BUS. ADM. LIBRARY

FEB 2 . 1946

Final Edition — ANNUAL REVIEW NUMBER — in 2 Sections—Section 1

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 163 Number 4460 — New York, N. Y., Thursday, January 31, 1946 — Price One Dollar This Issue

Gov't-Guaranteed Loans to British Industry

By PAUL EINZIG

Correspondent Says Forthcoming Investment Control Bill in Britain Not Only Aims to Prevent Flow of Capital Into Unwanted Industries, and Will Provide for Encouragement of Capital in Desired Fields (Principally Export) Through Government Guarantees and Loans. Says Two Government Sponsored Corporations Already Exist for the Purpose and That Labor Government May Prove More Liberal in Provision of Industrial Capital Than Former Conservative Party.

Paul Einzig

LONDON, ENG.—The publication of the Control of Investment Bill was received with great interest in British industrial and financial circles. It was originally due to be introduced before Christmas, but owing to disagreement within the Government about some of the principles involved it had to

(Continued on page 569)

Elusive Dream of Full Production

By MELCHIOR PALYI

Dr. Palyi Maintains That Because We Are in the Midst of an Inflation Psychology, Shortages Are Produced, Since Inflation Itself Brings About Shortages Through Wild and Unrestricted Spending. The Spending, He Contends, Arises From a Plethora of Money and Under These Conditions of Expanded Demand, There Is a Check on the Expansion of Supplies. Sees a Continuous Wave of Strikes During Inflation Period, and Does Not Look for a "Buyers' Strike" for Long Period Ahead. Holds Because There Is No Gold Standard to Curb Money and Credit Expansion, Money in Circulation Will Increase and There'll Be More Inflation to Foster Industrial Strife.

To understand how extraordinary the labor situation is that we are facing, take a look at the well-known facts. The unions, supported enthusiastically by the overwhelming majority of the greatly increased membership, are ready to fight it out, cost what it may. By and large, labor acts on this question with a bitter determination and impatience as if it were a matter of relieving itself from starvation or utter misery. The fact is, however, that the living standards of the workers have risen substantially during the war, from which they emerge, thanks to its three-and-a-half-fold inflated payrolls, with savings as they never dreamed of before. The fact is, too, that wage rates are now some

Dr Melchior Palyi

(Continued on page 585)

Business and Finance Speaks After the Turn of the Year

The opinions of many of the nation's leading executives on the outlook for business in their fields during 1946 is included in this issue, starting on page 541.

Debt Management - Interest Rates

By J. H. RIDDLE

Vice-President, Bankers Trust Company, New York

Prominent Bank Official, Calling Attention to Progressively Lower Interest Rates on Government Securities, Points Out Dangers Thereby Created by Surfeiting Banks With Short Term Notes and Hampering Federal Reserve Functions in Controlling Unsound Developments and Inflation. Says Low Interest Rates Are Causing an Unwarranted Rise in Stock Prices and Real Estate and a Tendency of Banks, etc., to Acquire Second Grade and Unsound Equity Issues, and to Bring About a Deterioration in Bank Portfolios. Says Low Interest Rates Hurt Taxpayer and Penalize the Thrifty Without Benefiting the Treasury and Advocates Refunding Short Term Government Issues in Long Term Higher Interest Obligations.

The management of the debt presents about as many problems as the financing of the war, and in some respects it may be even more difficult. Managing such a huge debt so as to minimize the burden on the public, prevent undue interference with normal central bank policies, and create as few economic maladjustments as possible is no easy task. The fact that such a large proportion of the debt, over 41% is held in the banking system is a matter of genuine concern to every banker and business man in the country.

J. H. Riddle

(Continued on page 573)

INDEX

	Page		Page
Bank and Insurance Stocks	602	Public Utility Securities	524
Broker-Dealer Personnel Items	529	Railroad Securities	530
Calendar of New Security Flotations	611	Real Estate Securities	528
Canadian Securities	604	Securities Salesman's Corner	607
Dealer-Broker Investment Recommendations and Literature	526	Tomorrow's Markets—Walter Whyte Says	608
Mutual Funds	606		
NSTA Notes	527		
Our Reporter on Governments	531		
Our Reporter's Report	537		

Missouri Securities Section on pages 536 and 537.

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 Washington, D. C.
Springfield Woonsocket

NEW YORK STOCKS, INC.
RAILROAD SERIES
Prospectus on Request
HUGH W. LONG and COMPANY
INCORPORATED
48 WALL STREET 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
The Firth Carpet Co.
Common
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

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

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

Trading Markets in:
United Drill & Tool A & B
Wm. Simon Brewery
American Phenolic
Differential Wheel
Lear Inc.
—
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

Delaware Rayon "A"
Elk Horn Coal
(All Issues)
Kearney & Trecker
Mayflower Hotel
Seven-Up of Texas
Mitchell & Company
Members Baltimore Stock Exchange
120 Broadway, N. Y. 5
WOrth 2-4230
Bell Teletype N. Y. 1-1227

FOR SALE
400 shares
W. & J. Sloane Company
Common
Vanderhoef & Robinson
Members New York Curb Exchange
31 Nassau Street, New York 5
Telephone COrtlandt 7-4070
Bell System Teletype NY 1-1548

Byrndun Corporation
Common
A. S. Campbell
Common & Preferred
So. Advance Bag & Paper
Common
Punta Alegre Sugar
Capital Stock
H. G. BRUNS & CO.
20 Pine Street, New York 5
Telephone: WHitehall 3-1223
Bell Teletype NY 1-1843

Boston & Maine R. R.
Stamped Preferreds
Kaiser-Frazer
Luscombe Airplane
Tennessee Gas & Trans.
United Piece Dye Works
Common & Preferred
Greene and Company
Members N. Y. Security Dealers Assn.
37 Wall St., N. Y. 5 Hanover 2-4850
Bell Teletypes—NY 1-1126 & 1127

Offerings Wanted
ASSOCIATED GAS & ELECTRIC COMPANY
AND
CORPORATION
All Issues
G. A. Saxton & Co., Inc.
70 PINE ST., N. Y. 5 WHitehall 4-4970
Teletype NY 1-609

World Economic Recovery at Stake In Current Political Decisions

By EUGENE LYONS
Former Editor "American Mercury"

Economic Problems Are Overshadowed by Political and Diplomatic News, Yet They Are Vitally Important in Current World Developments. The Crucial Questions Whether Most of Europe Shall Become an Exclusive Economic Preserve for Russia, and Whether That Continent Will Be Restored to Economic Normalcy, Are Now Being Decided. In the Middle East Two Great Empires, the British and the Soviet, Are Locked in Combat; While in China the Open Door Policy on Foreign Trade and Investment Is at Issue.

The stage of world affairs is held by clamorous political events and diplomatic maneuvers. But behind these, giving them their most vital dimensions of meaning, are economic problems and motives. National ambitions, spheres of political influence, the restiveness of colonial peoples, conflicts of policy in Europe, the Middle East, Asia — all these involve deep-running economic interests. Even the attempts to achieve global security through a world organization and through Big-Power understandings reflect the hopes for economic stability.

Eugene Lyons

Everyone knows that the peace will not be genuinely launched until the channels of world trade have been reopened; and until the internal economies of the winning and losing nations alike have been

(Continued on page 563)

Truman Urges Congress Ratify British Loan

In Message to Congress, He Tells of British Economic Difficulties Arising Out of War, and Stresses the Need for Immediate Relief in Order That British Government May Remove Its Exchange and Foreign Trade Restrictions. Holds Agreement Will Set an Example to Other Nations to Remove Trade Barriers and Will Put an End to Sterling Pool. Sees Likelihood of Sterling Creditors Aiding Britain to Balance Its Payments and Stresses Advantages of International Economic Peace in Fostering World Trade.

The expected message of President Harry S. Truman submitting the Anglo-American Loan Agreement and requesting its ratification and the appropriation of the funds essential to its execution was sent to Congress on Jan. 30.

President Truman

The text of the message as received from Washington by the "Chronicle" is as follows:

The establishment of a permanent state of peace and prosperity is not a simple matter. The creation and maintenance of conditions under which nations can be prosperous and remain peaceful involve a series of highly complex and difficult problems. If we are to reach this greatly desired goal, we must be prepared at all times to face the issues that will constantly present themselves and we must be determined to solve them. If peace is to be permanent, we must never relax our efforts to make it so.

In his message to the Congress recommending the approval of the Bretton Woods Agreements, President Roosevelt called these proposals "the cornerstone for international economic cooperation." By enacting the Bretton Woods Agreements Act, the 79th Congress laid this cornerstone for the construction of an orderly economic peace. The Congress took many other steps during the same session which enlarged the structure, and its achievements in this field are just cause for pride. Among the most important of these others steps were the ratification and implementation of the treaty establishing the United Nations Organization, the enactment of legislation to support the United Nations Food and Agriculture Organization and to carry on the operations of the United Nations Relief and Rehabilitation Administration, the extension of a broader form of the Reciprocal Trade Agreements Act, and the expansion of the Export-Import Bank. These steps will take us a long way on the road to world-wide security and prosperity. They should not make us blind, however, to the job that has not been done or to the work that lies ahead.

In approving the establishment of the International Monetary Fund and the International Bank for Reconstruction and Development, the Congress specifically expressed its belief that additional measures for international economic cooperation would be necessary to render most effective the operations of the Fund and Bank. In the Bretton Woods Agreements Act the Congress declared it to be the policy of the United States to seek to bring about further international agreements and cooperation along these lines.

The International Monetary

(Continued on page 522)

Carrier Corp.
4% 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
BULOLO GOLD DREDGING
MINNESOTA & ONTARIO PAPER
NORANDA MINES
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

*Electronic Corp. of America
Harrisburg Steel Corp.
Kingan & Company
Common
*Prospectus 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

AIRLINES
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

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

P. R. MALLORY & CO., INC.
Bought — Sold — Quoted
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

Differential Wheel
Electrol
Myler Plastics
Greater N. Y. Industries
Soya Corp.
Thiokol Corp.
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
Standard Aircraft Prod.
Bowman-Biltmore Hotels
Pfd. & Com.
Frank C. Masterson & Co.
Members New York Curb Exchange
64 WALL ST. NEW YORK 5
Teletype NY 1-1140 HAnover 2-9470

Consolidated Film Ind.
Republic Pictures
Cayuga & Susquehanna
Chicago, Mil., St. Paul & Pac.
5s/2000
Consolidation Coal
Minneapolis & St. Louis
all issues
GUDE, WINMILL & Co.
Members New York Stock Exchange
1 Wall St., New York 5, N. Y.
DIgby 4-7060 Teletype NY 1-955

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

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/

The Anglo-American Loan Pact

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

Secretary Vinson, Maintaining That Loan to Britain Is Not a Gift, but a Debt Contract, Points Out the Conditions Attached, Aside From Repayment at Interest, Will Contribute Greatly to the Expansion of Our World Trade and to Peace and General Prosperity. Denounces Opposition as Coming From Economic Isolationists and Defeatist Groups Who "Are Muddying" the Water With Their Pet Prejudices, and Holds That Prosperity of Nation and Particularly the South Is Linked to Our Export Trade. Explains Sterling Area and the Dollar Pool as "a Mobilization for War."

Secretary Vinson

Coming from Kentucky, I feel that I am visiting my friends and neighbors when I come to North Carolina. All of us in the South are proud of what you are doing. We are proud of the great forward strides you are making in industrial and agricultural development. We are proud of the great forward strides you are making in education and public welfare. We see in North Carolina a vigorous and progressive democracy built on the finest traditions and highest ideals of the South. Tonight we shall discuss a measure on which the representatives of two democratic nations reached agreement that will better our chances of establishing a sound world economy. That measure, which is subject to the consideration and approval of the

*An address by Secretary Vinson before the 21st Annual meeting of the North Carolina Newspaper Institute, Chapel Hill, N. C., on Jan. 24, 1946.

(Continued on page 608)

The Post-War Money Supply And Commodity Prices

By ROBERT WARREN*
The Institute for Advanced Study, Princeton, N. J.

Terming Current Inflation Discussion Unrealistic, Dr. Warren Holds That We Are Already in an Advanced Phase of Monetary Inflation, That It Is Exerting Upward Pressure on Commodity Prices, and That Such Pressure Will Continue. Disputes the Widely Accepted Doctrine That Production Is a Preventive of Inflation, Maintaining That Price Control Depends on the Money Supply, and That the Forces Causing Increased Production Simultaneously Activate Savings and Increase Spending. Hence He Calls for Monetary Action as Indispensable to Adjust the Volume of Money Outstanding.

The question of the significance of the post-war money supply is not unlike the one about the Lady or the Tiger. Some regard it as full of promise, others as full of menace. Some regard it as an insurance of prosperity, others as a guarantee of catastrophe. In the specific area of prices, some seem to believe that our greatest danger is of a fall in prices, others that it is of an inflationary price rise.

Dr. Robt. B. Warren

The amazing thing about this whole discussion is that it is still phrased in the future tense. We have been in the post-war world nearly half a year; but no one would guess it from the discussion. We still debate whether there will be a serious rise in prices, regardless of the fact that there has been a rise, the economic and social consequences of which are already serious; we still discuss whether or not inflation can be averted, without having resolved the degree of inflation that has already occurred.

*A talk by Dr. Warren at a Round Table Discussion of Post-war Monetary Supply and Its Significance at the 275th meeting of the National Industrial Conference Board, New York City, Jan. 17, 1946.

(Continued on page 610)

The Oxford Case Again

Claim That Oxford Opinion on Riskless Transactions and Disclosure Does Not Change Trade Custom Is Erroneous. Article of Former Chairman of SEC, Now One of the Justices of Our Supreme Court, Cited as Supporting Position of the "Chronicle." Dealers Warranted in Ignoring SEC Dicta and Adhering to Existing Trade Custom. Protests May Compel Commission to Recede From Its Position.

Apologists for the Securities and Exchange Commission have developed, who contend that the principles enunciated in the Oxford case concerning "riskless transactions" and "disclosure" are nothing new.

They say these principles do not in any wise modify trade customs and usages in the securities field, and are but a reaffirmation of principles already fixed in our national Securities Acts.

It is because our point of view has been and continues to be that the so-called "riskless transaction" theory is all new and all wrong and that the claimed need for a different kind of disclosure by a dealer where no existing inventory is present, is also all wet, that we take occasion to again examine the Oxford case.

For the purpose of clarity, we quote the following extracts from the Commission's Findings and Opinion:

"A firm which makes a purchase to fill an order solicited by it when it knew it did not have the securities on hand is making that purchase for its customers—in fact and within the meaning of the act. Such a transaction is therefore, a brokerage transaction under the statute, ***"

"In transactions such as we have outlined the firm placed itself in a brokerage position and it could not choose to act otherwise. Nor could it relieve itself of the

(Continued on page 607)

Dealers Withdraw District Court Petition

Dispute Concerning SEC Stymying of Review Is Headed for Another Tribunal for Proceedings on NASD By-Law Amendments Compelling Registration of Salesmen and Traders.

NEW YORK, Jan. 30.—Despite the determined opposition of the Securities and Exchange Commission, Judge Mandelbaum of the United States District Court for the Southern District of New York, today permitted Edward A. Kole and A. M. Metz, as attorneys for some thirty securities dealers throughout the country, to withdraw their pending petition.

The relief asked for in this petition was a direction that the SEC enter an order in its recent proceedings on NASD by-law amendments requiring registration of salesmen, traders, etc., and also empowering NASD Governors to present to their membership by-laws controlling profits, commissions, and other charges.

Messrs. Kole and Metz have indicated it is their intention forthwith to present their petition to the Circuit Court of Appeals of the United States for the Second District.

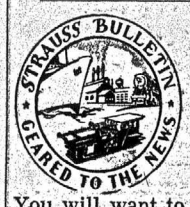
They claim an order by the Commission is necessary to make possible a review of its decision.

B. S. LICHTENSTEIN AND COMPANY
MAR - TEX REALIZATION CORP.
Low-Priced Oil Speculation
Memorandum on Request
99 WALL STREET, NEW YORK
Telephone WHitehall 4-6551

United Artists
United Piece Dye Works
Taylor Wharton Iron & Steel
Univis Lens
L. J. GOLDWATER & CO.
Members New York Security Dealers Assn.
39 Broadway
New York 6, N. Y.
HAnover 2-8970 Teletype NY 1-1203

SHELLMAR PRODUCTS CORPORATION
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 1-2733-34-35
Private Wires to Boston, Chic. & Los Ang.

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

Banks — Brokers — Dealers


You may remember our review a year ago "The CONFIDENT YEAR" and the amazing foresight revealed by its comments.
You will want to read the timely review of factors making for 1946 prospects:
THRESHOLD OF THE FUTURE
Copy of latest issue of our "GEARED TO THE NEWS" Bulletin Service sent on request.
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

Punta Alegre Sugar
Eastern Sugar Assoc.
Lea Fabrics
U. S. Sugar
Venezuela Syndicate
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

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

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

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

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

WARD & CO.
EST. 1926
ACTUAL MARKETS IN 250 ACTIVE ISSUES

INDUSTRIALS

Air Cargo Transport†
American Bantam Car
Com. & Pfd.
S. F. Bowser
Dayton Malleable Iron*
Douglas Shoe*
General Machinery
Gt. Amer. Industries*
Hartford-Empire Co.
Kaiser-Frazer†
Kingan Co.
Mohawk Rubber
National Fireproofing
Pantasote Co.†
Polaroid Com.
Sheraton Corp.
Sylvania Industrial
Stand. Comm'l Tobacco
Taca Airways
Thiokol Corp.
United Artists
Upson Corp.
U. S. Air Conditioning
Union Asbestos & Rub.†
United Drill "B"
Waltham Watch
Warren Bros. "C"

TEXTILES

Alabama Mills*
Textron Wrnts. & Pfd.
United Piece Dye

UTILITIES

American Gas & Pow.
Cent. States Elec., Com.
Iowa Pub. Ser. Com.
Iowa Southern Util.
Puget S'nd P. & L. Com.
Stand. Gas & El. Com.
Tenn. Gas & Trans.†

†*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

NASD Issues Instructions Relating to Oxford Case

In Letter to Members It Analyzes Decision With Reference to Broker Status in Transactions, Pointing Out That the Commission's Remarks Are Dicta, and Do Not Constitute a Rule or Regulation. Lays Emphasis on the Claim That Views in the Opinion Are Intended to Be Applicable to Instant Case. Holds Indicia Are Not Necessarily Controlling When Facts Show That Customer on One Hand Intended to Create an Agency Relationship or on the Other Hand Intended or Consented to Purchase From Dealer as Principal. Says Violation of Agency Status Depends on Circumstances at Time of Transaction and Whether Customer Is Informed of Difference Between Principal and Agent and Understands Precise Status Occupied by Firm and Consents to Purchase From Dealer as Principal. Urges Members to Reexamine Business Practices and Customer Relationship and Be Guided by Advice of Counsel as Applied to Their Individual Situation.

On Jan. 31, the Board of Governors of the National Association of Securities Dealers, Inc., issued through its Chairman, William K. Barclay, Jr., a letter to members giving an analysis and interpretation of the section of the opinion of the SEC in the case of the Oxford Company involving fraud on customers. It will be recalled by readers of the Chronicle, that in rendering an opinion in this case, the SEC took occasion to state its view that a dealer who sells securities which he does not have in his inventory must assume the status of a broker and be subjected to the limitations of receiving merely a commission and must also have the responsibilities of an agent to his customer.

Wm. K. Barclay, Jr.

The full text of the NASD letter follows:

To: Members of the
National Association of
Securities Dealers, Inc.

Re: **In the Matter of Oxford Company, Inc.**
(Securities Exchange Act Release 3769)

Since the issuance of the above decision by the Securities and Exchange Commission on January 4, 1946, the Association has received numerous inquiries whether members may confirm as principal sales to customers of securities which they did not have in their inventory at the time they solicited the business. The Board of Governors of the Association has directed that an analysis of this decision be transmitted to the members for assistance and guidance in the conduct of their business.

It should be understood that the Association is endeavoring to be of service and assistance to the

(Continued on page 600)

†Le Roi Company
*Simplicity Pattern
†York Corrugating
*Electronic Corp.
†Bishop & Babcock
†American Insulator

**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*

A. S. Campbell Co., Inc.*
Getchell Mine, Inc.
**Analysis on request*
New York Hanseatic Corporation
120 BROADWAY, NEW YORK 5, NEW YORK
Telephone: BArclay 7-5660 Teletype: NY 1-584

UPSON COMPANY
KENDALL COMPANY
WELLMAN ENGINEERING CO.
SHATTERPROOF GLASS
FASHION PARK, INC., Common
Descriptive Circulars on request
Seligman, Lubetkin & Co.
Incorporated
Members New York Security Dealers Association
41 Broad Street, New York 4 HAnover 2-2100

Over-the-Counter Markets

By CLARENCE E. UNTERBERG*
President of New York Security Dealers Association

Maintaining That the Major Characteristic of the Over-the-Counter Market Is That of Negotiation, Mr. Unterberg Points Out That Over-Counter Dealer Is a Merchandizer and Seeks Markets Wherever They Can Be Found, Regardless of Size of Issue or Remoteness of Buyer. Calls Attention to Vast Mechanism of Over-the-Counter Market and Denies It Is Unregulated. Says Most Important Function Is the Creation of Marketability for Local Securities and Thus Aiding Small Business. Cites Oxford Case as Forcing Out Small Dealer, and Urges a Movement to Seek Clarification and Oppose Its Philosophy.

It is my intention to discuss briefly this evening my concept of the functions and economic significances of the Over-the-Counter markets. To you who are members of the fraternity my remarks about the business will probably be elementary; however, I think it is important that the business have a common understanding and conviction as to the importance and usefulness of the Over-the-Counter market in order that we may properly protect our interests against the undue ambitions of the Stock Exchanges and what we may consider to be unnecessary and uneconomic restrictions of the SEC.

