible preferred stock ($8 par) and 150,000 shares of common stock ($1 par).

Details—See issue of Dec. 20.

Offering—The 100,000 shares of preferred stock are to be offered first to the holders of the company's outstanding common shares at $10 a share. The common shares are reserved for conversion of preferred. The preferred is convertible at any time into 1½ shares of common stock.

Underwriters—Burr & Co., Inc., 57 William Street, New York 5, N. Y.

UNION ASBESTO & RUBBER CO. on Dec. 14 filed a registration statement for 217,384 shares of common stock (par $5). The shares are issued and outstanding and are being sold by certain stockholders.

Details—See issue of Dec. 20.

Offering—The price to the public will be filed by amendment.

Underwriters—Kuhn, Loeb & Co. 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 E. Burnside & Co. New York.

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 197,876 shares of common stock, par $1.

Offering—Stockholders of record Dec. 28 are given the right to subscribe to 102,489 new shares of $20 per share in ratio of one new share for each four shares held. Rights expire Jan. 15.

An additional 19,077 shares will be offered through options to employees and others at $20 a share.

An additional 76,310 shares will be offered to employees and officers at $16.50 per share.

Underwriters—It is not contemplated that the issue will be underwritten.

Business Man's Bookshelf

Kentucky State Budget System, The—James W. Martin and Vera Briscoe—Bulletin of The Bureau of Business Research, College of Commerce, University of Kentucky, Lexington, Ky.—paper—50c.

BOOKKEEPER

Male, general ledger, full charge, small unlisted house, rapidly expanding, considerable underwriting, exceptional opportunity. Write full details experience, salary required. Address—Box J 1, Commercial & Financial Chronicle, 25 Park Place, New York 8, N. Y.

Assistant Trader (Female)

Fifteen years thorough and varied Wall St. experience. Excellent secretarial background. Christian. Well educated. Salary open.
Box C 106, Commercial & Financial Chronicle, 25 Park Place, New York 8, N. Y.

STATISTICIAN

Experienced analyst of industrial and railroad securities, available. Box L 1227. Commercial & Financial Chronicle, 25 Park Place, New York 8, N. Y.

EXECUTIVE CERTIFIED PUBLIC ACCOUNTANT

Over 15 years continuous experience as Principal and Executive in public and commercial accounting included:

1. **Federal Taxes.**
2. **State and Local Taxes.**
3. **Cost Systems: Standard, Job & Process.**
4. **War Contract Renegotiation.**
5. **War Contract Terminations.**
6. **Supervision of large groups.**
7. **Commercial Litigation.**
8. **Consultant to Accountant and Attorneys.**
9. **Cooperation with Engineers.**
10. **Security Analysis.**
11. **Concise, informative Reports.**
12. **Audits.**
13. **Country-wide Factory Surveys.**
14. **Investigations.**
15. **Policy Committee Work.**
16. **Conferences.**

Box No. J 13 Commercial & Financial Chronicle, 25 Park Place, New York 8, N. Y.

Senior Accountant

Complete Wall Street experience —Questionnaires, Balance Sheets, etc. Available January 1st. Address replies to Box CFC 7, Commercial & Financial Chronicle, 25 Park Place, New York 8, N. Y.

We have opportunities for:

- **Two Traders**
- **Two Assistant Traders**

We are installing four additional trading positions in our Trading Department and require the services of two high grade traders as well as two assistant traders or service men.

Write or telephone
Mr. Joseph H. Young, partner.

J. ARTHUR WARNER & CO.

120 BROADWAY, NEW YORK 5

Telephone COrtlandt 7-9400

Direct Private Wires to Boston, Philadelphia and Hartford

Digitized for FRASER
http://fraser.stlouisfed.org/

Eric Johnston Establishes Profit-Sharing Plan

President of U. S. Chamber of Commerce and New "Czar" of Motion Picture Industry Announces a Plan to Share Profits of His Spokane Concerns With Employees. Says It Is Solution of Labor-Management Problems and Will Aid High Level of Production.