C. E. Unterberg

I consider the major characteristic of the Over-the-Counter market to be that of negotiation as compared to the auction characteristic of the Stock Exchange. Those engaged in the over-the-counter business recognize no physical confinements for their operations. If a buyer or seller cannot be found in the immediate vicinity, he is sought out in all likely places through means of a vast communications system, including the mails, private telephone, telegraph wires and teletypes which connect over-the-counter dealers in all parts of the country—one at the other's call in a few minutes time. If a prospect is found, but there is a gap in price, the transaction does not die. An effort is made forthwith to compose the difference in price and make a trade. In other words, over-the-counter dealers merchandise securities, bringing them to the ultimate consumer. The mere existence of a buy order or a sell order is the incentive for the over-the-counter dealer to find the opposite seller or buyer.

The Over-the-Counter market from nature is almost limitless in its scope. The size of an issue is no deterrent to development of a market for it; its local limitations are no obstacle.

It is reported that the National Quotations Bureau, Inc., which publishes quotations for over-the-counter securities, lists from 90,000 to 100,000 different issues in a year which dealers have indicated their willingness to buy or sell. Currently these sheets give market indications of an average of over 7,000 separate issues daily, excluding municipals. This service is issued daily in New York, Chicago and San Francisco.

When you think, therefore, of the over-the-counter market, the picture you should have in your mind is one of a mechanism through which securities are

(Continued on page 555)

*Remarks of Mr. Unterberg before the Illinois Securities Traders Association, Chicago, Ill., on Jan. 25, 1946.

Greater New York Industries
*Tennessee Gas & Transmission
Great American Industries
Kingan & Company
*Kaiser-Frazer Corp.
**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

*RANDALL COMPANY (B)
*GULF ATLANTIC TRANSPORT CO.
*SPORTS PRODUCTS
PHILIP CAREY MFG. CO.
**Circular on request*
— ★ —
HARDY & HARDY
11 Broadway, New York 4
Telephone WHitehall 3-4490 Teletype NY 1-960

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 31, 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.

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

A Building Program Under Private Enterprise

By JOHN W. BRICKER*
Former Governor of Ohio

Ex-Governor Bricker Advocates a Building Program Carried Out by Private Enterprise Under Government Encouragement. Says There Must Be Less Government Regulation if Problem Is to Be Solved, and That There Are Already Too Many Czars, Directors, Regulators in Washington for the Good of the Housing Program. Accuses OPA of Bungling and Points to Heavy Exports of Lumber as Evidence That Domestic Supplies Are Hampered by Price Controls. Holds Principal Function of a Public Building Administrator Is to Break Bottleneck in Supplies and That Local Private Enterprise Can Do the Rest.

This morning as I came to the office I noticed five new houses under construction. Some were frame, some stone. A hundred more might well be built in that same community. This same situation prevails in the thousands of communities of our land.

John W. Bricker

Millions of veterans are returning, hundreds of thousands of them married. A great majority of the newly available housing facilities will be needed by returning veterans. Some will be needed for the shifting families resulting from readjustment of our industrial production to peacetime needs.

We cannot completely segregate political problems from each other. Housing is inseparably linked up with reconversion and industrial development. A strike in steel affects housing.

Public policy is determined by the attitude in which we approach the integrated whole of the problems confronting the governmental bodies of our country. Certainly housing demands political attention today. This is well attested by the number of bills before the Congress, the attention that has been given and will necessarily be given to the problem by the Congress. State Legislatures have been working with it and many may be called back especially to consider the problem of providing homes for people. Councils of our cities are constantly dealing with the various aspects of building and housing. Building codes and standards need attention and revision in many instances.

Possibly the most acute aspect of housing is in connection with the returning veterans who want to go back into the universities

*A radio address by Mr. Bricker over the Columbia Network, Jan. 12, 1946.

(Continued on page 577)

A Constructive Republican Party Policy

By HAROLD E. STASSEN*
Former Governor of Minnesota

Prominent Republican Leader, Urging That the Republican Party Be Forthright, Constructive, Progressive and Dynamic, Calls Upon Its Members to Give Aid to the President in Carrying Out a Policy That Will Bring All Economic Groups Together and Reestablish Industrial Peace. Criticizes Administration for Hastily Removing Supervision Over Wages and Labor Conditions and Then Going to the Other Extreme of Specifically Fixing Wage Rates "By Its Own Decision." Calls for a Prompt Reestablishment of Labor-Management Negotiations and the Setting-Up of Machinery to Improve Methods of Settling Industrial Disputes. Advocates Full Support of UNO and Abandonment of a Narrow Nationalistic Doctrine.

I count it an honor to respond to your invitation to speak to you on this occasion of your Twenty-fifth anniversary. I congratulate you on your quarter century's record of active participation in the affairs of the Republican Party and your keen interest in your Government. May I say, at the opening of my remarks, that your meeting today is my first appearance in three years at an official function of the Republican Party. It is in that sense a homecoming to which I have long looked forward.

Harold E. Stassen

I should like to urge upon you, and upon the women of America, increased participation in the Republican Party and in civic affairs. The Republican Party and the nation would be benefited by an increase in the influence and the participation of the women of the country. I do not believe in speaking only in abstract terms. I hope that specifically we have an increased number of Republican women as candidates for public office in cities and counties and for legislatures and Congress. The 1940 Republican Convention

*Address by Mr. Stassen at the Women's National Republican Club Annual Luncheon, New York City, on Jan. 26, 1946.

(Continued from page 605)

Olson, Donnerberg & Co. Formed in St. Louis

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO.—Olson, Donnerberg & Company, Inc., has been formed with offices at 418 Olive Street, to engage in an investment business. Officers are Elmer H. Donnerberg, president; William T. Olson, vice-president; Fred Stockho, vice-president, and William E. Speakes, secretary-treasurer. All were previously associated with Slayton & Company, Inc.

AMERICAN MADE MARKETS IN CANADIAN SECURITIES

We offer:

$25,000

STEEP ROCK IRON MINES LTD.

5½% Debentures
Due June 1, 1957
at 97 and interest

Principal and interest payable U. S. Funds

HART SMITH & CO.
52 WILLIAM ST., N. Y. 5 HAnover 2-4980
Bell Teletype NY 1-395
New York Montreal Toronto

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 4-3640, 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

Puget Sound Power & Light
Common

Republic Pictures
Common and Preferred

Soya Corporation of America

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

Soya Corporation of America
— * —
PETER MORGAN & CO.
31 Nassau Street New York 5, N. Y.
Tel. BA 7-5161 Tele. NY 1-2078

Chicago and Southern Airlines, Inc.
Continental Airlines, Inc.
BURNHAM & COMPANY
members New York Stock Exchange
associate members N.Y. Curb Exchange
15 Broad Street, New York 5, N. Y.
telephone: HAnover 2-6388

PANAMA COCA-COLA
Quarterly dividend paid January 15, 1946 — $.75
Dividends paid 1945 — $2.25
Approximate selling price — 33
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

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

Harvill Corp.
Jeff. Lake Sulphur Com. & Pfd.
Lane Cotton Mills Corp.
Rademaker Chemical
Reda Pump
Soya Corp.
Stand. Fruit & S/S Com. & Pfd.
United Piece Dye Works
T. J. FEIBLEMAN & CO.
Members New Orleans Stock Exchange
New York 4, N. Y. 41 Broad St. Bo. 9-4432 Bell Tel.—NY-1-493
New Orleans 12, La. Carondelet Bldg.

Securities Co. of N. Y. 4% Consols
American Cyanamid Preferred
Consolidated Electric & Gas pfd.
Eastern Sugar Associates, Common
Gulf Public Service Co.
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

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

Carbon Monoxide Eliminator
American Insulator
Preferred & Common
Gilbert & Bennett
PETER BARKEN
32 Broadway, New York 4, N. Y.
Tel. Whitehall 4-6430 Tele. NY 1-2500

Farrell-Birmingham Company
ANALYSIS ON REQUEST
W. J. Banigan & Co.
Established 1904
50 Broadway, N. Y. 4 HAnover 2-8380
Carlisle, Pa. Scranton, Pa.

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

Trading Markets:

Simplex Paper

Tennessee Gas & Transmission

Wellman Engineering

(Banks, Brokers & Dealers only)

BENDIX, LUITWEILER & CO.

MEMBERS
NEW YORK STOCK EXCHANGE

52 WALL ST., NEW YORK 5
PHONE HANOVER 2-8820
TELETYPE NY 1-501

Goodhue Director of Baltimore & Ohio

F. Abbott Goodhue, president of the Bank of the Manhattan

F. Abbott Goodhue

Company, was recently elected a director of the Baltimore & Ohio Railway Company.

Truman Urges Congress Ratify British Loan

(Continued from page 518)

Fund Agreement was drafted and the Bretton Woods Agreements Act was enacted during the war. Both recognized that the financial condition of some countries resulting from the war might make impossible for them to apply at once the fundamental rule of non-discrimination in their monetary and financial transactions. Therefore, provision was made for a transition period which might postpone as long as five years the complete application of this fundamental rule.

Now in time of peace, as we rapidly proceed with the organization of the International Monetary Fund, we find that the fears which were responsible for this period of grace are verified by the facts. The most important of these facts is that the United Kingdom as a result of the war must continue for a long period many of its emergency wartime financial controls unless it obtains additional working capital. It is apparent that, in the case of a principal member of the International Monetary Fund, we can ill afford to wait for the period permitted by the Bretton Woods Agreements for the removal of these hindrances to the financial and commercial relationships between nations. Now is the time to establish post-war monetary and financial policies of the United Nations. Now is the time to take action to enable the United Kingdom to move with us toward the prompt abolition of these restrictions for these reasons. The next order of international business before the Congress should be our financial relations with the United Kingdom. The problems involved, which are severe but not insoluble, are direct consequences of the war. They are matters of great urgency and I believe that the financial agreement which I am transmitting herewith furnishes a real basis for their solution. It is my earnest hope that the Congress will implement the financial agreement as speedily as is consistent with careful legislative consideration.

It is not too much to say that the agreement now transmitted will set the course of American and British economic relations for many years to come. In so doing, it will have a decisive influence on the international trade of the whole world. Those who represented the United Kingdom were fully aware of the fundamental nature of the problems before them. After long and careful consideration they agreed upon the arrangements which in my opinion will prove a solid foundation for the successful conduct of our economic relations with each other and with the world.

The financial agreement will by its terms come into operation only after the Congress has made available the funds necessary to extend to the United Kingdom the line of credit of $3.75 billion in accordance with the terms set forth in the agreement. Britain needs this credit and she needs it now. It will assist her to meet the expected deficit in her balance of payments during the next six years. It will enable her to buy from the world the supplies of food and raw materials which are essential to the life and work of the British people. At the same time it will keep open a market for those surpluses of the United States which are customarily exported to the United Kingdom. These are important short-term purposes of the credit.

But the financial agreement is much more than a credit. Let me repeat. Its most important purpose from our point of view is to cause the removal of emergency controls exercised by the United Kingdom over its international transactions far more speedily that is required by the Bretton Woods Agreements. The financial agreement will enable the United Kingdom, through the prompt relaxation of exchange restrictions and discriminations, to move side by side with the United States toward the common goal of expanded world trade which means expanded production, consumption and employment, and rising standards of living everywhere.

The line of credit which will be extended to the United Kingdom under the agreement may be drawn upon until the end of 1951. At that time the United Kingdom will be obligated to begin repayment of the principal with interest and those payments will continue over a period of 50 years. These terms are neither unusual nor difficult to understand. There is one new concept, however, embodied in the terms of the credit. We have recognized that conditions may exist temporarily during such a long period of time which would make the payment of interest on such a large amount difficult if not impossible. Accordingly, provision has been made for the waiver of interest by the U. S. Government after a certification by the International Monetary Fund as to the facts regarding the balance of payments position of the United Kingdom. It is not to our advantage to press for payment of interest when payment is impossible and thus force default and a crumbling of international economic relations.

The financial assistance which the United Kingdom would receive under the agreement has made it possible for the two governments to agree on a specific course of action which in a short period of time will result in the removal of emergency controls over foreign exchange and discriminatory import restrictions, and the reestablishment of peacetime practices designed to promote the recovery of world trade. Britain has agreed to abolish the so-called "Sterling area dollar pool". She has agreed to give up most of her rights during the transition period provided for in the International Monetary Fund Agreement and thus to abandon controls over foreign exchange which she would otherwise be permitted by the terms of that agreement to continue for a considerable period of time. In addition to the direct benefits which will flow from this stimulus to Anglo-American trade there will be the added benefits derived from the ability of other nations to relax their restrictions once the United Kingdom has led the way.

Another troublesome financial problem which has been fully and frankly discussed by the two nations is that of the sterling liabilities of Great Britain which have resulted from her large ex-

PUBLIC UTILITIES

PRIMARY TRADING MARKETS

Amer. States Util. Com.	*Illinois Term. & RR
*Cent. Ariz. Lt. & Pr.	Indiana Gas & Chem.
Cent. Illinois Gas & El.	National Gas & Elec.
Citizens Utilities	Pub. Service of Colo.
Commonwealth Gas	Pub. Service of Ind.
Consol. E. & G. Pfd.	Puget Sound Pr. & Lt.
Delaware Pr. & Lt.	Republic Natural Gas
Derby Gas & Elec.	Sioux City Gas & Elec.
Empire District Elec.	So'western Pub. Serv.
Federal Water & Gas	Standard G. & E. Com.
*Gulf Public Service	*Tenn. Gas & Trans.

All others traded *Prospectus upon request.

Our own direct private telephones connect New York, Philadelphia, Boston and Hartford.

J. ARTHUR WARNER & Co.

120 Broadway New York 5
COrtlandt 7-9400 TWX-NY 1-1950
89 Devonshire St., Boston 9
LAfayette 3300
TWX-BS 208

Getchell Mine, Inc.

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

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

Diversified Investment Fund

A SERIES OF NEW YORK STOCKS, INC.

Prospectus from your Investment Dealer or

HUGH W. LONG & CO.
INCORPORATED
48 WALL STREET 634 SO. SPRING ST.
NEW YORK 5 LOS ANGELES 14

Getchell Mining Inc.

Bought—Sold—Quoted

HARRISON & SCHULTZ

64 Wall St., New York 5
Phone HAnover 2-7872 Tele. NY 1-621

*U. S. SUGAR

BENDIX HOME APPLIANCES

**KAISER-FRAZER CORPORATION

**LIBERTY MAGAZINE

TENNESSEE GAS & TRANSMISSION CO.

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 1-2733-34-35
Private Wires to
Boston, Chicago & Los Angeles

Puts & Calls

Bought—Sold—Quoted

Thomas, Haab & Botts

Members Put & Call Brokers & Dealers Assn., Inc.
All options guaranteed by N. Y. Stock Exch. Members
50 BROADWAY, NEW YORK 4
Tel. BO. 9-8470

Philippine Gold Shares

United Paracale
Masbate Consolidated
San Mauricio
Benguet Balatoc
Mindanao Mother Lode

Analysis upon request

F. BLEIBTREU & Co., Inc.

79 Wall St., New York 5, N. Y.
Telephone HAnover 2-8681

Over - The - Counter Securities

Kurt Werner & Co.

EST. 1931
Members New York Security Dealers Assn.
29 Broadway, New York 6
Telephone: DIgby 4-6494

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

penditures abroad during the war. In the financial agreement the British Government has undertaken to adjust and settle these obligations out of resources other than the American credit and has outlined its intentions with respect to their settlement. Our concern in this connection is two-fold. In the first place we want other countries which are in a position to do so to grant assistance to the United Kingdom within their means. Those which hold large sterling balances can do so by scaling them down. In the second place, we want to be certain that the liquidation of these balances will not discriminate against American trade. The financial agreement contains a specific undertaking by the Government of the United Kingdom that no such discrimination shall result from these settlements.

The financial agreement also makes it possible for the United Kingdom to give wholehearted support to the proposals for expansion of world trade and employment which the United States has recently put forward as a basis for internation discussions by the United Nations. In the joint statement on commercial policy published at the same time as the financial agreement, the United Kingdom has undertaken to support these proposals and to use its best endeavors in cooperation with the United States to bring to a successful conclusion international discussions based upon them.

The implementation of the financial agreement will be a great contribution to the establishment of a permanent state of peace and prosperity. We are all aware of the dangers inherent in unchecked economic rivalry and economic warfare. These dangers can be eliminated by the firm resolution of this nation and the United Kingdom to carry forward the work which has been so well begun.

The financial agreement transmitted herewith means that instead of economic controversy between the two countries, the wise rules of the Bretton Woods agreements will be fully effective much sooner than we believed possible when the Congress enacted the Bretton Woods Agreements act. I urge that Congress act on the financial agreement promptly.

HARRY S. TRUMAN

Brockmeyer Joins Goldman, Sachs & Co.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO.—Edward H. Brockmeyer has become associated with Goldman, Sachs & Co., Boatmen's Bank Building. He was formerly in charge of the government and municipal bond trading at the Mississippi Valley Trust Co.

R. B. Wooten & Co. Formed in Memphis

MEMPHIS, TENN. — Roger B. Wooten has anounced the formation of R. B. Wooten & Co., to conduct an investment securities business from offices in the Commerce Title Building. Mr. Wooten was formerly President of Municipal Bond & Investment Co.

We are pleased to announce that

MR. EVERETT F. WENDLER

and

MR. JACK A. JOSSEM

have been released from active duty with the armed forces and have joined our trading department.

Mitchell & Company

Members Baltimore Stock Exchange

120 BROADWAY • NEW YORK 5, N. Y.

Tel. WOrth 2-4230 • Bell Teletype NY 1-1227

We are pleased to announce that

LT. CDR. W. M. WASHBURN, U. S. N. R.

and

LT. E. F. THOMPSON, JR., U. S. N. R.

have been released from active duty in the U. S. Navy and have resumed their duties as General Partners

LAMSON BROS. & CO.

ESTABLISHED 1874

Members of Principal Exchanges

141 W. JACKSON BLVD. • CHICAGO 4 • WABASH 2400

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

ACTIVE MARKETS

Billings & Spencer

Citizens Utilities
Common

Great American Industries
Common

Kingan Co.
Common & Pfd.

Soya Corp. of America

SIEGEL & CO.

39 Broadway, N.Y. 6 DIgby 4-2370
Teletype NY 1-1942

We announce the opening of a

MUNICIPAL BOND DEPARTMENT

under the management of

RICHARD A. CUNNINGHAM

recently released from the Finance Department, A.U.S.

J·G·WHITE & COMPANY
INCORPORATED

37 WALL STREET • NEW YORK 5
ESTABLISHED 1890

Telephone: HAnover 2-9300 *Teletype:* NY1-1815

We are pleased to announce that

EDWARD J. ENRIGHT

is now associated with us in our trading department

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

We are pleased to announce that

FRANCIS J. CUNNINGHAM
Captain A.U.S.

has returned to our organization and has been appointed Manager of our Institutional Trading Department

KIDDER, PEABODY & CO.

FOUNDED 1865

Members New York and Boston Stock Exchanges

17 WALL STREET • NEW YORK • 10 EAST 45TH ST.

BOSTON PHILADELPHIA • CHICAGO

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

WILLIAM FRANKEL

has joined our over the counter trading department

Shaskan & Co.

MEMBERS
NEW YORK STOCK EXCHANGE
NEW YORK CURB EXCHANGE

40 Exchange Place New York

We are pleased to announce that

Mr. John Scrimgeour

has been admitted as a partner in our firm.

J. K. Rice, Jr. & Co.

Established 1908

120 Broadway New York, N. Y.

Active Trading Markets in

Hajoca Corporation, Com.

National Radiator Co., Com.

Puget Sound Power & Light, Com.

LAURENCE M. MARKS & CO.

Members New York Stock Exchange

49 Wall Street, New York 5, New York

Telephone HAnover 2-9500 Teletype N.Y. 1-344

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

Rejoins Robinson & Co.

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, CONN.—**Frank E. Cilento** has rejoined **Henry C. Robinson & Co., Inc.**, 9 Lewis Street, after serving in the U. S. Army.

Henry Evans Returns To Stein Bros. Boyce

BALTIMORE, MD. — Henry C. Evans, Brigadier General, United States Army, has been released from active duty and has resumed his position as a general partner in Stein Bros. & Boyce, 6 South Calvert St., members of the New York Stock Exchange and other leading Exchanges.

With Ammott, Baker & Co.

(Special to THE FINANCIAL CHRONICLE)

BRIDGEPORT, CONN. — **Manuel H. Tishler** has been added to the staff of **Amott, Baker & Co., Inc.**, 150 Broadway, New York City. In the past he was with G. Colby & Co.

Joins Otis & Company

(Special to THE FINANCIAL CHRONICLE)

DENVER, COLO.—**William Q. Heintze** has become associated with **Otis & Company**, First National Bank Building, after serving in the U. S. Army.

BALTIMORE

Bayway Terminal
Davis Coal & Coke
Emerson Drug
Common
Noxzema Chemical

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

Anchorage Homes "A"
Dwight Manufacturing Company
Johnson Automatics Inc.
Metal & Thermit
Naumkeag Steam Cotton
Parker Appliances
Valley Mould & Iron
Woodward Governor
Waltham Watch Company

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

CINCINNATI

CINCINNATI SECURITIES

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

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

PHILADELPHIA

Midland Utilities
American Pulley Co.
Reda Pump Co.
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

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

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

Pressurelube, Inc.
4 1/8
An attractive speculation

W. H. BELL & Co.
Incorporated
Investment Securities
49 Federal St., Boston 10, Mass.
Tel. HUB. 0810 Teletype BS 189
New York Tel. CAnal 6-3667
Philadelphia Washington Allentown
Easton Harrisburg Portland

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

GRAND RAPIDS

Michigan Markets
Dependable — Accurate
Inquiries Invited

WHITE, NOBLE & CO.
Members Detroit Stock Exchange
GRAND RAPIDS 2
MICH. TRUST BLDG.
Phone 94336 Teletype GR 184

ST. LOUIS

Retail Distributors
UNLISTED SECURITIES

Allan N. Young & Co.
Lewis Tower Bldg., 15th & Locust Sts.
Philadelphia 2, Pa. PENnypacker 1750

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

LOUISVILLE

American Air Filter
American Turf Ass'n
Girdler Corporation
Merchants Distilling Co.
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

ST. LOUIS

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

Public Utility Securities

Will Good Utility Equities Break a 4% Yield Basis?

It is somewhat contrary to old-fashioned economics to enjoy a bull market in bonds, stocks and commodities simultaneously. After World War I we had very high interest rates—some industrial corporations had to pay 7% or 8% for bond money. But thus far, with the Federal Government continuing to play a major role in the financial picture and with an official "easy money" policy, both bond and stock markets are traveling upwards together, and the threat of commodity inflation has not had more than an occasional, momentary effect on bond prices. Federal and New York City bonds went to record highs in last Friday's trading, with long term government 2½s moving the full daily limit of a quarter point.

Many utility bonds and preferred stocks, issued in last year's big refunding program, have advanced in many cases from 3 to 5 points, and some of them (particularly the preferred issues) are already selling well over their call prices. Paced by the government bond market, the yields on highest grade utility bonds have dropped below the 2.50% level, and best-grade preferreds may soon break the 3.50% level.

A year ago high-grade utility common stocks sold on about 5¼% basis, while at present they are approaching a 4% basis, as indicated in the accompanying list:

	—Approx. Yield— March, 1945	Jan., 1946
Boston Edison	5.1%	4.4%
Central Ill. Elec. & Gas	5.7	4.8
Central Hudson Gas & El.	6.0	3.4
Central Vermont P. Serv.	5.7	4.7
Cleveland Electrical Illum.	5.3	4.3
Commonwealth Edison	4.8	4.1
Connecticut Power	5.0	4.2
Consolidated Edison	5.9	4.7
Consolidated Gas (Balt.)	5.2	4.1
Duke Power	4.5	4.0
Delaware Power & Light	4.8	4.2
Detroit Edison	5.5	4.8
Hartford Electric Light	5.2	3.9
Houston Lighting	4.9	4.0
Idaho Power	4.9	3.9
Indianapolis Pwr. & Lt.	5.0	3.9
Pacific Gas & Elec.	5.4	4.5
Philadelphia Electric	4.8	4.0
Public Service of Indiana	4.2	2.5
Southern Calif. Edison	5.2	3.9
Average	5.2%	4.1%

A few issues have already broken into low yield ground, but this is explained partly by expectations of higher dividends based on tax savings. (Southern California Edison, Pacific G. & E. and Indianapolis P. & L. have been paying heavy excess profits taxes. However, "old line" stocks like Con. Gas of Balt., Commonwealth Edison and Duke Power still yield a little better than 4%. This yield remains higher than that on highest-grade industrial issues. For example, General Electric currently yields 3.3%, General Motors 3.9%, General Foods 3.3%, Johns Manville 2.2%, International Harvester 3.2%, etc.

Considering the further growth possibilities of the electric light and power business, and the many long-established dividend records, there seems no good reason why investors may not eventually be willing to buy high-grade utilities on a 3½% basis, or perhaps even lower. Major market obstacles during the past decade have been high taxes, and federal regulation and criticism. Taxes are now being substantially reduced for many companies, and regulatory pressure has eased.

As regards the growth factor, the electric industry remains outstanding. Losses of wartime industrial business are being substantially offset, so far as revenues are concerned, by increased residential and commercial usage, now freed of some wartime restrictions. Many families in the lowest income brackets are now potential customers for the first time. When the present period of labor troubles ends, new building gets under way, and electric household appliances become freely available in the stores, "utility growth" may again become an important market factor.

With Thomas Darst & Co.

(Special to THE FINANCIAL CHRONICLE)

WILMINGTON, N. C.—**John C. Smith** has been added to the staff of **Thomas Darst & Company**, Southeastern Building, Greensboro, N. C.

Rejoins Bankers Secs. Co.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO. — **Robert H. Gledhill** has rejoined **Bankers Securities Company**, 506 Olive Street, after serving in the U. S. Army.

PUBLIC UTILITY STOCKS

We maintain an active market in the stocks of many public utility companies and through the facilities of our direct private wire system are especially equipped to trade in those markets where our various offices are located.

PAINE, WEBBER, JACKSON & CURTIS
ESTABLISHED 1879

East Coast Public Service 4s 1948
Old Dominion Power 5s 1951
Consolidated Grocers common
Hallicrafters Company com.
Hydraulic Press Manufacturing com.

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

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

The CIO's International Aims

By JAMES B. CAREY
Secretary-Treasurer, Congress of Industrial Organizations.

Mr. Carey Cites World Citizenship as the Great Objective of the Unions' Foreign Policy. Holds the Workers, Rather Than the Political Diplomats, Must Assume Our Responsibilities in International Relations. Traces the Steps Labor has Pursued Toward a World Federation of Organized Workers, and Toward Overall Internationalism at Dumbarton Oaks and San Francisco. He Defines the Aims of the CIO-Sponsored World Federation of Trade Unions, With 66 Million Workers. Urges the Necessity for a Better Understanding of the People of the Soviet, Which the CIO is Furthering Through Establishment of International Committees. For Better Inter-American Relations, He Advocates Extension of the International Training Administration With Its Interchange of Industrial Trainees.

In these days when the topic of the moment is likely to be foreign relations of one sort or another, it seems appropriate to write about Labor's Foreign Policy which, in our estimation, must play a major role if we are to have a world at peace. When I say labor, I do not mean labor in the restricted sense as meaning only those workers who are enrolled in labor unions of one sort or another. I mean all labor, all human being who work with their hands and brains to secure a living from the bounty of the earth.

James B. Carey

The fact that men and women join unions for their mutual defense and protection on a specific job does not differentiate them from others who work for a living. Their union does, however, give them a medium by which and through which they can express their views on all questions bearing on their welfare and the welfare of their fellow men. The Congress of Industrial Organizations never drafts a program intended to confer benefits on its members alone. Such a policy would be self-defeating. Our programs are drafted for the benefit and welfare of people—just plain, common, ordinary people.

Mr. Carey recently returned from Europe and was Chairman of the CIO Delegation to Russia.

There was a time back in the beginnings of history when men did not need to concern themselves with what was occurring outside their own limited communities. The economy was largely self-contained on a community basis, and the struggle to wrest a living from the earth was so intense that isolationism might possibly have had an excuse. It was the increased productivity of man in the economic sense, achieved mainly through the use of his intelligence, that widened the horizon. That same intelligence was used, however, in far too many instances to widen the horizon by the application of force, rather than through becoming acquainted with the folks who lived just over the old horizon. The result was one war after another, with its brutality and destruction. Man rejected the dignity of work imposed by nature, and chose the degradation of being a brute—a handicap from which nature had endeavored to free him when she gave him intelligence and ability to reason.

As Americans we need not be smug on this point. We may boast of our progress in recognition of human rights, in education, in development of technological processes, and in many other fields. At the same time let us not forget that 81 years ago this very day we were entering the last days of what had been up until that time, the most brutal, bloody and vicious struggle in the history of the human race. The real issue in our War of the States was the widening of the horizon. It was settled by the most stupid method. The bloodshed accomplished nothing that could not have been accomplished at the negotiation table by honest men, who as a matter of cold fact had not known one another and had not tried to become acquainted. Be that as it may, the horizon was eventually widened. Today it is entirely inconceivable that the peoples of Ohio and Pennsylvania should even attempt to settle a possible boundary dispute by resort to guns, planes and bombs.

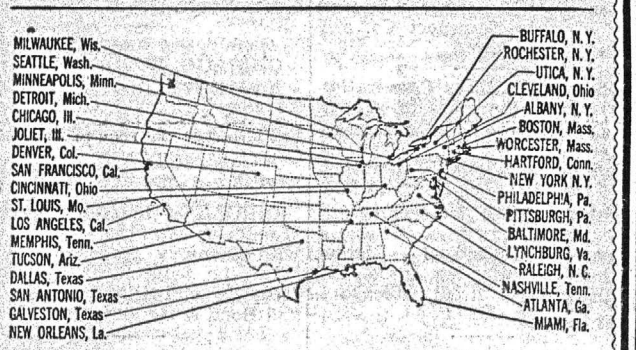
It always strikes me with great significance that along the longest international boundary line in the world—the 3,000 miles of imaginary line between the United States and Canada—there is neither fort nor trench nor artillery position. No fleets of rival warships play war games with one another on the expanses of the Great Lakes. To what can this condition be attributed other than the fact that we know the Canadian people and they know us? The greater part of this knowledge has come through the formation of labor unions that make both the Congress of Industrial Organizations and the American Federation of Labor international labor bodies in the real sense. We know as well as we know anything that the hopes and aspirations of the people of Canada are exactly the same as the hopes and aspirations of the people in the United States. In a large measure the citizen of either nation can be considered a citizen of the other, with no detriment to his allegiance to the form of government that he himself prefers.

(Continued on page 602)

Trading Markets

National Service Co., $3 preferred
National Service Co., common
Huntingdon & Broad Top Mt. RR. & Coal Co., 5s, 1940
Huntingdon & Broad Top Mt. RR. & Coal Co., preferred
Huntingdon & Broad Top Mt. RR. & Coal Co., common
Oklahoma Interstate Mining, common
Red Rock Bottling Co. of Cleveland

FRANK C. MOORE CO.
42 BROADWAY, NEW YORK 4, N. Y.
Telephone—WHitehall 3-9784-5-6 Teletype NY 1-2628



Complete Research Facilities for Dealers throughout the Country

TO HELP INVESTMENT FIRMS serve their clients and develop new business, we have special arrangements with dealers in the 34 cities shown above, allowing them to reproduce and use exclusively the complete Shields Research Service. The Shields reports give specific investment conclusions and recommendations, enabling security houses to answer the demand by investors for practical, profitable guidance. Other cities are open to additional dealer-subscribers.

SHIELDS & COMPANY
44 Wall Street
CHICAGO NEW YORK BOSTON

ACTIVELY TRADED

Western Pennsylvania Securities

AMERICAN WINDOW GLASS
*D. L. CLARK
*CONTINENTAL COMMERCIAL
*DEVONIAN OIL
*DUQUESNE BREWING
FIRST NATIONAL BANK
*FORT PITT BREWING
*JOSEPH HORNE
*JEANNETTE GLASS PFD.
MACKINTOSH HEMPHILL
*McKINNEY MFG.
*MOUNTAIN FUEL SUPPLY
NATIONAL BRONZE
*NATIONAL RADIATOR
PENNSYLVANIA INDUSTRIES
PEOPLES PITTSBURGH TRUST
*PITTSBURGH BREWING
*PITTSBURGH STEEL FOUNDRY
H. K. PORTER
*RENNER BREWING
H. H. ROBERTSON
ROCKWELL MFG.
*SAN TOY MINING
*U. S. GLASS
*VANADIUM ALLOYS STEEL
WASHINGTON STEEL

Listed on the Pittsburgh Stock Exchange

REED, LEAR & CO.
DIRECT PRIVATE WIRE
NEW YORK ←——→ PITTSBURGH
HAnover 2-2823 ATlantic 0880

INSURANCE STOCKS

REAL ESTATE - MUNICIPAL - INDUSTRIAL SECURITIES

MACKUBIN, LEGG & COMPANY
Established 1899
Members of New York Stock Exchange
New York Curb Exchange (Assoc.)
BALTIMORE NEW YORK

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

Trading Markets

Central Elec. & Gas
Kropp Forge
United Stockyards Pfd.

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 LOS ANGELES 14
135 La Salle St. 650 S. Spring St.
State 6502 CG 99 Michigan 4181 LA 255

Consolidated Gas Utilities Corp.
The Chicago Corp.
The-Muter-Co.
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.

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

Burgess Battery Co.
Central Coal & Coke Corporation
Kropp Forge Co.
Miller Mfg. Co.
Puget Sound Power & Light Co.
COMSTOCK & CO.
CHICAGO 4
231 So. La Salle St. Dearborn 1501
Teletype CG 955

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:

Business Booms & Depressions—Including all wars from 1775 to 1946—graphic picture of American business and financial cycles—Security Adjustment Corporation, 16 Court Street, Brooklyn 2, N. Y.

New York Bank Stocks—Comparison and analysis of 19 New York Bank Stocks as of Dec. 31, 1945—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

162 Common Stocks with Unbroken Dividend Record of 15 to 97 years (all listed on New York Stock Exchange)—Copies on request—Waldheim, Platt & Co., 308 North 8th Street, St. Louis 1, Mo.

Post War Beneficiary—Descriptive analysis of companies which should benefit from the automobile, building, and frozen food industries—Raymond & Co., 148 State Street, Boston 9, Mass.

Philippine Gold Shares—Analysis of **United Paracale, Masbate Consolidated, San Mauricio, Benguet, Balatoc,** and **Mindanao Mother Lode**—F. Bleibtreu & Co., Inc., 79 Wall Street, New York 5, N. Y.

Quarterly Canadian Review — Jan. 1946 Edition, including a review of current Canadian conditions and brief analyses of four Canadian corporations — copies available to banks, insurance companies and other institutions on request — Dominion Securities Corporation, 40 Exchange Place, New York 5, N. Y.

Safeway Policies—Booklet discussing policies and the objectives of the Safeway Neighborhood Food Stores—Safeway Stores, Incorporated, Box 660, Oakland 4, Calif.

Alleghany Corporation — Study—Vilas & Hickey, 49 Wall Street, New York 5, N. Y. Also available is a study of **Baltimore and Ohio.** Both for brokers and dealers only.

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

American Pulley Co. — Memorandum — Buckley Bros., 1529 Walnut Street, Philadelphia 2, Pa. Also available are memoranda on **Midland Utilities** and **Reda Pump Co.**

American Service Co.—Circular—Adams & Co., 231 South La Salle Street, Chicago 4, Ill. Also available is a recent circular on **E. & G. Brooke Iron Co.**

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

Also available is a study of **Consol. Electric & Gas.**

A. S. Campbell Co., Inc. — Current analysis—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

Also available are memoranda on **Metal & Thermit Corporation** and **International Cellucotton Products Co.**

Central States Electric Corporation—Study of interesting possibilities for capital appreciation — Arthur Wiesenberger & Company, 61 Broadway, New York 6, N. Y.

Commonwealth & Southern Corporation — Study of outlook for common stock—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

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

Also available is a recent memorandum on **The Muter Co.**

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.**

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.

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 **Bishop & Babcock, York Corrugating, American Insulator.**

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

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

Maison Navigation Co.—Statistical report—Kaiser & Co., Russ Building, San Francisco 4, Calif.

Mar Tex Realization Corp. — Memorandum on interesting low-price oil speculation—B. S. Lichtenstein & Co., 99 Wall Street, New York 5, N. Y.

Mesta Machine Company and **United Engineering & Foundry Co.**—Study of interesting possibilities—Penington, Colket & Co., 70 Pine Street, New York 5, N. Y.

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

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

North West Utilities Co.—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Oregon Portland Cement—Bulletin on recent developments — **Lerner & Co.,** 10 Post Office Square, Boston 9 Mass.

Pacific American Investors, Inc.—Memorandum—Kitchen & Co., 135 South La Salle Street, Chicago, 3, Ill.

Pacific American Investors — Analysis of high leverage common stock—Sills, Minton & Co., Inc., 209 South La Salle Street, Chicago 4, Ill.

Panama Coca Cola—Circular on interesting possibilities — Hoit, Rose & Troster, 74 Trinity Place New York 6, 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.**

Randall Company (B) — Descriptive circular—Hardy & Hardy 11 Broadway, New York 4, N. Y.

Also available are circulars on **Gulf Atlantic Transport Co.** and **Sports Products.**

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.

Sports Products, Inc. — Memorandum — Cruttenden & Co., 209 South La Salle Street, Chicago 4, Ill.

Sunshine Consolidated Inc.—Memorandum for brokers and dealers—W. T. Bonn & Co., 120 Broadway, New York 5, N. Y.

Thatcher Manufacturing Co. — Special memorandum—Roberts & Company, 61 Broadway, New York 6, N. Y.

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

Upson 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.; Kendall Co.**

Victor Equipment Company—Special memorandum — Walston, Hoffman & Goodwin, 265 Montgomery Street, San Francisco 4, Calif.

—We Maintain Active Markets In—
CHICAGO SO. SHORE & SO. BEND RR. Com.
GALVIN MFG. CORP. Common
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

Washburn, Thompson Resume at Lamson

CHICAGO, Ill.—Lamson Brothers & Co., 141 West Jackson Blvd., members of the New York and Chicago Stock Exchanges, announces that W. M. Washburn and E. F. Thompson, Jr., have been released from active duty in the U. S. Navy and have resumed their duties as general partners. Lieut. Cdr. Washburn was 3½ years in the Navy. Lt. Thompson served 2½ years in the aviation branch of the Navy.

Wiggins New Asst. V.P. Of Bankers Trust Co.

Paul Russel Wiggins has been elected Assistant Vice President of Bankers Trust Company of New York where he will specialize in

Paul R. Wiggins

Accounts Receivable financing. Mr. Wiggins was Vice President, Secretary and Director, of the Commercial Credit Corporation of New York where he was associated for 14 years.

Chicago Personnels

(Special to THE FINANCIAL CHRONICLE)

BLOOMINGTON, ILL.—**Finley Myron Crandall,** after completing military service, has become connected with **C.E. Bohlander & Co.,** American State Bank Building.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — **Edward J. Schell** has joined the staff of **A. C. Allyn & Co., Inc.,** 100 West Monroe Street, after serving in the armed forces.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — **William R. Johnston, Jr.** has rejoined **Central Republic Co.,** 209 South La Salle Street, after serving in the U. S. Army.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — **James A. Woodburn** has become associated with **Dempsey & Company,** 135 South La Salle Street. He was formerly with Sills, Minton & Co. and Bond & Goodwin Inc.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—**Roy B. Sundell** has become affiliated with **Hicks & Price,** 231 South La Salle Street. He was previously with Goodbody & Co. in their trading department.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — **Harry Reiblein** has been added to the staff of **Link, Gorman & Co., Inc.,** 208 South La Salle Street, after service in the U. S. Army.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—**Earl C. Petersen** has rejoined **Rawson Lizars & Co.,** 135 South La Salle Street.

J. Tracy Alexander Joins Hirsch & Co.

CHICAGO, Ill.—J. Tracy Alexander, well-known on LaSalle St. for the past 25 years, has become associated with Hirsch & Co., where he will supervise the firm's investment department, Louis J. Stirling, resident manager, announced. During the war, Mr. Alexander left the investment field to accept a position with the War Production Board in Chicago. In the past he has been associated with a number of the larger investment and brokerage houses here. Hirsch & Co., members of the New York Stock Exchange and other principal exchanges, have just moved their offices to new and larger quarters in the Field Building.

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

Capital and Labor Representatives Debate Full Employment

Philip Cortney at the New School Terms Wage Rises Disastrous. Instead He Proposes Labor Participation in Corporate Profits. Solomon Barkin, of the CIO, Declares That Higher Wages and Stable Prices Are Necessary for Stimulating Consumption.

Representatives of capital and of labor both agreed as to the desirability of a full employment bill, but disagreed over the issue of further wage increases at a debate on Full Employment which took place at the New School for Social Research on Jan. 24.

Philip Cortney

Solomon Barkin

Speakers at this discussion, which was part of a series "Where to Go: Governmental Policy in the Post War Period," of which Thomas K. Finletter and Beryl Harold Levy are chairmen, were Philip Cortney, economist and treasurer of Coty, Inc. and Solomon Barkin, director of research, Textile Workers Union of America, CIO.

Mr. Cortney, who declared himself in favor of a full employment bill in order "to cut the grass from under the feet of the demagogues and trouble makers." argued for amendments for the measure in order to safeguard the free enterprise system. It is important, he said, to prohibit the institution of exchange control, nor should the bill be interpreted as the duty of the government to provide jobs "for the simple reason that in a free society the government will not be able to provide jobs all the time and under all conditions."

Warning against policies "which will lead us inexorably to a new disaster," Mr. Cortney branded as "simply absurd" any talk right now of higher wages, particularly in the priviledged industries like the automobile and building trades. Such increases, he said, are not warranted and may not be warranted for a long time to come. Our supreme need, he pointed out, is a balanced economy. "Too high wages may hamper the expansion of markets and employment on account of the increase in prices".

Mr. Cortney advocated the participation of labor in corporation profits and payment in the form of a dividend distributed parri-passu with a dividend distributed to stockholders. He further recommended that the government institute an objective and scientific study of the causes of the 1929 depression, and of all the economic developments between the two world wars.

Arguing for wage increases and price reductions, Mr. Barkin stated that failure to establish full employment, "spells the disillusionment and cynicism which breed fascism and ultimate devastation." Full employment, he claimed, means "a balance between the income we produce and the income we spend on consumption and on capital developments . . . The continued large scale use of our national income for capital expenditures cannot be a satisfactory program for our society, which believes in making our economy serve the people." This means "definitely raising labor's proportion of the national income and a continued rise in wages in excess of the past rate."

The achievement of an economic balance through wage increases which is essential to the realization of full employment, demands that employers do not raise prices to meet wage increases, Mr. Barkin continued. The full savings in the rise of man-hour productivity and in the cost of doing business occurring from year to year must be passed on to labor, he added, recommending that a new national price control agency succeed the OPA.

"We cannot expect the government to perform the full task of income stabilization," Mr. Barkin said in conclusion. "Any full employment program which depends primarily on fiscal powers, on compensatory programs, on governmental enterprises is asking the government to perform a task which it is not prepared to perform in our society."

Edward Golden Joins Staff of Hallgarten in Chicago

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Edward A. Golden has become associated with Hallgarten & Co., 231 South La Salle Street. He was formerly an officer of Ames, Emerich & Co., Inc.