According to a dispatch of the United Press, Eric A. Johnston, President of the Chamber of Commerce of the United States and a member of President Truman's Labor-Management Advisory Committee, who recently became the "czar" of the motion picture industry, announced that he was introducing a profit-sharing plan among the employees of his three Spokane, Wash. concerns; the Brown-Johnston Company, retailers of electrical equipment, the Columbia Electric and Manufacturing Company, and the Washington Brick and Lime Company. It is Mr. Johnston's purpose to allow employes about 25% of the net profit, before taxes, of each concern, to be distributed among them according to a point system.

Eric A. Johnston

"We must bring industrial democracy into America," he said in his announcement. "We have political democracy and so we must have democracy for industry to make workers feel that they are part of the management and that they have a voice in what's going on.

If we cannot solve the problem of labor-management relations we cannot secure the high level of production so essential in our post-war years. One of the best methods of improving industrial relations is to make the employe feel he is a part of the organization and that he is helping to promote policies. Most important, he wants to share in the profits he helped to earn."

Under Mr. Johnston's proposed plan each employe will receive one unit of credit toward the profits for each $100 of his annual earnings, one unit for each year of continuous service, five units for each term served on newly created "junior" boards of directors composed of employes, five units for holding a supervisory position, fifteen units for being an assistant department head and twenty-five units for being a department head.

It is reported that the value of the units will be determined each year by dividing the amount to be shared by the total of units credited to all employes that year

Price Rejoins Adams-Peck

Raymond K. Price, released from active duty with the AUS, has returned to Adams & Peck, 63 Wall Street, New York City.

Falsey & Sampsell New Scranton Partners

NEW HAVEN, CONN.—William J. Falsey and Paul Sampsell, associated for 27 years and 16 years, respectively, with Chas. W. Scranton & Co., 209 Church Street, members of the New York Stock Exchange, became general partners on Jan. 2, 1946, the investment banking firm announced.

Mr. Falsey was born in New Haven and educated in the public and high schools there. For the past four years he has been active in war finance work for the United States Treasury Department as a volunteer worker under a Treasury Department appointment as a "dollar-a-year-man." When the War Finance Committee was originally formed in New Haven in May of 1941, he was appointed Chairman and has continued in active leadership throughout the eight War Loan Campaigns. For the past seven years, Mr. Falsey has been a member of the New Haven City Board of Finance.

Mr. Sampsell has been manager of the Chas. W. Scranton & Co. New London office for the past 12 years. In World War I he served as an Ensign in the U. S. Naval Reserve. After the war he was attached to the American Commission to Negotiate Peace at Paris. Prior to joining Chas. W. Scranton & Co. 16 years ago, Mr. Sampsell was a member of the firm of Tiley Pratt Co., Essex, until it was sold to the Torrington Co.

Admission of the new partners was previously reported in the "Chronicle" of Dec. 20.

John J. McCloy Joins New York Law Firm

It has been announced that John J. McCloy, until recently the Assistant Secretary of War, has become a member of the law firm of Milbank, Tweed & Hope, of 15 Broad Street, New York City. The name of the firm will hereafter be Milbank, Tweed, Hope, Hadley & McCloy.

Blumenthal Opening N. Y. Office for Morris

A. Pam Blumenthal, in a move to link his West and East Coast business interests, has resigned as a general partner of H. Hentz & Co. to become a general partner of the Los Angeles firm of A. W. Morris & Co., members of the New York Stock Exchange, and is opening a New York office at 30 Broad Street for the latter firm.

Mr. Blumenthal's admission to partnership in A. W. Morris & Co. previously was reported in the "Chronicle" of Dec. 20.

INDEX

Fidelity Inv. Co. Formed

WALLACE, IDAHO — Richard K. Fudge has formed the Fidelity Investment Co. to engage in the securities business.