Everett Swanson With Merrill Lynch Firm

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH.—Everett C. Swanson has become associated with Merrill Lynch, Pierce, Fenner & Beane, Buhl Buildin. He has recently been with the W. P. B. in Detroit and Washington. Prior thereto he was an officer of American Industries Corporation.

NSTA Notes

INVESTMENT TRADERS ASSOCIATION OF PHILADELPHIA

The Investment Traders Association of Philadelphia has announced the following officials for its Mid-Winter Dinner to be held Feb. 21 at the Benjamin Franklin Hotel:

General Chairman: Thomas J. Love, George E. Snyder & Co., (Rittenhouse 0308 or Hanover 2-4552).

Vice Chairman: Charles J. Brennan, Blyth & Co., (Pennypacker 5900).

Room Reservations: Newt Parkes, E. H. Rollins Sons & Co., (Pennypacker 0100 or Digby 4-7818); Jack Weller, Buckley Bros., (Rittenhouse 4488 or Whitehall 3-7253).

Dinner Reservations: Thomas F. O'Rourke and Frank McKee, Stroud & Co., (Pennypacker 7330 or Rector 2-6528); Bill McDonald, Paul & Co., (Pennypacker 1600 or Hanover 2-1266); Joseph MacNamee, Hopper Soliday & Co., (Pennypacker 4075); Steve Massey, Battles & Co., (Pennypacker 9500 or Rector 2-7400).

Guest Tickets are $7.50.

TWIN CITY BOND TRADERS CLUB

The President of the Twin City Bond Traders' Club, William J. Lau of Frank & Belden, Minneapolis, announces that the organization's winter party will be held at the Covered Wagon, Minneapolis, Wednesday afternoon and evening, Feb. 27, 1946. Arrangements are in charge of the Entertainment Committee consisting of:

E. Byron Kairies—Merrill Lynch, Pierce, Fenner & Beane, Minneapolis.

George V. Jackish—Harris, Upham & Co., Minneapolis.

Robert M. Rice—R. M. Rice & Co., Minneapolis.

Out of town dealers are cordially invited to attend.

Industrial Southwest Survey Issued by M-K-T RR.

The Missouri-Kansas-Texas RR. has issued a very informative and illustrated survey entitled, "The Industrial Southwest—Land of Opportunity." The booklet states that an unusual combination of advantages is hastening the industrialization of the strategic "corner" of the Southwest formed by Missouri, Kansas, Oklahoma, and Texas. These four states are rich in the raw materials of the new industrial age, particularly hydro-electric power, petroleum, and light metals. Close to domestic markets, the region is also the hub of world trade routes. While decentralization is drawing industry Southwestward, urbanization, speeded by war, is broadening the Southwestern home market.

Raymond J. Morfa

The economic coming-of-age of the Southwest offers stimulating opportunities to business. The Missouri-Kansas-Texas RR., which has grown up with the Southwest for 75 years, has prepared this survey of the advantages business may find in the new Southwest. Raymond J. Morfa is Chairman of M-K-T Board.

Johnson Opens Office

LAKEWOOD, OHIO—Claude U. Johnson is engaging in an investment business from offices at 14526 Detroit Avenue.

First Boston Corp. Group Offers Taylor Instrument Co. Common

The First Boston Corporation heads an investment banking group which is offering to the public today, 21,170 shares of Taylor Instrument Companies (of Rochester, N. Y.,) common stock. The stock is priced at $30.00 per share.

The shares being offered consist of treasury stock reacquired by the company over a period of years, and the purpose of the sale, according to the prospectus, is to increase working capital and establish a broader market for the stock "for the future benefit of the company and its stockholders."

The prospectus also states that it is the intention of the directors to declare a dividend, payable on or about April 1, 1946, of 25 cents per share on the present common stock. This would be equivalent to $1.25 per share on the former $100 par value capital stock which was recently split up on a five for one basis. Regular quarterly dividends at the rate of $1 per share (and several extra dividends) were paid on the old common stock since Aug. 1935.

Associated with The First Boston Corporation in the offering are: George D. B. Bonbright & Co.; Little & Hopkins, Inc. and Sage, Rutty & Co., Inc.

Edward Enright With Dunne & Co. Staff

Dunne & Co., 25 Broad St., New York City, announce that Edward J. Enright is now associated with their trading department. In the past Mr. Enright was with M. S. Wien & Co.

Wendler and Jossem With Mitchell & Co.

Announcement has been made that Everett F. Wendler and Jack A. Jossem, recently released from active duty with the armed forces, have joined Mitchell & Co., 120 Broadway, New York City, in their trading department.

"A NON-CALLABLE MARGIN ACCOUNT—"

Pacific-American Investors, Inc.

Memorandum on Request

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

Active Trading Markets

*American Service Co.
Preferred, Class A and Common

R. Hoe & Co., Inc.
Common

*E. & G. Brooke Iron Co.
Common

National Terminals Corporation
Common and Preferred

*Recent circular on request

ADAMS & CO.
231 SOUTH LA SALLE STREET
CHICAGO 4, ILLINOIS
TELETYPE CG 361 PHONE STATE 0101

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

*KAISER-FRAZER
*UNION ASBESTOS & RUBBER
*LOS ANGELES TRANSIT LINES
GRO-CORD RUBBER
*Prospectus available upon request

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.	Standard Silica Co.
Nekoosa-Edwards Paper Co.	National Tool Co.
Central Paper Co., Com.	Northern Paper Mills Co.
Cons. Water Pwr. and Paper Co.	Froedtert Grain & Malt. Co.
Wisconsin Power and Light Co.	Hamilton Mfg. Co..
Compo Shoe Mach. 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

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

Real Estate Securities

New York Financial District Bond issues are finally coming into their own. Current prices compared to March of 1944 when we urged their purchase are as follows:

	1-30-45	3-6-44
Harriman Building	78½	34
50 Broadway	68	25
61 Broadway	*130	29½
Trinity Building	109¾	38
165 Broadway	79	40½
Broadway Barclay	47	29½
Wall & Beaver	82	43½

*New $500 bond (bond was cut in half in reorganization).

The writer believes there is still more profit in these bonds despite the possibility of vacant space in the buildings, when the Government vacates their present leases. Demand for space in this section is at its peak. It might be advisable however to take some profits in Hotel Securities. Rising operating costs with pegged rentals must be considered. Replacements are necessary in many of these hotels which should cut into future earnings.

Prices of Hotel Bonds recommended in this column March 6, 1944, compared with current prices are as follows:

	1-30-45	3-6-44
Beacon	52½	22¾
Gov. Clinton	91	55½
Mayfair House	72½	43
Park Central	100½	52½
Savoy Plaza	91	49½
Sherry Netherland	80	42
St. George	86	60

The activities of the firm have now been expanded to include general corporate securities under the management of Ernest M. Brown and a trading department under the direction of Albert H. Fenstermacher. Since its founding in 1899, the firm has confined its activities to municipal financing.

M. M. Freeman Elects; Expands Activities

PHILADELPHIA, PA.—Ernest M. Brown has been elected President and Treasurer, and Albert H. Fenstermacher has become Secretary of M. M. Freeman & Co., 262 South Fifteenth St.

What Postwar Foreign Trade Might Mean To Us

By WILLIAM S. SWINGLE*

Foreign Trade Specialist, After Enumerating the Abnormal Conditions of Foreign Trade During War Period, Analyzes the Present Situation. Points Out, as Handicaps, Existing Tariff Barriers and Shortage of Dollars Abroad to Pay for Our Exports, but Holds That There Is Now Throughout the World, a Demand for American Products That Far Exceeds Anything Previously Experienced. Warns That Each Customer in Each Foreign Market Is an Individual Problem, and Urges Exporters to Use Facilities of the Department of Commerce and Other Agencies for Aid and Information. Favors Loan to Great Britain and Other Economic Loans, Such as Furnished by Export-Import Bank, as a Means of Expanding Foreign Trade.

These are crucial days in foreign trade, as the current international situation is one of great political and economic fluidity. The period through which we are passing is still very decidedly a transition period, presenting the United States and the other great trading nations of the world with an opportunity to agree upon and adopt principles of trade that will form a sound basis for world commercial growth and rising standards of living. This post-war opportunity to set favorable policies is necessarily temporary and must be taken advantage of while the world is readjusting itself to the changes caused by the war. Fortunately, much is being done to take advantage of it.

William S. Swingle

To get a perspective on the situation developing today as a direct outgrowth of the war, it will perhaps be helpful to de-

*An address by Mr. Swingle before the New York Chapter of the National Association of Cost Accountants, New York City, Jan. 28, 1946.

(Continued on page 551)

Henry Miller Jones Now With Newburger, Loeb

Henry Miller Jones, formerly with Ira Haupt & Company, is associated with Newburger, Loeb & Co., 40 Wall Street, New York City, members of the New York Stock Exchange. He will specialize in short term securities, called bonds and preferred stock.

A. F. of L. Wants No Fluctuating Wage Policy

By WILLIAM GREEN*
President, American Federation of Labor

Leading Labor Spokesman Castigates Those Who Maintain That Wages Shall Be Based Upon Fluctuations and Uncertainties and That Wages Should Go Up or Down as the Business Barometer Goes Up or Down. Says AFL Follows Philosophy That Wages Should Maintain Worker Under American Living Standards and Not Be Gauged by Prices or Profits or Losses. Urges Patience Under Present Conditions and Warns Against Enactment of Hasty, Ill-Considered Legislation. Points Out That There Are Less Than One-Tenth of One Per Cent of AFL Members on Strike and Urges Voluntary Arbitration in Labor Disputes as Better Than "Fact Finding" or Any Other Kind of Legislation. Advocates Free Enterprise System and Better Understanding Between Management and Labor.

The American Federation of Labor was evolved out of experience and experimentation. Early, in the beginning, our forefathers expounded an economic philosophy that has proven sound ever since and upon the foundation then established we have reared a super-structure that is enduring. First of all, one significant feature of that economic philosophy was in relation to our wage policy. We steadfastly maintained, from the beginning, that wages, the wage structure, could not and should not rest, in a democracy such as ours, upon any flimsy, uncertain basis but it must be established upon a solid and enduring foundation. We maintained that American workers were entitled to a wage that would provide an income for them and their families commensurate with the requirements of American citizenship; that the wage in America must be an American wage. We contended that it mattered not whether the barometer of economics ascended high or became low, that that wage standard should be maintained in order to maintain the American working man's family upon an American basis. It was not a matter of profits or loss. The wage struc-

William Green

*Part of address of Mr. Green at the luncheon meeting held under the auspices of the Chicago Federation of Labor, Chicago, Ill., Jan. 8, 1946.

(Continued on page 598)

Brig. Gen. Evans Addresses Bond Club

CHICAGO, ILL. — Brigadier General Henry C. Evans, Artillery Commander of the Seventy-sixth Division, and a partner of Stein Bros. & Boyce of Baltimore, addressed a luncheon meeting of the Bond Club of Chicago on the subject "With Patton in Germany."

He served in World War I in the American Field Service and the U. S. Field Artillery, returning to business at the close of that war as a Captain.

In Feb., 1941, he returned to service again as a Colonel of the 29th Division's 110th Field Artillery. In Nov., 1942, he joined the 76th Division at Fort Meade with his present rank of brigadier general. He went overseas with the division and served in England, France, Luxembourg and Germany, leading the 76th Division Artillery in the Ardennes, Rhineland and central Germany campaigns. In World War I he was awarded the Distinguished Service Cross; Silver Star Medal; Army of Occupation in Germany Medal; Victory Medal (5 Battle Stars); French Fourragere; American Ambulance Field Service Medal and the French Victory Medal.

In World War II, he was awarded the Legion of Merit; Bronze Star Medal; Oak Leaf Cluster; American Defense Ribbon; American Theatre Ribbon; European Theatre Ribbon (3 Battle Stars); the Victory Ribbon and the Russian Guards Medal.

He is a former President of the Baltimore Stock Exchange.

Los Angeles Exchange Sells Last Seat Owned By Its Treasury

LOS ANGELES, CALIF.—The acquisition by Phelps Witter of Dean Witter & Co., of membership in the Los Angeles Stock Exchange, completes the transfer of the last four memberships held by the Exchange in its treasury.

The other three were acquired by Charles L. Holton of Holton, Hull & Co.; Frederick R. Tuerk of Cruttenden & Co.; and John E. Wheeler, who is associated with Turner-Poindexter & Co. All four transfers have been completed since the first of the year. The consideration in each case was $10,000, an increase of $2,500 over the last preceding sale. With treasury memberships no longer available to prospective members, the market is currently quoted $10,000 bid, offered at $20,000.

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

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

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

Trading Markets Maintained:
Broadway Barclay 2/56
Broadway Motors 4-6/48
165 Broadway 4½/58
Savoy Plaza 3-6/50
Westinghouse Bldg. 4/48
J. S. Strauss & Co.
155 Montgomery St., San Francisco 4
Tele. SF 61 & 62 EXbrook 1285

TRADING MARKETS IN

Broadway Barclay 2s 1956	N. Y. Majestic 4s 1956 W. S.
Commodore Hotel, Inc.	Roosevelt Hotel 5s 1964
Fuller Bldg. 2½s, 1949 W. S.	Roosevelt Hotel Common
Gov. Clinton 2s 1952 W. S.	Savoy Plaza 3s 1956 W. S.
Grant Bldg. 2½s, 1949 W. S.	Sherneth Corp. 5¾s, W. S.
Hotel Lexington Units	40 Wall St. 5s 1966 W. S.
Hotel St. George 4s 1950	165 Broadway 4½s 1958
Mayflower Hotel Corp. Stock	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

FOR
HELP WANTED • POSITIONS WANTED
OTHER CLASSIFIED ADS
SEE INSIDE BACK COVER

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

Universal Pictures Reports New Profits Peak—Net Equals $4.86 a Share—Expansion Projected

Net profits of Universal Pictures Co., Inc., in the fiscal year ended Nov. 3, 1945, aggregated $3,910,928 the largest in the history of the company, according to the annual report to stockholders released Jan. 29 by J. Cheever Cowdin, Chairman of the Board, and N. J. Blumberg, President. This was after provision for Federal income and excess profits taxes of $5,981,000 and compared with net profits of $3,412,701 in the previous fiscal year. Net profits were equivalent to $4.86 per share on the 804,219 shares outstanding at the end of the fiscal year, compared with $5.15 per share on 662,592 shares outstanding at the end of the previous fiscal year.

J. Cheever Cowdin

Rentals and sales of Universal pictures and other operating income totaled $51,049,428 compared with the all-time peak of $51,561,504 in the previous year. Foreign revenues established a new all-time high of $22,341,928, an increase of $3,166,945 over the previous fiscal year.

Pointing out that the company was in the strongest financial condition in its history, the report stated that net working capital has increased to a new record high of $23,050,555 from $18,798,587 at the end of the previous fiscal year. Current and working assets amounted to $28,212,871 and current liabilities were $5,182,316. The ratio of current and working assets to current liabilities was $5.44 to $1 compared with $2.84 to $1 a year ago.

Total taxes aggregated $7,568,110 for the year, equivalent to $941 per 100 shares of stock and to 33 cents out of every dollar paid out in wages and salaries. Amortization of film costs, royalties, etc. amounted to $24,881,827 compared with $24,375,513 in the preceding year, while inventories at the end of the fiscal year stood at $19,112,041 compared with $19,487,592 at the end of the previous fiscal year. Total dividend payments, at the annual rate of $2 per share, amounted to $1,519,842 for the fiscal year.

Expansion Plans Disclosed

World-wide expansion plans were disclosed in the report. The expansion plans involve the formation of a new major American producing company and a new world-wide motion picture distributing company, a program of modernization and improvement for its Universal City studio, a modernization program for its film exchanges, and the enlarging of its organization to meet the needs of its increasing business and plans for the future.

Universal is acquiring a half interest in International Pictures Corp., a new major producing company that is being organized in association with the Leo Spitz-William Goetz interests of California, the report disclosed. The new company will acquire the story and production assets of International Pictures, Inc., the present Spitz-Goetz producing company, which in its first two years of operation produced a number of outstanding hits. International will establish its headquarters at the Universal studio in California, where Universal will make available production facilities on a rental basis. It plans to produce a minimum of eight top feature productions annually through a new Anglo-American distributing organization of which it will be part owner.

Coincident with the formation of International Pictures, a new world-wide distributing organization is being formed to be known as United World Pictures Co., Inc. This new company is to be jointly owned by International Pictures and the J. Arthur Rank interests of Great Britain.

Universal Pictures plans to undertake over the next few years a program of improvement, modernization and expansion of its plant at Universal City. Work will be started just as soon as manpower, material and equipment become available.

To provide the necessary funds to carry out the company's new undertakings as well as for the company's modernization-expansion program, the management proposes to increase the capital funds of the company through the public sale of $6,000,000 of preferred stock. A special meeting of stockholders will be called for Feb. 18 to authorize the proposed public financing.

Peltason, Tenenbaum To Admit Friedman

ST. LOUIS, MO. — Peltason, Tenenbaum Co., Landreth Building, announce that as of Feb., 1st, David S. Friedman will be admitted to general partnership in the firm.

Now Chas. S. Hale Co.

Announcement is made of a change in the firm name of Charles S. Hirsch, Jr. & Co., of Charles S. Hale & Co., members New York Stock Exchange. Offices of the firm will be removed to 62 William St., New York City. Partners are Charles S. Hale, formerly Charles S. Hirsch, Jr.; Mildred P. Arnold, and Carmen de M. Hale, formerly Carmen de M. Hirsch.

Broker-Dealer Personnel Items

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, GA.—**Louis F. Bunte** has become associated with **Wyatt, Neal & Waggoner,** First National Bank Building. He was previously in the U. S. Navy.

(Special to THE FINANCIAL CHRONICLE)

AUGUSTA, GA.—**W. H. Zimmerman** has become connected with **Merrill Lynch, Pierce, Fenner & Beane,** 725 Broad Street. Prior to serving in the U. S. Army he was with Johnson, Lane, Space & Co.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, OHIO—**Frederick F. Leustig** is with **Bache & Co.,** National City Bank Building. For the past four years he has been in the armed services.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, OHIO — **Lorette C. Dore** has joined the staff of **The First Cleveland Corp.,** National City Bank Building. She was previously with Stranahan, Harris & Co. and Ledogar-Horner Co.

(Special to THE FINANCIAL CHRONICLE)

DAYTON, OHIO—**Richard C. Davids** and **Maurice A. Guttman** are with **Slayton & Co., Inc.**

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH. — **Frank A. Lyon, Jr.,** is with **Carr and Co.,** Penobscot Building.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH. — **George B. Kosmowski** has been added to the staff of **Mercier, McDowell & Dolphyn,** Buhl Building.

(Special to THE FINANCIAL CHRONICLE)

DEROIT, MICH.—**Samuel Gluck,** previously with Bache & Co., has become affiliated with **Stoetzer, Faulkner & Co.,** Penobscot Bldg.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH. — **Roland A. Meier** is now with **A. H. Vogel & Co.,** Penobscot Building. He was with Smith, Hague & Co. in the past.

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, CONN. — **Herbert R. Swift** is with **R. L. Day & Co.,** 49 Pearl Street. In the past he was with Spencer Trask & Co.

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, CONN.—**Harold E. Faust** has rejoined the staff of **Equitable Securities Corp.,** 50 Lewis Street, after serving in the U. S. Navy.

(Special to THE FINANCIAL CHRONICLE)

HICKORY, N. C.—**Albert H. Field** is representing **Scott, Horner & Mason, Inc.,** of Lynchburg, Va., from offices in the Harris Arcade Building.

(Special to THE FINANCIAL CHRONICLE)

MIAMI BEACH, FLA.—**Louis H. Tea** has been added to the staff of **Daniel F. Rice and Company,** Roney Plaza Hotel.

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, MINN. — **Clifford W. Thul** has become connected with **Keenan & Clarey, Inc.,** National Building. He was formerly in the U. S. Navy.

(Continued on page 531)

Courts & Co.

INVESTMENT BANKERS

Members New York Stock Exchange and Other Leading Exchanges

UNDERWRITERS AND DISTRIBUTORS OF INVESTMENT SECURITIES

BROKERS OF BONDS, STOCKS, COMMODITIES

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

INQUIRIES INVITED

ALL ISSUES

HAWAIIAN SECURITIES

KAISER & CO.

MEMBERS
NEW YORK STOCK EXCHANGE
NEW YORK CURB EXCHANGE
SAN FRANCISCO STOCK EXCHANGE

20 PINE STREET
NEW YORK 5

1500 RUSS BUILDING
SAN FRANCISCO 4

Group Securities, Inc.

A Mutual Investment Company with separate classes of Shares

Steel Shares — Railroad Equipment Shares

Railroad Stock Shares — Low Priced Shares

Agricultural — Automobile — Aviation — Building

Chemical — Electrical Equipment — Food

Industrial Machinery — Investing Company — Merchandising

Mining — Petroleum — Tobacco — Utilities

General Bond Shares — Railroad Bond Shares

Institutional Bond Shares

Fully Administered Shares

Underwriters and Investment Managers

DISTRIBUTORS GROUP, INCORPORATED

63 WALL STREET NEW YORK 5, N. Y.

BOSTON CHICAGO SAN FRANCISCO ATLANTA

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

Railroad Securities

The continuing pressure on interest rates is proving a more potent consideration in railroad financing than is the elimination of the excess profits tax. It had been pretty generally expected that the pace of railroad refunding would slacken sharply in 1946 when premiums on bonds called for redemption would no longer be almost entirely offset by tax savings. It still appears that the volume of new offerings, exclusive of equipments, will fall below the record level of last year but it now bids fair to compare very favorably with that of any other period in recent history.

Already two new offerings have been announced for early February. Union Pacific is to replace its two series of Debenture 3½s with a 2⅞% coupon. Southern Pacific is going to replace the $50,000,000 of 1st 3¾s, 1986 with maturity unchanged and the new coupon rate to be set by the successful bidder. Great Northern is expected to request bids in the near future for some $65,000,000 General Mortgage bonds to refund $30,000,000 of 3⅜s, 1970 and $35,000,000 of 3½s, 1980.

Southern Pacific does not contemplate any reduction in debt in the refunding and there will be only a nominal cut in the Union Pacific Debentures outstanding. Details are not yet available but it is generally expected that Great Northern too will do little, if any, debt reducing in the pending operation. The Southern Pacific bonds to be called have been outstanding less than five months and the Great Northern less than a year and a half. The Southern Pacific offering in particular is a very pertinant commentary on the vast improvement in market sentiment towards rail bonds below top quality since last summer and fall when many of the new rail offerings were, to say the least, meeting a rather apathetic reception.

Now that a new pattern has been set, holders of railroad bonds are recombing their lists carefully to try and determine which other of their relatively recent acquisitions, with which they had heretofore felt safe, are apt to be taken away from them. Among the candidates carrying coupons which looked unbelievably low a year and a half or two years ago are the Gulf, Mobile & Ohio 3¾s, 1969 and the New York, Chicago & St. Louis 3¾s, 1975. Both of these were issued late in 1944.

It is known that Gulf, Mobile & Ohio contemplates a refunding operation involving all of its fixed interest debt shortly after consummation of the merger with Alton. In turn, it is expected that the merger will be completed by mid-year at the latest. Nothing official has been said on the Nickel Plate refunding but there is no question but that the management is fully aware that the 3¼s, secured by the same mortgage but with a longer maturity and smaller sinking fund, are selling at a substantial premium over par.

On the other side of the ledger most railroad analysts were rather surprised at the decision of Illinois Central directors not to attempt a refuding at this time. Presumably the stage has been set for such an operation by the company's call for tenders of underlying bonds on the northern part of the system late last year and the subsequent authorization earlier this month for the creation of a new blanket mortgage. It had been realized that the number of bonds accepted in the invitation for tenders was not sufficient to make feasible a comprehensive job eliminating all mortgage debt on the northern half of the system and substituting therefor the newly authorized mortgage as the only lien.

It had been felt that the old 1st Mortgage and Collateral 3½s, 1950 would be satisfied thus relieving the heart of the system to be covered by the first mortgage of the new bonds. Then the new bonds could have been sold to redeem on May 1 the Refunding 4s and 5s, 1955. Refunding of the latter bonds has been considered as particularly desirable inasmuch as under the terms of the Refunding Mortgage the underlying bonds, all of which mature in the early 1950s, can not be extended. It is still felt by many analysts that such an operation is in the cards over the not too distant future, perhaps on the next redemption date of the Refunding bonds, Nov. 1, 1946.

"Our Reporter on Governments"

By JOHN T. CHIPPENDALE, JR.

The general level of interest rates continues to decline as buyers scramble to take up the available supply of outstanding Government bonds, because of the fear of higher prices. . . . There is certainly a "bull" market in Government bonds, and despite the fact that we have the largest debt in our history, the American people seem to be sold on the idea of higher prices for these obligations. . . . The "money managers" have before them the problem of keeping prices of the greatest debt in our existence from going through the ceiling. . . . Whether the buying be for speculative short-term appreciation purposes, or for legitimate investment requirements, it is carrying the market to levels that could have an adverse effect on our financial institutions. . . . With no word from the nation's capital yet with regard to future financing policy, to guide the market, there is no way to dissipate the existing fear of still lower interest rates and higher bond prices. . . .

Therefore, the market is doing its own speculating on the financing program by pushing the yield on the recently issued 2½s due Dec. 15, 1967/72 down toward a 2¼% basis. . . . This bond and the 2½s due June 15, 1967/72 are the only obligations in the list that give a return in excess of 2¼%. . . .

If the present rate of price advance continues there will very soon be no issue in the bond group that will give the high return of 2.25%. . . . Current trends in prices of the two recently issued 2½% bonds seems to indicate that non-bank investors are pretty well reconciled to a long-term rate of 2.25%. . . . This will most certainly eliminate one point of conjecture about future financing, that with reference to the coupon rate on the long-term obligations which may be offered. . . .

INTERMEDIATES STRONG

The bank eligible taxable issues were in demand, particularly the intermediate maturities which pushed ahead to new all-time tops under the leadership of the December 2s of 1952/54. . . . The 2s of 1950/52 and 1949/51 also registered new highs. . . . The 2½s of 1952/54 were also well taken at their best levels of the year. . . . The partially exempt bonds were steady to better with the 2¾% due 1960/65 again at a new all-time high. . . . A good tone is in evidence for the notes and certificates. . . .

COMPLAINTS

Commercial banks with savings deposits, especially the smaller institutions, are voicing their opinion on the need for obligations that will meet the cost of the funds they operate with. . . .

They are very definite in their statements that they should get the same treatment as savings banks and they are not hesitant to point out that they cannot pay for the funds they now have, with the return on certificates of indebtedness. . . .

Corporate bonds of the highest-grade have now advanced to levels where many bankers in these institutions do not feel justified in making further commitments. . . . Likewise they are not the type that will give up quality for the sake of a higher return. . . . They believe that their problem should be solved by the Government giving them greater consideration in future financing operations. . . .

FEDERAL LIGHTENS PORTFOLIO

That "Federal" is taking care of the return flow of currency and the increase in gold since these reverse movements started, is evidenced in the reported figures since the start of the year. . . . Holdings of Government obligations by the Central Banks reached an all-time high on Jan. 2, when they totalled $24,091,682,000. . . . On Jan. 23 they amounted to $23,341,336,000, a decrease of $750,346,000. . . . (Bills were up $121,354,000; certificates of indebtedness were down $754,800,000, of which $343,700,000 took place last week; notes were off $116,900,000; bonds unchanged.) . . . During this same period money in circulation decreased $672,000,000 while gold holdings increased by $70,000,000, making a total increase in deposits and reserves of $742,000,000. . . .

Thus by decreasing their holdings of Government obligations by $750,346,000 the Federal Reserve Banks have fully offset the $742,000,000 return flow of currency and gold, which would have added to the inflationary forces in the money markets. . . .

New York City member banks continue to add to their holdings of Government bonds despite the high prices that have been prevailing since the turn of the year. . . . Holdings of bills by these institutions decreased $53 millions, from Jan. 2 to Jan. 23, while certificates of indebtedness for the period were up $141,000,000, with notes increased by $55 millions and bonds larger by $145,000,000. . . . Borrowings by these institutions decreased by $53,000,000 from the beginning of 1946 to Jan. 23. . . .

PROFIT TAKING

Profit taking has been appearing in the bank eligible taxable 2½s due 1956/58 and the 2½s due Sept. 15, 1967/72, with the proceeds being invested in certificates of indebtedness and the restricted 2½s due June and December 1967/72 depending on the selling institutions. . . . Banks have been selling a few of their longest-term

Republic Pictures Corporation
Common & Preferred

Chicago Railways
Cons. "A" 5s, 1927

Timm Aircraft

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

Tennessee Central Railway
Common Stock

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

St. Louis - San Francisco Railway Company
(when issued)
Complete arbitrage proposition on request
SUTRO BROS. & CO.
Members New York Stock Exchange
120 BROADWAY, NEW YORK 5, N. Y.
Telephone REctor 2-7340

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

Lehigh Valley Railroad
General and Consolidated 4s-4½s-5s, 2003
Circular Upon Request
McLAUGHLIN, BAIRD & REUSS
Members New York Stock Exchange
ONE WALL STREET NEW YORK 5
TEL. HANOVER 2-1355 TELETYPE NY 1-2155
Philadelphia Telephone — Lombard 9008

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

taxables and with these and uninvested funds have been increasing their holdings of certificates. . . .

Non-Bank holders of the intermediate and long-term eligible obligations have sold these bonds to take on the restricted securities with the two most recently issued 2½s getting the bulk of the funds, although a part of the proceeds has gone into the June and December 2¼s, of 1959/62. . . . Likewise there has been switching out of the 2¼s due 1956/59 into the 2¼s of 1959/62. . . .

FOLLOWING THE MARKET

Although insurance company executives are reported to have pointed out to Secretary of the Treasury Vinson, the adverse effects of a further decline in the interest rate on long term issues, money market followers note that these same institutions continue to be substantial buyers of the outstanding restricted obligations at advancing prices. . . . It is hard to reconcile the need for continued offerings of 2½% bonds, when on the other hand, one contributes to a lowering of the yield on the outstanding issues, which makes further issuance of higher coupon bonds by the Treasury more difficult. . . .

Past precedent, indicates that the Government has been very much alive to the needs of the market, and despite advice to the effect that it should "hold the line on interest rates" it has been guided much more by the pattern that has been made by the market itself. . . . Each time this has been to the advantage of the Treasury, since it has fitted in with the "money managers'" desire for lower interest rates. . . .

Neal in Post At Boston Reserve Bank

The Federal Reserve Bank of Boston announced on Jan. 16 that Dr. Alfred C. Neal has been appointed Director of Research of the Bank. Dr. Neal's duties will include general supervision of research activities, and coordination and interpretation of industrial and financial statistical data compiled by the Bank. The advices add:

Dr. Neal is a graduate of the University of California in the class of 1934, having received the degree of A.B. with highest honors in economics. He is a member of Phi Beta Kappa and studied for a year at the London School of Economics. He held a Social Science Research Council Fellowship during the academic year 1940—41 and was granted the degree of Doctor of Philosophy in economics by Brown University in 1941. Dr. Neal served on the faculty of the latter institution as Assistant Professor of Economics, and later became associated with the Office of Price Administration, holding the position of Assistant War Goods Price Coordinator at the time he joined the Federal Reserve Bank organization. He is the author of "Industrial Concentration and Price Inflexibility", co-author of "Introduction to War Economics" and author of several articles published in various professional journals.

Tait President of Detroit Clearing House

George R. Tait, Vice-President of the Manufacturers National Bank, of Detroit, Mich., has been elected President of the Detroit Clearing House Association. He succeeds T. Allan Smith, Vice-President of the Commonwealth Bank. Charles T. Fisher, Jr., President of the National Bank of Detroit, has been elected First Vice-President of the Clearing House; Joseph M. Dodge, President of the Detroit Bank, has been elected Second Vice-President, and John C. Calhoun, Assistant Cashier of the Manufacturers National Bank, is the new Secretary and Treasurer.

Mr. Tait has appointed the following as Chairmen of the respective committees: Executive Committee, Charles T. Fisher, Jr., President National Bank of Detroit; Operations Committee, Charles A. Stoll, Second Vice-President Manufacturers National Bank; Advertising Committee, Adrian A. McGonagle, Controller the Detroit Bank; Auditing Committee, William Duell, Auditor of Detroit Bank; Personnel and Personnel Relations Committee, A. T. Wilson, Vice-President National Bank of Detroit. George D. Miller, of Miller, Canfield, Paddock and Stone, has been reappointed legal counsel.

Rudolph Weissman With Cole, Hoisington Co.

Cole, Hoisington & Co. Inc., 120 Broadway, New York City, announce that Rudolph L. Weissman, formerly a member of the staff of the Securities and Exchange Commission, is now associated with them.

Broker-Dealer Personnel Items

(Continued from page 529)

(Special to THE FINANCIAL CHRONICLE)

NEW ORLEANS, LA.—**Charles C. Armbruster** is with **D'Antoni & Co.**, American Bank Building.

(Special to THE FINANCIAL CHRONICLE)

NEW ULM, MINN.—**Kenneth M. Haugen** is connected with **State Bond & Mortgage Co.**, 26½ North Minnesota Street. He was formerly in the U. S. Army.

(Special to THE FINANCIAL CHRONICLE)

OMAHA, NEB. — **Harold M. Smith** has rejoined **Buffett & Co.**, Omaha National Bank Building, after serving in the armed forces.

(Special to THE FINANCIAL CHRONICLE)

ORLANDO, FLA.—**William B. Cavanaugh** is with **Cohu & Torrey**, 26 Wall Street.

(Special to THE FINANCIAL CHRONICLE)

ST. PAUL, MINN.—**Charles R. Alsaker** and **James E. Klingel** have become associated with **Juran & Moody**, 152 East Sixth Street. Mr. Klingel was previously with Kalman & Co.

(Special to THE FINANCIAL CHRONICLE)

ST. PAUL, MINN.—**James T. Morse** has become affiliated with **Kalman & Co.**, Endicott Building. He has recently been with the U. S. Navy Air Force.

(Special to THE FINANCIAL CHRONICLE)

ST. PAUL, MINN.—**J. J. Goblirsch** has rejoined **Lamson Brothers & Co.**, Pioneer Building, after serving in the U. S. Army.

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, FLA.—**Edmund D. Read** is with **Cohu & Torrey**, Florida National Bank Building.

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, FLA.—**Geo. K. Symons** has become affiliated with **W. H. Heagerty & Co.**, Florida Theatre Building. He was previously with Cohu & Torrey.

(Special to THE FINANCIAL CHRONICLE)

WILMINGTON, N. C.—**Paul A. Allen** is with **Kirchofer & Arnold, Inc.**,, Insurance Building, Raleigh, N. C.

(Special to THE FINANCIAL CHRONICLE)

YOUNGSTOWN, OHIO—**Charles M. Port** and **Arthur E. Reynolds** are now with **S. T. Jackson Co., Inc.**, Union National Bank Bldg.

SOUTHERN PACIFIC RAILROAD COMPANY

Invitation for Bids

for

$50,000,000 First Mortgage % Bonds, Series E.

Southern Pacific Railroad Company, hereinafter called the "Railroad Company," hereby requests bids for

$50,000,000, principal amount, First Mortgage Bonds, Series E (hereinafter called the "Bonds of Series E"), to be dated January 1, 1946; to mature January 1, 1986; to bear interest (payable semi-annually on January 1 and July 1 of each year) at a rate (which must be a multiple of ⅛th of 1%) to be named by the accepted bidder; and to be secured by the Railroad Company's First Mortgage, dated as of July 1, 1945, as supplemented by First Supplemental Indenture dated as of January 1, 1946 (hereinafter called the "First Mortgage"), to The Chase National Bank of the City of New York, as Trustee.

The Bonds of Series E will be guaranteed unconditionally as to both principal and interest by endorsement by Southern Pacific Company.

The Bonds of Series E will be issued as coupon bonds in the denomination of $1,000, or as fully registered bonds in denominations set forth in the draft of the Circular hereinafter mentioned. They will be redeemable at the option of the Railroad Company, as a whole, or in part by lot, at any time, on not less than 60 days' published notice, at prices determined in accordance with the formula applying to optional redemption set forth in the draft of the Circular.

As a Sinking Fund by which the Bonds of Series E and bonds of other series issued under the First Mortgage may be retired, the Railroad Company will pay to the Trustee on or before July 1st in each year, beginning on July 1, 1951, (a) a sum equal to one per cent. of the principal amount of Bonds of Series E, theretofore authenticated and delivered under the First Mortgage, as supplemented by the First Supplemental Indenture, less (i) the principal amount of Bonds of Series E theretofore surrendered to the Trustee and cancelled, except Bonds of Series E retired through any sinking fund for bonds issued under the First Mortgage and (ii) the principal amount of Bonds of Series E which shall have matured or which the Railroad Company shall have called for redemption, otherwise than through the operation of any sinking fund for bonds issued under the First Mortgage, but which shall not have been presented for payment, or (b) a sum equal to the amount available therefor out of the net income of the Railroad Company for the preceding calendar year in accordance with the provisions of the following paragraph, whichever sum is less. The First Mortgage provides that, if the lease of the Railroad Company's railroad properties by Southern Pacific Company should be amended (other than the renewal or extension thereof on the same terms), or a new lease entered into, which would result in reducing the net income of the Railroad Company below what it would have had if no such amendment had been made, or new lease entered into, the annual payment into this Sinking Fund will be the amount specified in (a) above.

In case the net income of the Railroad Company for any calendar year shall be insufficient to provide for the full sinking fund payment described in the preceding paragraph and the full sinking fund payments to be made on the next succeeding July 1, on bonds of all series then outstanding which, under the provisions of the First Mortgage and the provisions of such bonds, rank *pari passu* with this Sinking Fund, the amount of net income available for such sinking funds shall be prorated among the sinking funds for such series of bonds, respectively, in proportion to the maximum amounts which would be payable into such sinking funds, respectively, on such July 1 if the net income of the Railroad Company for such calendar year had been sufficient to make such maximum payments. The amount to be paid into this Sinking Fund in any year may be increased to the extent provided in any supplemental indentures creating other series of bonds, but the principal amount of Bonds of Series E to be redeemed in any one year out of this Sinking Fund shall in no event exceed $500,000.

No payment into this Sinking Fund shall be required in any year if prior to July 1 in such year all of the Bonds of Series E shall have been retired or shall have matured or been called for redemption but not been presented for payment.

Payments into this Sinking Fund may be made at the option of the Railroad Company either in cash or in bonds of any series issued at any time under the First Mortgage, other than Bonds of Series D, at the principal amount thereof, or partly in cash and partly in such bonds. All moneys paid to the Trustee for this Sinking Fund shall be applied by it to the purchase of bonds of any series issued at any time under the First Mortgage, other than Bonds of Series D, as the Railroad Company may instruct, at private sale or in the open market, but at a cost (exclusive of accrued interest, brokerage charges and other expenses) not exceeding the respective sinking fund redemption prices for such bonds, on the date of such purchase, or, if not redeemable for sinking fund, the respective optional redemption prices of such bonds on the date of such purchase, or, if not redeemable, the principal amount thereof. The Railroad Company may, at any time, beginning July 1, 1951, call for redemption for this Sinking Fund an amount of Bonds of Series E, or bonds of any series, issued hereafter under the First Mortgage, which are redeemable for this Sinking Fund, up to the amount which will exhaust the moneys then in this Sinking Fund. All bonds delivered to the Trustee on account of this Sinking Fund, or purchased or redeemed by the application of moneys in this Sinking Fund, shall be cancelled and no bonds shall be issued in lieu thereof.

New York, N. Y., January 25, 1946.

The issuance of the Bonds of Series E and the sale of $50,000,000, principal amount, of the Bonds of Series E, and the guaranty thereof, require authorization of the Interstate Commerce Commission. Acceptance of any bid will be subject to and contingent upon obtaining such authorization.

The proceeds of the sale of the First Mortgage Bonds of Series E will be applied to the retirement or redemption of the Railroad Company's First Mortgage Bonds, Series B, due January 1, 1986. There are $50,000,000, principal amount, of First Mortgage Bonds, Series B, $25,000,000, principal amount, First Mortgage Bonds, Series A, due January 1, 1961, and $50,000,000, principal amount, First Mortgage Bonds, Series C, due January 1, 1996, issued and outstanding in the hands of the public, and $25,000,000, principal amount, First Mortgage Bonds, Series D, due January 1, 1996, owned by Southern Pacific Company, all of which are guaranteed as to principal and interest by Southern Pacific Company.

The Railroad Company invites bids for the purchase of not less than the entire issue of the Bonds of Series E. Bids may be made by a single bidder or by a group of bidders. If a bid is signed by a representative on behalf of a group of bidders, each bidder makes the representative the bidder's agent, duly authorized to bid, to improve or vary the bid, to receive acceptance or refusal thereof, to receive notice of closing, to accept delivery of the Bonds and generally to represent, act for and bind the buyer in respect to the bid, its acceptance, refusal, improvement, variance or performance, and the representative warrants that he has such authority. Each bid must name a specified price, plus accrued interest from January 1, 1946, to the date of delivery. No bid stating a price of less than 98% of the principal amount of the Bonds of Series E, plus accrued interest, will be considered. As stated in the Form of Bid accompanying the Request for Bids, bearing even date herewith, the obligations of the several members of a group of bidders shall be several and not joint. All bids must be submitted in duplicate on the said Form of Bid, which, together with the draft of Circular setting forth information concerning the Railroad Company and the Bonds, is being distributed to persons of whom the Railroad Company has knowledge as being possibly interested in the purchase of the Bonds. Copies of the draft of Circular may be obtained from the undersigned in reasonable quantities upon request.

Bids must be enclosed with accompanying papers in a plain envelope, securely sealed, bearing no indication of the name of the bidder or bidders or the amount of the bid, marked "Bid for Southern Pacific Railroad Company First Mortgage Bonds, Series E," and addressed to J. A. Simpson, Treasurer, Southern Pacific Railroad Company, Suite 2117, 165 Broadway, New York 6, N. Y. All bids must be received at that office on or before 12 o'clock Noon, Eastern Standard Time, on February 4, 1946. Bids so received will be opened by an authorized officer of the Railroad Company, at said office promptly after 12 o'clock Noon, Eastern Standard Time, on said date. Each bidder may attend the opening of the bids in person or by a duly authorized representative. Each bid must be accompanied by certified or bank cashier's check in New York Clearing House funds, for $1,000,000, payable to the order of Southern Pacific Railroad Company, such checks to be returned except to the accepted bidder. The deposit so made by the accepted bidder, or group of bidders, will be applied, to the extent provided in said Form of Bid, on the purchase price of the Bonds. No interest will be allowed on the amounts of checks furnished by bidders.

The Railroad Company may accept the bid deemed by it to be most advantageous, but reserves the right to reject any and all bids. Unless the Railroad Company shall reject all bids, notice of acceptance of the most favorable bid, subject to the approval of the Interstate Commerce Commission, will be given orally, or by telephone or telegraph, to the successful bidder or to the representative or representatives of the successful bidder not later than one o'clock P. M., Eastern Standard Time, on February 5, 1946, and all bids shall be irrevocable until that time. Any bid not accepted at such time will be deemed to have been rejected. The determination of the most favorable bid will be made on the basis of the lowest net interest cost, arrived at by computing at the rate named in each bid, interest for the term of the Bonds of Series E on the full principal amount and deducting therefrom the premium, if any, or adding thereto the discount, if any, resulting from the price named in such bid.