New England Public Service
Gaumont-British "A"
Bendix Helicopter
Majestic Radio
U. S. Finishing
Mexican Corp.
Cinema "B"

M. S. WIEN & Co.
ESTABLISHED 1919
Members N. Y. Security Dealers Ass'n
40 Exchange Pl., N. Y. 5 HA. 2-8780
Teletype N. Y. 1-1397

Sardik's Inc.
Keyes Fibre Co.
Haile Mines Inc.
Waltham Watch Co.
Finch Telecommunications
Oklahoma Interstate Mining
Airplane & Marine Instruments
Schoellkopf Hutton & Pomeroy

RALPH F. CARR & CO.
BOSTON 9, MASS.
Boston Hubbard 6442 | New York Hanover 2-7913 | Teletype BS 323

We specialize in all
Insurance and Bank Stocks
Industrial Issues
Investment Trust Issues
Public Utility Stocks and Bonds
TEXTILE SECURITIES
Securities with a New Eng. Market

Frederick C. Adams & Co.
Specialists in New England Unlisted Securities
24 FEDERAL STREET, BOSTON 10
Established In 1922
Tel. HANcock 8715 Tele. BOston 22

FOREIGN SECURITIES MARKETS
Teletype NY 1-971
Telephone HAnover 2-0050
CARL MARKS & CO. INC.
FOREIGN SECURITIES SPECIALISTS
50 Broad Street • New York 4, N.Y.
AFFILIATE: CARL MARKS & CO. Inc. CHICAGO

Trading Markets in
Amalgamated Sugar
Artcraft Mfg. Com. & Pfd.
Baltimore Porcelain Steel
Bendix Helicopter
Bendix Home Appliances
Clyde Porcelain Steel
Du Mont Laboratories
Globe Aircraft
Int'l Resist. 6% Pfd. & Com.
Ironrite Ironer Com. & Pfd.
Lear Inc.
Majestic Radio & Television
Telecoin Corporation
Wilcox & Gay

Kobbé, Gearhart & Company
INCORPORATED
Members New York Security Dealers Association
45 NASSAU STREET, NEW YORK 5
TELEPHONE REctor 2-3600 | PHILADELPHIA TELEPHONE ENTERPRISE 6015 | BELL TELETYPE NEW YORK 1-576

$67.50
ARREARS on the 5% $100 par preferred stock of a New England Company established in 1862.
1944 Earn. Bef. Taxes....$64.43
1944 Earn. After Taxes.. 21.88
Earnings since 1939 range from $12.82 to $57.33 a share after taxes.
Recent Price: 56
Write or call for Analysis M.C.P.
Raymond & Co.
148 State St., Boston 9, Mass.
Tel. CAPitol 0425

NEW ENGLAND
TEXTILES
New England Local Securities
WALTER J. CONNOLLY & CO.
INCORPORATED 1923
24 FEDERAL STREET, BOSTON 10, MASS.
Telephone Hubbard 3790 Bell System Teletype BS-128

Specializing in Unlisted Securities
BANK — INSURANCE
PUBLIC UTILITY — INDUSTRIAL — REAL ESTATE
LUMBER & TIMBER
BONDS, PREFERRED AND COMMON STOCKS
BOUGHT — SOLD — QUOTED
REMER, MITCHELL & REITZEL, INC.
208 So. La Salle St., Chicago 4
RANdolph 3736
WESTERN UNION TELEPRINTER "WUX" | BELL SYSTEM TELETYPE CG-989

San-Nap-Pak
Sunshine Consolidated
Pressurelube, Inc.
U. S. Radiator, Pfd.
Reiter-Foster Oil
W. T. BONN & CO.
120 Broadway New York 5
Telephone COrtlandt 7-0744
Bell Teletype NY 1-886

Northern Engineering Works
Founded 1897
1. Net current assets $13.56 per sh.
2. Net book value $20.63 per share.
3. Current assets 4.35 times current liabilities.
4. Current yearly dividend $1.00.
5. Average earnings 5 yrs. about $3.
6. No bonds. No preferred stock. No bank loans.
7. A low-priced stock to yield about 6%.
Special Report Available Upon Request
AMOS TREAT & CO.
40 Wall St. New York 5, N. Y.
BOwling Green 9-4613

WANTED
Blocks of Securities
Hill, Thompson & Co., Inc.
Markets and Situations for Dealers
120 Broadway, New York 5
Tel. REctor 2-2020 Tele. NY 1-2660

gitized for FRASER
p://fraser.stlouisfed.org/