The successful bidder or group of bidders will be furnished with a favorable opinion of Messrs. Cravath, Swaine & Moore as to the validity of the First Mortgage as supplemented by the First Supplemental Indenture thereto, of the Bonds of Series E and of the guaranty thereof, and the successful bidder or bidders shall have no right to refuse to purchase the Bonds of Series E on the basis of any questions as to such validity if such favorable opinion shall be furnished.

A copy of a draft of the First Supplemental Indenture and a copy of the First Mortgage (to both of which reference is made for a more complete description of the terms of the Bonds and the rights of the holders thereof), a copy of a draft of the Agreement between Southern Pacific Company and the Trustee under the First Mortgage providing for the guaranty of the Bonds of Series E, and a copy of the application to the Interstate Commerce Commission and accompanying exhibits are available for inspection at the office of the undersigned, Suite 2117, 165 Broadway, New York 6, N. Y., and at the office of the Trustee, The Chase National Bank of the City of New York, 15 Broad Street, New York 15, N. Y., and at the office of the Assistant Treasurer of the Railroad Company, Room 654, 65 Market Street, San Francisco 5, California.

SOUTHERN PACIFIC RAILROAD COMPANY

By J. A. SIMPSON, *Treasurer*

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

Taft Regards Figures of Nation's Debt Estimated By Truman as Misleading

Criticism and praise from Democrats and Republicans in Congress were directed toward President Truman's message on Jan. 21, most of the comment, however, having followed party lines, it was noted in Associated Press advices on Jan. 21 from Washington, which added that the Congressmen generally found the President's recommendations on the State of the Union such as he had made before or such as had been thoroughly expected, and their principal attention centered on the budgetary phases.

Pointing out that some of the sharpest remarks in this connection were made by Sen. Robert A. Taft, Republican, of Ohio, the press advices reported Mr. Taft as having asserted in a statement that "it is not true that the public debt will be reduced during the year." Continuing, the Associated Press had the following to say:

"The estimate of a deficit of $4,300,000,000 for 1947 is somewhat misleading," Senator Taft said. "It only includes $1,000,000,000 for the Export-Import Bank, which will need $2,800,000,000. It does not count the proposed British loan at all. It does not include the Bretton Woods payments, which will amount to $2,750,000,000 in gold, cash and notes to the fund. It is not clear whether the budget includes food-subsidy payments, some of which may have to be continued. Nor does it include Rural Electrification Administration loans of $250,000,000. UNRRA is down for $600,000,000 only, but will spend twice that amount.

"If these are regarded as expenditures the deficit will be closer to $14,000,000,000 than $4,000,000,000 even if these expenditures are regarded as loans. All of them, except the transfer of gold from the stabilization fund, will increase our public debt."

Sen. Harry F. Byrd, Democrat, of Virginia, complimented Mr. Truman on "an approach" to a balanced budget.

Taking note of Mr. Truman's estimate that the Federal debt will be down to $271,00,000,000 June 30, 1947, Senator Byrd said he plans to introduce a bill to set the Federal debt limit at $275,000,000. The legal limit now is $300,000,000,000.

Representative Everett M. Dirksen, Republican, of Illinois, called the message "highly encouraging." Sen. Wayne Morse, Republican, of Oregon, generally indorsed it, although he remarked that the "fact-finding proposal will not solve labor disputes." And Representative Bertrand W. Gearheart, Republican, of California, commented: "I agree with some of the President's recommendations, I am in doubt about some and others I oppose vigorously."

On the other side, Sen. Olin D. Johnston, Democrat, of South Carolina, thought that "if we try to do too much, we may not get anything done."

Sen. Scott W. Lucas, Democrat, of Illinois, termed labor-management troubles "The number one problem" and said that "it must be settled before most of the proposed legislation could bring contructive benefits."

Several Republicans called for greater economies, Representative Harold Knutson, Republican, of Minnesota, proposed that the estimates for all Government agencies except the Veterans Administration be cut by a flat 25%.

The House Republican leader, Representative Joseph W. Martin of Massachusetts, similarly said that "if we're really serious about budget-balancing, we will act to eliminate excessive spending and extravagance and will reduce substantially the top-heavy bureaucracy."

Sen. Styles Bridges, Republican, of New Hampshire, declared that Mr. Truman's message ought to have been labeled "a message on the sorry state of the Union."

"Actually," said Senator Bridges, the budget is way beyond what it should be and we're still running a terrible deficit."

Sen. James M. Mead, Democrat, of New York, labeled the President's economic program "sound and necessary," and Sen. Charles Gossett, Democrat, of Idaho, said that "the President has pointed the way for our nation to remain prosperous with agriculture, labor and industry functioning at full capacity in peacetime as they did in wartime. The people will look to Congress to pass legislation to implement the President's program."

One thing Sen. James O. Eastland, Democrat, of Mississippi, liked about the 25,000-word message was its length. He and fellow filibusterers against the Fair Employment Practice Committee took a breathing spell during the reading by clerks.

UNIVERSAL PICTURES

COMPANY, INC.

reports on its progress in providing

ENTERTAINMENT FOR THE MILLIONS

UNIVERSAL PICTURES are entertainment designed for the millions . . . entertainment created to be enjoyed around the globe. Marking a further step in Universal's program to give increasing emphasis to the production of pictures of top entertainment value, the company has further expanded its human resources of creative talent through the addition of a group of outstanding producers and directors.

As Universal makes pictures, Universal *makes* stars . . . developing more and more young actors and actresses in the same manner it developed such Universal stars as delightful Deanna Durbin, lovely Maria Montez, sensational Yvonne DeCarlo, hilarious Abbott & Costello. And the list could go on and on—Donald O'Connor, Turhan Bey, Charles Korvin, Ella Raines, Ann Blyth and Peggy Ryan—a host of talented others. For good entertainment demands good talent. And Universal pictures are built to be good entertainment—to appeal to a vast market.

Something of the size of the motion picture market is indicated by the 90,000,000 to 100,000,000 cash admissions sold at American motion picture box offices each week—a total of 4½ to 5¼ billion cash sales a year in the United States alone.

Universal's policy of constant emphasis on the *most* entertainment for the *most* people results in many different types of pictures. Current and coming Universal releases include such strong star, story and production values as:

Scarlet Street—Edward G. Robinson, Joan Bennett, Dan Duryea

Because of Him—Deanna Durbin, Charles Laughton, Franchot Tone

Night in Paradise—Merle Oberon, Turhan Bey

Little Giant—Abbott & Costello

Tangier—Maria Montez, Robert Paige, Sabu

Canyon Passage—Dana Andrews, Brian Donlevy, Susan Hayward, Patricia Roc

So Goes My Love—Myrna Loy, Don Ameche

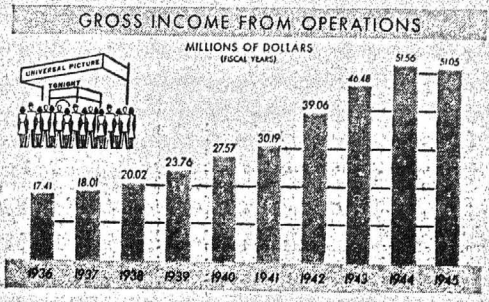
Shahrazad—Yvonne DeCarlo, Jean Pierre Aumont, Brian Donlevy

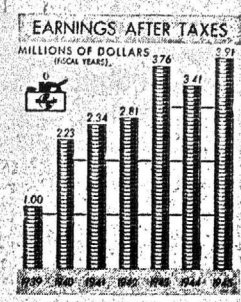
A copy of the Annual Report will be gladly furnished on request to Universal Pictures Company, Inc., Rockefeller Center, New York 20, N. Y.

FINANCIAL PROGRESS

Universal Pictures Company, Inc. today is in the strongest financial condition in its history. It is therefore in a favorable position both to meet the problems of the post-war era and to take advantage of opportunities for growth and expansion along sound lines.

Net profit, in the fiscal year ended November 3, 1945, after provision for Federal income and excess profits taxes of $5,981,000, was $3,910,928, the largest in the history of the company and comparing with $3,412,701 in the preceding year. This net profit was equivalent to $4.86 per share.





Rentals and sales of Universal pictures and other operating income totaled $51,049,428 and compared with the all-time peak of $51,561,504 in the preceding year.

Net working capital attained a new record high of $23,030,555. The ratio of current and working assets to current liabilities was $5.44 to $1 compared with $2.84 to $1 a year ago.

The Board of Directors maintained dividends at the rate of $2 per year, voting four quarterly payments of 50 cents per share.

NEW WORLD-WIDE UNDERTAKINGS

Universal is participating in the formation of a new major American motion picture producing company to be known as International Pictures Corporation. This new company, to be jointly owned by Universal and the Leo Spitz-William Goetz interests, will acquire the story and production assets of International Pictures, Inc. (the present Spitz-Goetz company) which in its first two years of operation produced a number of outstanding hits. It plans to:

1. Produce a minimum of 8 top productions annually for exclusive world-wide distribution through a new Anglo-American distributing organization of which it will be part owner.

2. Establish its headquarters at the Universal studio in California. Universal will make available to it production facilities on a rental basis.

Coincident with the organization of International Pictures, a new world-wide distributing organization to be known as United World Pictures Company, Inc. is being formed. This new company, to be jointly owned by International Pictures (of which Universal will own half) and the J. Arthur Rank interests of Great Britain, plans to:

1. Establish a world-wide selling and distributing organization, which will make use of physical facilities of Universal in this country and abroad, and also of companies in the Rank Group, under lease arrangements.

2. Distribute outstanding American and British films in United States, Great Britain and throughout the rest of the world. It expects to distribute a minimum of 8 American and 8 British pictures of distinction each year, starting September 1, 1946.

Arrangements among Universal, International and United World include the possible acquisition of theatres in key cities of the United States and throughout the world as "show windows" for the exhibition and exploitation of films.

Universal's participation in this new world-wide undertaking should give the company increasing prestige, both in this country and abroad, and there are other important advantages. However, it should be emphasized that the new arrangements will in no way interfere with Universal's plans for increasing its own business, both in this country and abroad.

J. CHEEVER COWDIN,
Chairman of the Board

N. J. BLUMBERG, *President*

Treasury Offers ⅞% Ctfs.

The Treasury Department announced on Jan. 21, an offering of 1-year ⅞% certificates of indebtedness for exchange to the holders of ⅞% certificates of indebtedness, series A-1946, maturing Feb. 1, 1946, in the amount of $5,043,467,000. The Treasury advices state:

The certificates will be dated Feb. 1, 1946, and will bear interest from that date at the rate of ⅞% per annum, payable semiannually on Aug. 1, 1946, and Feb. 1, 1947. They will mature Feb. 1, 1947, and will not be subject to call for redemption prior to maturity.

The income derived from the certificates shall be subject to all Federal taxes, now or hereafter imposed. The certificates shall be subject to estate, inheritance, gift or other excise taxes, whether Federal or State, but shall be exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority.

The certificates will be acceptable to secure deposits of public moneys. They will not be acceptable in payment of taxes.

Bearer certificates with interest coupons attached will be issued in denominations of $1,000, $5,000, $10,000, $100,000 and $1,000,000. The certificates will not be issued in registered form.

The certificates will be subject to the general regulations of the Treasury Department, now or hereafter prescribed, governing United States certificates.

Subscriptions will be received at the Federal Reserve Banks and Branches and at the Treasury Department, Washington.

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

Price and Other Controls

By HON. TOM C. CLARK*
Attorney General of the United States

Cabinet Officer Contends That Growth of Federal Power Has Become Essential to Protect Public in Matters in Which State Powers Are Ineffective and Cites the Protective Measures Against Inflation as an Instance. Claims Wartime Price Controls Have Prevented the Disastrous Effects of Inflation Which Followed World War I, and Also States That We Must Have Full Production With Price Control. Says Industrial Conflicts Must End, "Otherwise Your Government Will Have to Step in" and Put an End to "Kicking Around of the Public." Upholds Continuation of Wartime Powers of President. Favors Loan to Great Britain, and Lauds President Truman's Policies.

There was a time early in American history when there was no Federal Department of Justice; in fact, there was very little Federal Government at all.

Tom C. Clark

A great statesman, Jefferson I think, said: "The Federal (Government) is in truth our foreign Government, which Department alone is taken from the sovereignty of separate states."

In fact, the first Attorney General of the United States went further, in that he vehemently denied that the States had ever yielded any of their sovereignty.

Indeed, there are still some people today who think of the Federal Government as foreign to them.

But in truth the Federal Government is close to the people and necessary to them, for in our expanded society, and with our ever-increasing responsibilities the Federal Government must necessarily exercise certain functions which are beyond the reach and power of the individual States.

Although I am a strong believer in States' rights, I am equally as strong in the opinion that the Federal Government must step in to protect the whole people in those areas where the States lack power to act effectively.

Protection Against Inflation

For example, let us take inflation.

Certainly it knows no State boundaries. Clearly the over-all American economy must be protected from the disastor of infla-

*An address by Attorney General Clark before the Indiana Bar Association, Indianapolis, Ind., Jan. 25, 1946.

(Continued on page 589)

Scientific Research and Economic Development

By GEORGE R. HARRISON*
Dean of Science, Massachusetts Institute of Technology

Dean Harrison Points Out That Industrial Research in the United States Since 1920 Has Expanded 25-Fold. He Holds That Scientific Research, Which Is Now Directed at Increasing the Availability of the Sun's Energy, Will Make the Wealth of Society Limitless. He Deprecates the "Nonsense and Calamity Howling" Attending Current Discussion of the Atomic Bomb, Warning That Scientists as Well as Journalists Like to Startle Their Public by Prophecies of Doom. He Cites the Close Interrelationship Between Politics, Economics, Industry, Technology and Science.

In discussing the relation of scientific research to economics one should, of course, be as specific as possible. Yet only the other day I got into trouble by being too specific over the radio. I was talking on one of the Sunday afternoon programs about the methods of the modern chemist, who, instead of letting his chemicals fizz away at random and then testing the resulting messes for usefulness, prepares specially designed "custom-built" molecules such as freon and atabrine and nylon.

George R. Harrison

The results of applied research in raising the economic level, which have been so ably demonstrated by Dr. Wilson using the petroleum industry as an example, can be demonstrated for any one of a score of industries on which our economy depends.

In 1926, 200,000 American mechanical refrigerators were sold at $400 apiece. Ten years later, as a result of industrial research, much better refrigerators could be sold for less than half as much, and as a result ten times as many were sold. Again, 1,750,000 radios were sold in 1926 at an average of $114. Ten years later much better sets could be sold for an average of $54.50, so five times as many were sold. Most of this gain resulted from industrial research.

When a manufacturer can sell better machines at one-half the previous price, there is an immediate reaction on the economy. He sells many more machines and thus gets a far greater return, which enables him to pay more to labor for a shorter work week; to pay higher taxes, if necessary; to support a still better research laboratory than he had before, and to declare higher dividends. Research is one economic panacea that really works.

Industrial research in the U. S. expanded 25-fold between 1920 and 1945. In 1940, industry was spending $300,000,000 per year on research, carried out by 70,000 scientists in 2,300 industrial laboratories. Profits directly traceable to this research have paid for it a dozen times over.

The type of research which is emphasized most is applied re-

*Address by Dr. Compton befor the Economic Club of New York: Jan. 21, 1946.

(Continued on page 593)

George Reinhart Joins Gruntal & Co's Staff

George Reinhart has resigned as secretary of A. C. Israel Commodity Co., Inc., to direct the commodity department of Gruntal & Co., 30 Broad Street, New York City, members of the New York Stock and Curb Exchanges. He has spent the major part of his career in the commodity field, having joined A. C. Israel in 1919. He has a wide acquaintance among the importers, jobbers, brokers and manufacturers in numerous commodity fields.

Detroit Harvester Co. Common Stock Sold

An underwriting group headed by Reynolds & Co. on Jan. 28 distributed 101,769 shares of Detroit Harvester Co. common stock (par $1) at $21 a share. The money will be used to retire bank loans, to buy machinery and equipment and to finance building improvements and increase working capital.

On Jan. 10 the authorized capital was increased from 200,000 to 500,000 shares and each share outstanding on that date became two shares. With the financing just completed, there are 400,000 shares outstanding.

Granger to Receive Award

Major David Granger, Jr., a partner in Sulzbacher, Granger & Co., 111 Broadway, New York City, members of the New York Stock Exchange, will be among those to receive an award from the British Government in Washington on Feb. 12, in recognition of distinguished service performed in cooperation with the British Armed Forces during the war.

de Saint-Phalle Admits

Andre de Saint-Phalle & Co., 25 Broad Street, New York City, members of the New York Stock Exchange, will admit David C. Moss to partnership on Feb. 7.

This advertisement appears as a matter of record only and is under no circumstances to be construed as an offering of these Shares for sale, or as an offer to buy, or as a solicitation of an offer to buy, any of such Shares. The offering is made only by the Prospectus. This advertisement is published on behalf of only such of the undersigned as are registered or licensed dealers or brokers in this State.

New Issue

50,000 Shares

Golden State Company, Ltd.

4% Cumulative Preferred Stock

(Convertible into Common Stock on or before December 31, 1955)

$100 Par Value

Price $103.50 per share

plus accrued dividends, from January 1, 1946, to date of delivery

Copies of the Prospectus may be obtained only from such of the undersigned as are registered or licensed dealers or brokers in securities in this State.

Blyth & Co., Inc.

Lehman Brothers Wertheim & Co.

J. Barth & Co. Dean Witter & Co.

January 31, 1946

This advertisement is not, and is under no circumstances to be construed as, an offering of this Stock for sale, or as a solicitation of offers to buy, any of such Stock. The offering is made only by the Prospectus.

Not a New Issue

153,400 Shares

Julius Kayser & Co.

Common Capital Stock

($5 Par Value)

Price $25.25 Per Share

These Shares are a part of the 740,000 Shares to be outstanding on January 31, 1946 after the adjustment of the Company's capitalization by the issue to stockholders, without payment by them, of one additional Share for each of the 370,000 Shares now outstanding.

Copies of the Prospectus may be obtained in any State only from such dealers participating in this issue as may legally offer this stock under the securities laws of such State.

CARL M. LOEB, RHOADES & CO.

January 30, 1946

gitized for FRASER
tp://fraser.stlouisfed.org/

Trevor Currie in Denver

(Special to THE FINANCIAL CHRONICLE)

DENVER, COLO.—Trevor Currie has opened offices in the United States National Bank Building, to engage in the investment busines. In the past he was an investment dealer in Denver for a number of years.

Lutich Again Partner

SAN FRANCISCO, CALIF. — Harold W. Lutich has been admitted to partnership with Sidney P. Kahn in Sidney P. Kahn & Co., 486 California Street. Mr. Kahn, prior to serving in the armed forces, was a partner in the firm.

Two With City Nat'l Bank

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, MO.—Merrill C. Morong and Harold E. Waeckerle have joined the staff of the City National Bank & Trust Company, 1801 Grand Avenue, after serving in the armed forces.

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

Shellmar Products Corporation

(A Delaware Corporation)

40,000 Shares

4¾% Cumulative Preferred Stock

($50 Par Value)

Price $52.50 per Share

(Plus accrued dividends from date of issue)

150,000 Shares

Common Stock

(No Par Value)

Price $24 per Share

Copies of the Prospectus may be obtained in any state in which this announcement is circulated only from such of the several Underwriters as are registered dealers in such state.

Glore, Forgan & Co.

Hallgarten & Co. Hornblower & Weeks Merrill Lynch, Pierce, Fenner & Beane

Shields & Company Dean Witter & Co.

Kalman & Company, Inc.

January 29, 1946

Says Workers Are on Offensive

Mark Starr, Educational Director of International Ladies' Garment Workers, Contends That Wage Cutbacks and Accumulated Grievances, Combined With Strength of Unions, Are Responsible for Upsurge of Strikes. Holds Unions Are Partners in Industry and Should Have Access to All Relevant Facts.

In a statement made at Freedom House in New York City on Jan. 25, Mark Starr, Educational Director of the International Ladies' Garment Workers' Union, in attacking the Smith-Connally Act and other restrictive legislation, laid the cause of the current upsurge of strikes to an offensive policy by the unions against accumulated grievances, backed up by "their greatly increased strength."

Mark Starr

"Industrial peace is like health, most prized when lost, and it can be retained only by forethought and cooperation between intelligent and farsighted employers and the trade unions," Mr. Starr stated. "It is useless deploring strikes. The right to strike for the sellers of labor power is indispensable in a free society. The employer likewise has the freedom to shut down his plant. Can you imagine productive work being done by men with a revolver stuck in their backs? The possibilities of sabotage by slave labor are unlimited. When organized firemen and teachers volunteer to give up the right to strike, that is a different matter, but there can be no doubt that the prohibition of the right to strike is the first real sign of Fascism in any country."

"Good industrial relations," he continued, "cannot be restored by punitive legislation, rushed through as was the Smith-Connally Bill over the President's veto in hysterical hate born of misunderstanding. Even the shortsighted authors of that bill are now anxious to disown it. Faced by serious wage cutbacks and suffering from many accumulated grievances, the workers, as after other wars, are on the offensive and their greatly increased strength adds to the current upsurge of strikes."

"To secure harmonious relations and a continuance of labor-management cooperation, we need the recognition: (1) that collective bargaining is the law of the land; (2) that unions, as partners in industry, should have access to all relevant facts; (3) that workers are entitled to a higher standard of life, based upon the increased cost of living, the greatly increased productivity of their labor and the unprecedented profits made in wartime by business; (4) and that this improved standard of life will be the best preventive against the return of the depression years following 1929."

Glore, Forgan Group Offers Shellmar Stocks

Glore, Forgan & Co. headed an investment group which on Jan. 29 made a public offering of 40,000 shares of 4¾% cumulative preferred stock ($50 par) and 150,000 shares (no par) common stock of the Shellmar Products Corp., a leading producer of packaging materials. The preferred stock was priced at $52.50 per share and the common at $24 per share.

Proceeds from the preferred stock financing, together with other corporate funds, will be used to purchase 40% of the outstanding capital stock of the Self-Locking Carton Co., which represents all of the outstanding stock not now owned by Shellmar. Shellmar Products was merged with the De Graff Corp. last November, the latter company having owned 60% of the common stock of Self-Locking Carton.

Proceeds from the sale of the common stock will not accrue to the Company since it represents a portion of the holdings of certain stockholders.

Shellmar is a leading producer of protective packaging materials and recently entered the plastics field. Self-Locking Carton Co. is a pioneer manufacturer of egg cartons of the self-locking cushion and molded paper types.

All of these securities having been sold, this advertisement appears as a matter of record only and is not under any circumstances to be construed as an offering of these securities for sale, or as a solicitation of an offer to buy any such securities.

120,000 Shares

Carrier Corporation

Preferred Stock (Cumulative), 4% Series

($50 Par Value—Convertible Prior to January 15, 1956)

Of the 118,257.26 shares offered to holders of Common Stock of the Corporation, 112,887 shares were subscribed for upon the exercise of Subscription Warrants issued to such holders of Common Stock. The 7,113 shares purchased by the Underwriters, severally, have been sold.

Harriman Ripley & Co. Incorporated — Hemphill, Noyes & Co.

The First Boston Corporation — Lehman Brothers — Kebbon, McCormick & Co.

Merrill Lynch, Pierce, Fenner & Beane — Union Securities Corporation

Clark, Dodge & Co. — Eastman, Dillon & Co. — Hornblower & Weeks

W. E. Hutton & Co. — Julien Collins & Company

January 29, 1946.

William Carley With Webber, Simpson Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—William M. Carley has become associated with Webber-Simpson & Co., 208 South La Salle Street. Mr. Carley was formerly with Bennett, Spanier & Co. and Olin, Emery & Co. In the past he conducted his own investment business in Chicago.

Dominick to Admit

Dominick & Dominick, 14 Wall Street, New York City, members of the New York Stock Exchange and other Exchanges, will admit Adams Batcheller, Jr. to partnership on Jan. 31. Mr. Batcheller will acquire to Exchange membership of William C. Beach.

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

Sees Yield on Municipal Bonds At Record Low

Noting that "from a Jan. 1 starting point of 1.62, the price index of the municipal bonds of 20 large cities rose to an all-time high of 1.35 in May of last year," and that "Final quotations at the year end approximated the May high." Louis S. Lebenthal, Senior Partner of Lebenthal and Co. in a January review of the Municipal Bond Market states that:

Louis S. Lebenthal

"Number of factors were responsible for the continued advance of municipals. To begin with, there was little or no new financing, the available supply being limited to refundings and sales by some institutional and State and Municipal Sinking Funds.

"Contributing also to the confidence of investors was the continued improvement in municipal finances, virtually every city and state now being in a strong fiscal position. While the temporary ban on horse racing combined with gasoline and tire rationing cut somewhat into tax revenues, this loss was offset by the forced reduction in expenditures due to shortages of materials and labor.

"It is expected that the coming year will see a continuation in the rise of municipal bond prices, largely because of the same factors that have been operating in the municipal bond market for some years—a dwindling supply of available bonds, a steady improvement in municipal finances, and a growing realization of the advantage of tax exemption.

"Incidentally, in 1945, the Courts once again affirmed the legality of one phase of tax exemption. The U. S. Tax Court held in the case of the Port of New York Authority Bonds that there is no distinction between such political subdivisions and any city in the United States, and that therefore the income received from such Authority Bonds is exempt from Federal Income Tax. The U. S. Court refused to review the decision. This means that all municipal bonds remain exempt from all present Federal Income Taxes.

"The most sizeable of last year's sparse offerings was the Triborough Bridge refunding of $110,000,000. There is not likely to be much more municipal financing in 1946, since large cash balances prevail generally, and unstable prices are likely to discourage the inauguration of large scale improvements. For the long term, however, the outlook is for sizeable municipal bond issues. State and government officials are planning the erection of more than 6,000 airports. Acquisition of title, land preparation and erection of hangars and other accessories promise to require considerable municipal financing. It is expected that total bond issues for this one purpose may well exceed those for highway construction.

"On the whole, present holders of municipal bonds may look to the future with equanimity."

Visualizes Stronger Market In Real Estate Bonds

According to H. R. Amott, President of Amott, Baker & Co., Inc., the performance of the real estate bond market during 1945 and over the past four years had undoubtedly equalled, if not surpassed, the record of any other single class of securities. In support of this statement, the Amott-Baker Realty Bond Price Averages reveal some very interesting statistics.

H. R. Amott

1. Real estate bond prices have enjoyed an uninterrupted rise in market value for 41 consecutive months.

2. The average price of the 200 issues that make up the averages advanced from $302 per $1,000 bond on Jan. 1, 1942, to $644 per $1,000 bond on Nov. 30, 1945, an increase of $342 per bond or 113%.

3. The Nov. 30, 1945 average price of $644 per $1,000 bond compares with a depression low figure of $187 per bond reached in 1933. The increase of $457 per bond is the equivalent of a gain of 244%.

4. The Nov. 30, 1945 price of $644 per bond is $194 or 43% higher than the top price reached in the business boom of 1936-1937.

5. The Nov. 30, 1945 price of $644 per bond is $363 or 129% above the low of the market reached at the close of 1940 in the business recession that followed the short lived 1936-1937 boom.

Although the real estate bond market has reached its highest point since the period preceding the depression of 1932-1933, there are many factors which indicate that the present boom will continue for an extended period. First, many bondholders today own all or a part of the equity of the underlying property. Such investors obviously stand to benefit directly from increased earnings and the higher values that are being assigned to equity holdings. Second, we are currently beset by one of the severest housing shortages in our history. Scarcity of commercial space, also, is nearly as severe. This scarcity factor places particular emphasis upon the replacement cost of property and its relationship to the price at which existing buildings will be evaluated. The stagnant pace at which materials have become available to the building industry is a clear indication of the unlikelihood that we will have any extensive construction of large commercial properties in the immediate future. Accordingly, it will take time to eliminate the present day deficiencies in housing and commercial quarters. Third, the fact that new buildings eventually will be constructed at much higher costs and will be maintained at a more expensive level than has been our experience in the past suggests that today's rentals, shackled by government controls, will and must go higher.

The present holder of real estate bonds should realize that in spite of the very substantial increase in the market value of his investment in recent years that this particular type of security is still selling on approximately a 6% current yield basis and at an average discount of 35% from par. The investor should also bear in mind that in the real estate bond market we are for the most part dealing with reorganized securities issued under plans consummated at a time of depressed real estate conditions. As a consequence, present day capitalizations of many of these publicly financed properties represent a drastic reduction from original debt. These reorganized properties, therefore, are able to show substantial profits despite the deterrent factor of rent control. Should properties in this category succeed in building up rental rates to a point half way between the existing ceiling price and the rentals enjoyed in 1926-1929 period earnings would expand tremendously. Under the circumstances, it is difficult to visualize any weakening in the price level of real estate bonds in the next several years.

A final thought: The floating supply of real estate bonds has declined perceptibly in recent months. On the other hand the number of real estate bond buyers has grown steadily larger. As in any market, when the demand begins to exceed the supply prices are forced upward. Thus, a note of caution is in order at this time when the prices of almost all real estate issues are advancing at one and the same time. Now that the market has reached a more satisfactory level, a much higher degree of selectivity of issues becomes necessary. The prudent buyer will investigate with care and thoroughness and seek the advice of well recognized and competent specialists in this field before plunging blindly into the current market.

This announcement 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. This is published on behalf of only those brokers or dealers in securities who are licensed or registered in the several States.

NEW ISSUE

101,769 Shares

Detroit Harvester Company

Common Stock

Par Value $1.00 Per Share

Price $21.00 per Share

Copies of the Prospectus may be obtained from only such of the brokers or dealers in securities as are licensed or registered in the several States.

Reynolds & Co. **Van Alstyne, Noel & Co.**

Alex. Brown & Sons **The Ohio Company**

Sutro & Co. **Watling, Lerchen & Co.**

January 28, 1946

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

January 31, 1946

21,170 Shares

Taylor Instrument Companies

Common Stock

($20 par value)

Price $30 per share

Copies of the Prospectus may be obtained from any of the several underwriters only in States in which such underwriters are qualified to act as dealers in securities and in which such Prospectus may legally be distributed.

The First Boston Corporation

George D. B. Bonbright & Co. Little & Hopkins, Inc.

Sage, Rutty & Co., Inc.

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

Missouri Brevities

A special meeting of stockholders of National Candy Co., will be held on Feb. 4, to vote on a proposal to consolidate this company with the Clinton Co. of Clinton, Iowa, a subsidiary, the resultant corporation to be known as Clinton Industries, Inc. Application will be made to list the stock of the new corporation on the New York Stock Exchange.

According to Richard M. Moss, Chairman of the Board, plans call for sale through underwriters of 100,000 shares of Clinton Industries Inc. capital stock. In addition, 630,465 shares of capital stock of $1 par value will be required for distribution to present stockholders of the two present companies. National Candy owns 89.8% of the outstanding stock of The Clinton Co. The consolidation proposal provides that 578,445 shares of stock in the new corporation will be issued to National Candy stockholders on a share-for-share basis, and that 52.020 shares will be issued to the minority shareholders in the Clinton Co. on the basis of 17 new shares for each of their present shares. In addition, these minority shareholders will receive a cash payment of $6 for each share converted.

The public offering of 100,000 shares of Clinton Industries, Inc. would be made as soon as practicable after the consolidation and after registration under the Securities Act of 1933. Proceeds of this sale will be used to retire a $2,500,000 bank indebtedness incurred by National Candy in retirement of its preferred stock on Aug. 15, 1945.

Preliminary steps toward consolidation have already been approved by stockholders in decisions to make both companies Delaware corporations, in which State the new organization will be incorporated. The Clinton Co. was formerly incorporated in Iowa, and the National Candy Co. in New Jersey.

The annual statement of the Rice-Stix Goods Co. of St. Louis for the year ended Nov. 30, 1945 reflects earnings attributable to wartime operations, and while both sales and profits show declines, the year was not unlike those which preceded it. No contingency reserve was set aside, as the present fund of $2,500,000 was deemed ample for all requirements.

Earnings before income taxes amounted to $4,062,442, and after provision of $2,850,000 for estimated taxes, net earnings were $1,212,441. After payment of the regular dividends on the preferred stock the earnings per share on the common stock amounted to $3.80 compared with $5.40 per share the previous year. Two dividends aggregating $1.50 per share were paid on the common stock, leaving the sum of $569,334, which was added to surplus account. On Jan. 2, 1946 a dividend of 75c per share on the common stock was declared, payable Feb. 1, 1946.

While the war ended in August, there was no appreciable change in the volume of goods available nor in the level of prices, state Ernest W. Stix, President. Throughout the year there has been a perceptible shortage of desirable merchandise,—that situation is gradually improving, and various items that were practically unobtainable are now being offered in limited quantities. As the year proceeds, scarcity of merchandise should become less and less of a problem.

George H. Moore, United States District judge, formally has approved a plan of reorganization for the Missouri Pacific RR. submitted by the Interstate Commerce commission.

The judge's formal approval was handed down Jan. 23. He had announced details of the approval in a 30-page opinion in December. After that announcement, the directors of the railroad voted to appeal from the order. They now have 20 days in which to file such an appeal.

If no appeal is taken, the ICC will conduct a poll of all interested parties in the reorganization and if the results are favorable, Judge Moore will then issue a formal order confirming the plan.

The income of the State of Missouri will run to a record high of more than $70,500,000 for the year ended Dec. 31, 1945 according to Forrest Smith, auditor.

"Last year's total was $61,156,168," Mr. Smith said. He attributed the increase to a greater amount of money collected from income and sales taxes.

The total amount collected as of Dec. 29, 1945 was $68,516,319, and Mr. Smith said government employees were "running a couple of million dollars in collections through the hopper" over the last week-end.

"Income and sales taxes, both the highest in the history of the State, also cost less per dollar to collect," it was said. Sales taxes for the year 1945 were $40,500,844 an increase of 13.7% over 1944 and cost 1.4% of the total collected as compared with 1.7% for cost of collection in 1944.

This represented a total volume of sales of approximately $2,025,042,228 for 1945.

Income taxes brought $12,419,349 to the State and represented an increase of $1,042,143 over 1944.

Nonrecurring credits taken by Kansas City Southern Ry in 1945 in connection with its $60,000,000 bond and note refunding program gave the road a substantial increase in net profits despite a relatively sharp drop in gross revenues, William N. Deramus, President states.

Income taxes were cut appreciably as the result of the charge-offs taken on premiums paid on the retirement of the funded debt and also on amortization of defense projects which was accelerated by the ending of the war. Interest charges were cut.

Estimated net income for 1945 was $5,668,913, equal to $9.47 a share on the common, compared with $4,418,162, or $7.02 a share in 1944, Mr. Deramus said. Revenues in 1945 dropped nearly 20% under the $44,373,030 record of 1944, but were well ahead of the 22-million-dollar average for the last ten years. Louisiana and Arkansas Ry company, controlled by Kansas City Southern, is expected to show net 1945 income of $1,700,319, compared with $1,596,062 in 1944.

The stockholders of Lindell Trust Co. of St. Louis, Mo. have ratified the proposal to pay a 25% stock dividend, thereby increasing the capital from $400,000 to $500,000.

Landis Machine Co., of St. Louis have declared four quarterly dividends for the year 1946 of 25 cents each, payable at the usual dates.

John Janson Promoted By Bank of Manhattan

F. Abbot Goodhue, President of the Bank of the Manhattan Company, New York, has announced the promotion of John H. L. Janson from Assistant Vice-President to Vice-President. He is a commercial loaning officer in the States of New York, Ohio, Pennsylvania and Michigan.

John H. L. Janson

Mr. Janson attended the Georgia School of Technology and the Cleveland Law School. His banking career started at the Pearl Street Bank of Cleveland which was later absorbed by the Cleveland Trust Company. He joined the Bank of the Manhattan Company in 1926.

Hoffman and Pegram Join Staff of C. A. Evans Co.

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, GA. — Cullen J. Hoffman and Robert B. Pegram, Jr., have been added to the staff of Clement A. Evans & Co., Inc., First National Bank Building. Prior to serving in the U. S. Army, Mr. Hoffman was with the First National Bank of Morganton and the First National Bank and Trust Co. of Asheville. Mr. Pegram, who has also been in the armed forces was formerly with the First National Bank in Atlanta.

Bought — Sold — Quoted

Berkshire Fine Spinning com.	Kansas City Pub. Serv. com.
Berkshire Fine Spinning pfd.	Kansas City Pub. Serv. pfd.
Chase Hotel vtc	LaPlant-Choate
Chicago & Southern Airlines	Mississippi Valley Barge
Collins Radio	Missouri State Life
Consolidated Dearborn	Old Ben Coal
Ely & Walker Dry Goods	Punta Alegre Sugar
Gulf Public Service	Reda Pump
Hearst Consol. Publicat'ns A	St. Louis Public Service "A"
Illinois Terminal	Suburban Propane Gas
Kaiser-Frazer	Textron pfd.

SCHERCK, RICHTER COMPANY
Landreth Building
BELL TELETYPE SL 456 — St. Louis 2, Mo. — GARFIELD 0225 L. D. 123

WHITE & COMPANY
Members St. Louis Stock Exchange
PRIMARY MARKETS IN
BANK & INSURANCE STOCKS
OF THE NATION
ALL MIDWESTERN and LOCAL ISSUES
MISSISSIPPI VALLEY TRUST BLDG. CENTRAL 0282 — SAINT LOUIS 1, MO TELETYPE SL 477
Private wires to: Chicago, Kansas City, Los Angeles and New York

UNDERWRITERS DISTRIBUTORS
INVESTMENT SECURITIES
OUR TRADING DEPARTMENTS ARE ACTIVE IN MUNICIPAL AND LOCAL CORPORATE SECURITIES
Stern Brothers & Co.
Members Chicago Stock Exchange
1009 Baltimore Avenue
KANSAS CITY 6, MO.
Teletype KC 273-4 — Long Distance 93
Omaha, Nebraska — Topeka, Kansas

TRADING MARKETS:
Commerce Trust Co. — Pickering Lumber Corp.
Long-Bell Lumber Co. — Western Lt. & Tel. Co.
Central Coal & Coke Corp.
BAUM, BERNHEIMER CO.
1016 Baltimore Avenue, Kansas City 6, Mo.
Bell Teletype — KC 472-3 — Phone—Harrison 6432
Private Wire Connections To:
Strauss Bros. New York and Chicago — White & Company St. Louis — Pledger & Company Los Angeles

We are interested in
Illinois Terminal Railroad Co.
Common Stock
Metropolitan St. Louis COMPANY
718 Locust Street
Saint Louis 1, Mo.
Central 8250
L. D. 208 — St. L. 499

J. W. BRADY & CO.
INVESTMENT SECURITIES
411 NORTH 7th ST.
ST. LOUIS 1, MO.
Teletype SL 165 — Garfield 3348

COCA-COLA SECURITIES
WM. F. DOWDALL & CO.
Established 1932
319 NORTH FOURTH ST.
ST. LOUIS (2), MO.
Teletype SL-68

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

Our Reporter's Report

The "upper-crust" of the investment market continues overwhelmingly a "sellers' paradise" in spite of the unprecendented thinning out of yields as time goes on. The buyer has little choice but to "pay up" unless he is willing to sit back and let his idle capital remain unemployed in the hope that time may bring more attractive opportunities.

It does not look, however, as though such relief is in early prospect. Quite the contrary, the cream of the market, namely U. S. Treasury issues and top-grade municipals continue to push persistently into new high ground with gradual whittling away of potential return.

Investors are caught between the Government's commitment to cheap money, to keep down the cost of carrying its huge debt and the veritable dearth of new securities in volume sufficient to absorb any appreciable portion of the vast reservoir of idle capital.

There is nothing to indicate any early let-up in the volume of money pressing for investment. Certainly the President's budget message, indicating a further deficit for the next fiscal year, is hardly suggestive in that direction.

As a matter of fact it looks as though the lot of the investor seeking outlets will become more difficult before it improves. There is no apparent disposition among corporations to take on debts by ways of raising new capital.

Rather it appears that investors, who are in a position to do so, must develop a taste for equities. And even here the fare likely will be slim since most seasoned corporations are well supplied with cash for their needs.

Philip Morris 2⅝s

Decision of Philip Morris & Co., Ltd., to forego public offering of its projected issue of $15,000,000 of 2⅝% debentures came as a bit of a surprise to the investment industry which was pretty much primed for the undertaking.

This issue had been expected to reach market about midweek, but because of a letdown in earnings during the last two months of last year, the company, according to reports, decided it should amend its covering statement on file with the SEC to reflect the change.

The registration covering the debentures and 149,883 shares of 3.60% preferred stock, already on file includes earnings for the first seven months of the fiscal year, which ends in March.

Because of the behavior of the investment market since the turn of the year, there had been whisperings around that a shaving of the rate on the debentures to 2½% was a possibility.

A Correction

Southern Pacific Railroad Co. has filed with the Interstate Commerce Commission for authority to issue $50,000,000 of new first mortgage bonds. The purpose is to redeem an issue of Series B bonds, due 1986 on May 1 next.

The new issue to be Series E would be offered for bids late next month and would mature likewise in 1986. The issue to be retired was part of the total of $125,000,000 of refinancing carried through marketed several months ago.

Through misunderstanding in last week's column, it was stated that the earlier financing "moved rather slowly." On the contrary both issues of 3¾s, one due 1996 and the other 1986, were marketed quickly. The 2⅞s of 1961, however, did not move quite so rapidly, but were all sold in good time.

Four In One Day

Something in the way of a new record was set this week when on Tuesday the same banking firm, Van Alstyne, Noel & Co., was listed as the head of underwriting groups which are slated to market four new stock issues placed in registration with the Securities and Exchange Commission.

The largest of these equity undertakings will consist of 1,200,000 shares of $1 capital stock of Higgins Inc., formed to take over certain properties and businesses of Higgins Industries now in statutory liquidation.

The others included in the list are 100,000 shares of $1.25 convertible $20 preferred stock of Burry Biscuit Corp.; 425,000 shares of $1 par common stock of Regal Shoe Co., and 100,000 shares of $1 par common of the Young Radiator Co.

Now Emerson, Roche & Co.

AUSTIN, TEX.—Everett S. Emerson has admitted David T. Roche to partnership and the firm name has been changed to Emerson, Roche & Co. Offices are in the Capital National Bank Building.

Since 1900

Underwriters—Distributors—Dealers

Specializing in

ST. LOUIS BANK STOCKS

G. H. WALKER & CO.

Members

New York Stock Exchange — Chicago Stock Exchange
St. Louis Stock Exchange — Commodity Exchange, Inc.
New York Curb Exchange (Associate)

BROADWAY & LOCUST — ST. LOUIS 1, MO.
Telephone: Central 0838 — Bell System Teletype SL 84

Direct Private Wire to New York and Providence Offices

UNDERWRITERS—DISTRIBUTORS

•

Retail outlets for
OVER-THE-COUNTER
SECURITIES

•

PELTASON, TENENBAUM CO.
Landreth Building, St. Louis 2, Mo.

Bell Teletype SL 486 — Central 9626 L. D. 240

St. Louis Markets

Local Bank Stocks

and

General Market

Securities

—★—

Members
St. Louis Stock Exchange

—★—

STIX & CO.
309 OLIVE STREET
ST. LOUIS 1, MO.

Telephone Garfield 0514
Bell Teletype SL 80

NEWHARD, COOK & CO.

—*Members*—
New York Stock Exchange — Chicago Stock Exchange
New York Curb Exchange (Associate) — St. Louis Stock Exchange

Underwriters and Distributors

FOURTH & OLIVE STREETS — ST. LOUIS 2, MO.
New York Correspondent, Clark, Dodge & Co., 61 Wall Street

UNDERWRITERS and DISTRIBUTORS
of
INSTITUTIONAL and CORPORATION
BONDS and STOCKS

TRADING SERVICE IN ALL LOCAL ISSUES . . . .

O. H. WIBBING & CO.
MEMBERS ST. LOUIS STOCK EXCHANGE
319 North Fourth Street, St. Louis 2, Mo.

Long Distance 71 — Western Union Phone — Teletype SL 158

State and Municipal Bonds

BOND DEPARTMENT

MERCANTILE-COMMERCE Bank and Trust Company
ST. LOUIS MISSOURI

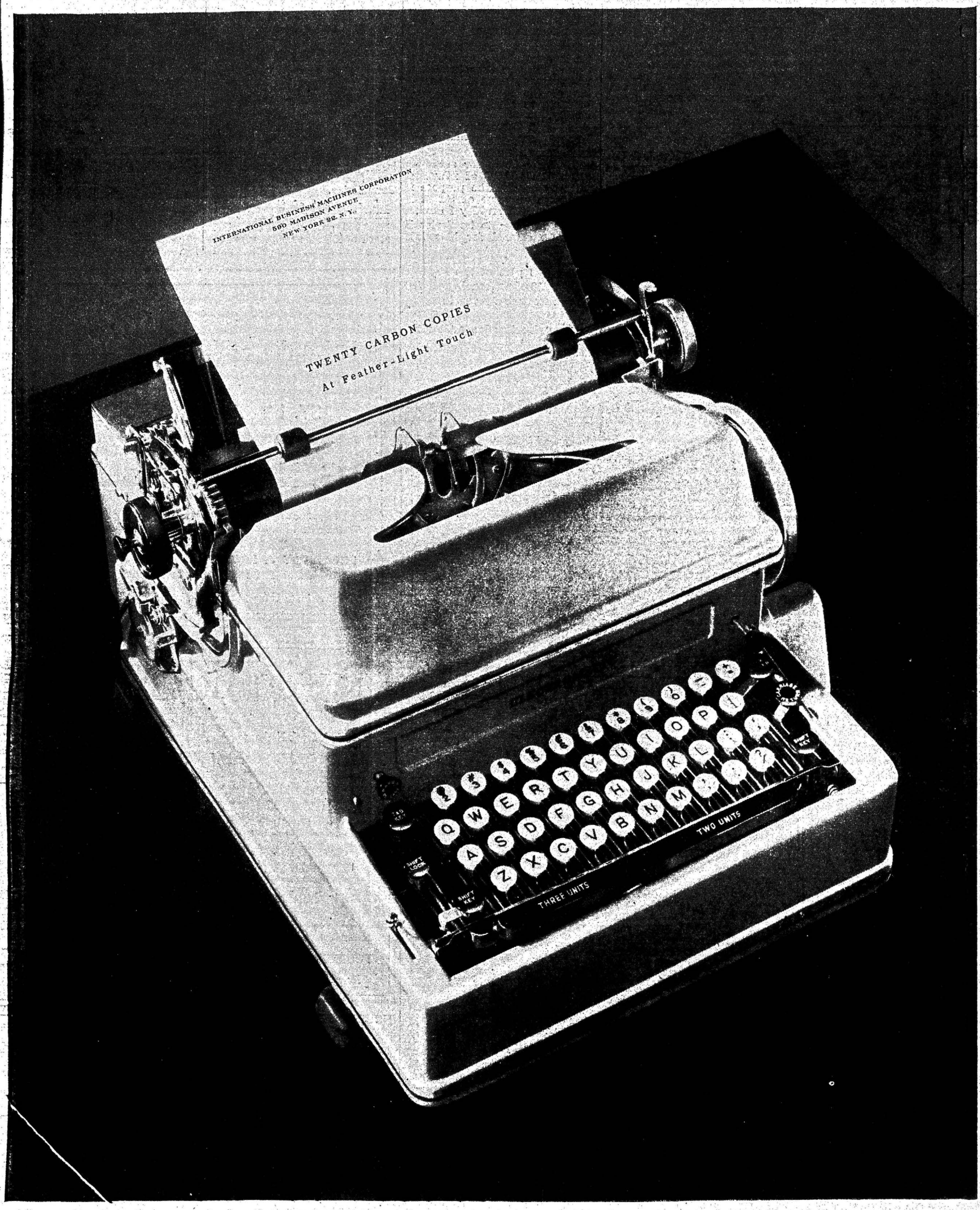
NEW YORK CORRESPONDENT
14 WALL STREET

162 COMMON STOCKS
WITH UNBROKEN DIVIDEND RECORD
of 15 to 97 Years
All Listed on New York Stock Exchange
Copies Available on Request

WALDHEIM, PLATT & CO.
Members of New York, Chicago and St. Louis Stock Exchanges
308 North 8th St., St. Louis 1, Mo.

Direct Wire to New York — Telephone Central 8400

gitized for FRASER
tp://fraser.stlouisfed.org/



ELECTROMATIC

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

IBM ANNOUNCES

the 1946 Electromatic Typewriter, which produces letters of distinguished appearance, with a minimum of physical effort on the part of the operator.

It is now on display in IBM offices in all principal cities throughout the country. We will be glad to furnish you with full information upon request.

INTERNATIONAL BUSINESS MACHINES CORPORATION

World Headquarters Building, New York 22, N.Y.

TYPEWRITER

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

THIS TRADE-MARK IDENTIFIES THE BEST-KNOWN *Steels* IN AMERICA

A complete line
to meet your
requirements

USS
STEEL
UNITED STATES STEEL

UNITED STATES STEEL CORPORATION SUBSIDIARIES

UNITED STATES STEEL

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

BUSINESS AND FINANCE SPEAKS

After The Turn Of The Year

HERBERT ABRAHAM

President, The Ruberoid Co.

The building materials industry, in addition to having virtually no plant reconversion problems, has entered 1946 with three highly important factors in its favor.

1. A huge backlog of home repairs and modernization accumulated during the war years.
2. The need for homes by many new families and returning service men.
3. Substantial savings accumulated during the war years, a goodly portion of which may be expected to be spent for the foregoing.

Herbert Abraham

Current estimates indicate that these three factors add up to a potential market for 1,000,000 or more dwelling units annually over the next ten years—an annual rate greatly exceeding that of any year in the past.

As a result of the price ceilings on many building products, coupled with advancing wage rates and the increased cost of various raw materials and fuel, the problem of maintaining a reasonable profit margin has become increasingly difficult. To help solve this problem, three major plans are being followed by our company.

1. Intensified research activities, also improvement and mechanization of factory equipment to attain the maximum production in "tons per man-hour" with the minimum of physical effort.
2. Construction of an additional asbestos-cement manufacturing unit, also steps being taken at our various felt mills to increase the production of dry felt utilized in the manufacture of asphalt roofings and shingles, since the demand for this important raw material far exceeds the supply.
3. Curtailment of expenses wherever possible, without, however, sacrificing operating efficiency or the quality of finished products.

As for both the immediate and long-term outlook, in my opinion, the answer, not only for building but for all industry, will be found in one word—production. For only through a constantly expanding volume of production can employment and wages be maintained at high levels, and only through increased efficiency and economy of production can prices be held at levels that will stimulate buying.

V. J. ALEXANDER

President, Union Planters National Bank & Trust Co., Memphis, Tenn.

Business conditions in this territory were at a high level during 1945. The reconversion problems were not as serious here as in other sections of the country. Some was plants have shut down, but other plants have changed over quickly to the production of consumers goods. The returning service men have aided the employment problem, but on the other hand, have accentuated the acute housing shortage.

V. J. Alexander

The agricultural situation is somewhat uncertain at this time. Cotton prices will depend largely upon governmental controls and production limitations. The diversification of farming in this territory has contributed greatly to the income of farmers with cotton continuing to be the largest cash crop. It is hoped that agricultural manufacturers will be able to provide additionally needed farm equipment.

The critical housing shortage continues to be acute. This short age will probably continue for sometime; however, realtors and builders are planning large addition units as soon as labor and material shortages subside. Several large industrial plants are scheduled for erection during the coming year. The revival of building on a large scale should prove a boom to lumber manufacturers and dealers in this area, as Memphis is one of the largest hardwood manufacturing centers in the country.

Retail trade exceeded all previous levels in 1945. Department store sales will continue at high levels as hard lines and additional consumers goods are available. Wholesale trade should also be aided by large quantities of heavy machinery and agricultural implements. As additional supplies of these products are available, they will materially add to the volume of wholesalers.

Banking facilities are ample to take care of credit needs of industry and local business for reconversion in the postwar period. Bank deposits will probably remain at a high level. The demand for credit from commercial borrowers will, no doubt, increase in order to carry larger inventories and receivables. Personal loans will also be in demand when consumers goods are again in the market on a large scale.

Memphis stands at the threshold of greater growth. It is in a strategic location. The Mississippi River offers cheap transportation by barge lines to many important centers of the country, and important developments are expected to continue along the river. A net work of air lines connect the city with all major locations in the country. It is also the hub of rail lines radiating in all directions.

City taxes are at low levels, and municipal authorities indicate that future city improvements will be on a pay-as-you-go basis. Industrial and residential users of electricity enjoy low rates on account of city ownership and purchase of electricity through the Tennessee Valley Authority system. All in all, business conditions should equal or approximate indices established in 1945.

S. C. ALLYN

President, The National Cash Register Company

The demand which exists for cash registers, accounting machines and adding machines indicates that 1946 will see the greatest production in the history of The National Cash Register Company. Looking beyond the current year, we anticipate a period of continuing demand which will assure production considerably above pre-war levels.

S. C. Allyn

Plans for production in 1946 have been made upon the basis that the demands upon the factory will be approximately 75% greater than before the war. An immediate factor in this is the volume of business which has been placed since we have been in a position to accept orders without restriction, a volume which greatly exceeds any previous record in a similar period.

A longer range factor is the ever-increasing need for records in all types of business and the fact that higher operating costs and lower margins make cost reducing equipment imperative. In addition to this, our product development program insures the continued development of machines which will be of constantly increasing service to business.

Our overseas operations which have always produced a considerable part of our business have been affected in varying degrees by the war. In some cases much rebuilding will have to be done and we recognize that in our approach to future overseas distribution there will have to be great flexibility in our thinking and in our methods.

Our problems of reconversion have been serious but steady progress has been made since V-J Day and it is expected that the work will be completed in the early months of 1946. Production is now running at about three fifths of the total projected as normal production when the factory has reached full capacity after reconversion. However, this projected total is considerably higher than pre-war production.

At the present time there are approximately 10,000 employees on our factory payroll which is 1,000 more than a year ago and well above peace time employment in any other year.

On the basis of a careful appraisal of all factors which enter into a determination of our market we anticipate in the years immediately ahead, an expanding demand for all National Cash Register products. Because our products are used in all types of business, it has often been said that the sale of our machines is something of a barometer of business prosperity. If this is true, the current indication is certainly one of great confidence in the future.

HARRISON L. AMBER

President, Berkshire Life Insurance Company

A life insurance company is composed of two parts—the insurance department and the investment department.

As to the insurance department the year 1946 looks very good, providing we can get the strike situation settled before all of the savings built up during the war years have to be spent to pay living expenses. The life insurance business follows the same trend as savings. If savings are high, the life insurance business is good. This is the same as saying that when business is good the life insurance business progresses with it. It is too early yet in 1946 to predict what will happen but so far the volume of new life business which the Company experienced in 1945 is continuing in 1946.

H. L. Amber

The investment side of our business is a different story. Interest rates have continued to decline and no one knows whether they have reached bottom or not. It is our opinion that prosperity cannot continue indefinitely on pauper interest rates. Our greatest all-around prosperity has occurred in this country with interest rates at from 5% to 6%. We cannot expect interest rates to rise that much with such a large government debt. However it does not seem unreasonable that interest rates could rise as we come into a business expansion.

The volume of sales of new business following World War I increased tremendously. It is not to be expected that such increases will occur at this time but certainly life insurance has not reached the saturation point by a long way. In spite of the fact that the average increase in life insurance protection per family has increased $1,000 since the outbreak of World War II, the protection carried by the average family is only about 2½ years income. It is much better than it was but it still falls far short of being enough money to carry the children of the average family through grade school, let alone high school. Life insurance must double in volume from its present approximate $155,000,000,000 before the average family has enough protection to carry the children through to that time in life when they can provide for themselves.

Public opinion of the benefits of life insurance increases daily. It is to be hoped that the whole population of the United States become fully informed of the benefits and of the good which life insurance does in the economic life of our people.

EDWIN J. ANDERSON

Goebel Brewing Company

"1946 should be a great year for the brewing industry as a whole," declared Edwin J. Anderson, President of Goebel Brewing Company, Detroit, Mich., "but I anticipate that some companies will begin to find the going a little rocky as the year unfolds.

Edwin J. Anderson

"From an industry standpoint, beer is in a fine position to continue the increased sales enjoyed during the war. For one thing, millions of GI's, who have now returned or are returning home, have had abundant opportunity in camp and overseas, to sample beer and acquire a taste for it. But whereas during their service in the armed forces they were able to get their beer only at irregular intervals and in uncertain quantity, they can now buy it freely, whenever they want it. And if the letters which brewers all over the country have been receiving from service men mean anything, I think these men are going to buy a lot of beer in 1946.

"Another influence that helped our industry through the war years and which should continue to benefit us now, was the tightness of the hard liquor supply, which resulted in vast numbers of people turning to beer. I think it's safe to predict that many of these people will continue to prefer the 'beverage of moderation' even though the supply of liquor eases.

"These factors make the outlook bright for brewers who have maintained the quality of their beer. Their brands will cash in on the increasing public demand for **good** beer.

"On the other hand, those brands that yielded to the temptation to make a killing during the war by stretching quality to the thinnest beer the traffic would bear, will pay the penalty for their lack of vision. It is no secret that in every major market inferior beers have already begun to back up and slow down to a marked degree, while at the same time, the demand for quality beers goes on unabated. This process will even accelerate in 1946.

"From a public relations standpoint, brewing has never been in a better position. The advertising of the United States Brewers' Foundation has been a fine influence in establishing beer as a normal part of American family life. During 1946, this campaign in national magazines will be expanded. And the theme of the advertising will not only continue to provide a good wholesome background for the industry, but will go on selling beer actively.

"But more than advertising, the conduct of the industry itself during the war has gained public confidence and respect. The active cooperation in supplying beer to the armed forces, the widesperad activity of breweries in public-service advertising on War Bonds, Red Cross, Community War Chests, Fats and Paper Salvage programs, and other war activities, have all been good public relations. Many people who until the war were opposed to beer have been impressed by the high ethical standards of the industry. This does not mean that the Drys have abandoned their undercover campaign to blot up the country, but it does mean that among the reasonable bulk of citizens who are responsible for what is called 'public opinion,' the brewing industry has today an excellent standing.

"In fact," Mr. Anderson concluded, "if there is any note of caution for 1946, it would be in this last fact. The real competitive battles will begin in 1947 when the current expansion plans of so many brewers will be complete. I think it is of the utmost importance that the industry continue to carry on the high operating standards set during the war."

(Continued on page 542)

gitized for FRASER
tp://fraser.stlouisfed.org/

Business and Finance Speaks After the Turn of the Year

(Continued from page 541)

FRANK A. BACH

President, Fidelity and Deposit Company of Maryland

The comments below apply to fidelity, surety and burglary business, the lines in which I am primarily interested.

Frank A. Bach

In venturing an opinion as to the future, I think we should first consider those developments of the past year which have definite bearing on the outlook for 1946. In the fidelity field there were some very drastic rate reductions. On Bankers and Brokers Blanket Bonds and Commercial Blanket Bonds (classifications which produce nearly 75% of the total fidelity premiums) rate reductions and discounts averaged 30% to 35%. A change in rating procedure, which became effective about midyear, made it possible for us to write all forms of fidelity and forgery coverage on a three-year term basis, that is, three years coverage for 2½ annual premiums, or a discount to the assured of 16⅔%. A great majority of assureds took advantage of this privilege with the result that the 1945 premiums of all large fidelity writers were inflated by the second and third years' premiums paid during the year, but which must be carried in "unearned premium reserve" and cannot be transferred to earnings until they are actually earned. This point should be kept in mind in analyzing year-end statements of the various fidelity writing companies and it is suggested that earned premiums, rather than written premiums, should be considered in comparing a company's 1945 writings with those of the preceding year.

There were also some substantial rate reductions in the contract bond field. On one of our most important lines this reduction amounted to 33⅓%.

Can we look forward to further rate reductions? Generally speaking, no. It remains to be seen whether our industry can absorb the very substantial reductions of the last several years and continue to make a reasonable operating profit. The necessity for increased rates on certain of our burglary classifications is already apparent.

What about losses? It is true that loss ratios on fidelity and surety lines continued abnormally low during 1945, but over the past 16 years the average loss ratio on those lines was 41.4%. During the past several months there has been a definite trend toward higher loss frequency and it is reasonable to expect that losses will increase both in number and amount as the year progresses.

It must be remembered that during the past several years an unprecedented volume of business was transacted under conditions where employers for the most part had neither the time nor the facilities to supervise adequately the activities of employees handling money. As business activities gradually return to normal, it is inevitable that defalcations, diversion of funds and other irregularities which occurred during the hectic wartime period will come to light and will be the source of numerous claims under fidelity and surety bonds.

When losses increase to a point where a particular line can no longer be written at a profit, higher premium rates on that line will surely follow. Bearing in mind that premium rates on fidelity business are lower than they have ever been and that coverages are the broadest we have ever offered, it is reasonable to expct substantially increased sales, particularly in the blanket bond field. Buyers are not likely to overlook such an opportunity to obtain new fidelity coverage or to increase the coverage they already have at the low cost now prevailing, especially when it is possible to insure against any increase in cost over the next three years by having the policies written on a three-year term basis.

MELVIN H. BAKER

President, National Gypsum Company

"The demand for homes is too well known to require comment, and this demand will be a major factor in the country's prosperity in 1946," says a forecast by M. H. Baker, President of National Gypsum Company.

Melvin H. Baker

"Manufacturers of building materials are now breaking bottlenecks and starting the flow of war-scarce products to dealers' stocks. By the time building operations get under way on a large scale, many critical building materials will be in reasonable supply.

"Nor is the price picture on building products as dark as it has been painted. Some prices have advanced, of course, but in our own case the average of prices of our nine major building products is not yet up to the level of those prices in 1936 in spite of the fact that some of these products have been improved in the meantime.

"Our reconversion is now complete, and in addition we are well along on a $9,500,000 plant improvement and expansion program. A new paper mill put into production on Jan. 1 will relieve a paper shortage at our Eastern gypsum wallboard and lath plants. Purchase of two steamships, with charter arrangements on others, will give us ample gypsum rock from our Nova Scotia quarries for our seaboard plants—at less cost than previously. Additions to several existing plants will be completed within 90 days, giving us greater volume on various products.

"The company's change of attitude from war days is shown in the undertaking of an extensive sales training program in order to be ready for the time when selling will be highly competitive again.

"In spite of the loss of $5,000,000 a year in war contracts, National Gypsum Company expects to do $5,000,000 more in 1946 than in 1945, a gain of $10,000,000 in building products. In 1947, with new plants in operation, we should reach $40,000,000 or about double prewar volume.

"With demand for homes and business structures at a level that will require several years to supply, and with an expanded volume that should gather momentum from the second quarter on, National Gypsum Company is optimistic about the future of the building materials business."

BARNEY BALABAN

President, Paramount Pictures, Inc.

The thinking of the people of the world was never more active and progressive than it is today in the midst of world-wide readjustment, and in some sections of the globe, conflicting ideologies of government are still resorting to violence as a means of determining the issues.

Barney Balaban

It is fortunate that throughout the history of this country, in times of stress, our differences are always settled, after some group demonstration, by the orderly processes of reason and foresight.

My own outlook on our domestic affairs for the future is an optimistic one. Our country is physically intact. We emerge from the war without having lost a single basic right and without having yielded a single principle. In comparison to other countries, we face no national adjustment emotionally.

Our basic system of government is not at issue. No one challenges the dignity of the individual or his privileges under the Bill of Rights and once our industrial differences are reconciled, no nation was ever geared higher for production of consumer goods from which an entire world is to benefit.

Down through the years the conduct of our people inspires reassuring faith in the common sense of our citizenry as a whole. Trends toward one extreme or the other, in controversial matters, swing like a pendulum, but always return within the scope of a sound and sensible mean.

The dearth of civilian goods during the last four years has created a consumer demand never equalled in the history of American business and industry. Once industrial wrangling subsides, and it will subside, for the survival of all concerned, the task of supplying this eager domestic market will require a program of plant operation that largely should meet the challenge of employment.

Recent statements from the Treasury Department reveal that the people of this country, collectively, have placed in war bonds and other forms of savings enough money to insure the economic prosperity of our Nation for almost a decade, if these reserves are not dissipated through unwise spending for inferior values. Even if one disagrees with the extent of this estimate there can be no question about its reality for some years to come and every man in business and industry shares a grave responsibility that there be no shortsighted exploitation of this spending power.

Abroad, stricken countries can be aided in their rehabilitation. Their own natural resources can be developed into national wealth with the help of American experience, ingenuity and such financial planning as is now in prospect through world organization. Although new foreign markets will be created, there are as yet evidences that difficulty will be experienced in the revival of old markets because of trade barriers that have been thrown up under the influence of local interests in various countries. The solution of these problems will, no doubt, require strong assistance from the State Department through reciprocal trade agreements.

Much has been said, by the highest authorities about the value of the Motion Picture as a salesman for all the product of a country and as an ambassador of good will for its people. Important governments have recognized this fact as a fundamental in their international trade relations.

I feel sure that barriers to free exchange of trade will be largely overcome and that our pictures will be seen eventually by all the peoples of the world.

At home our industry appears to be in a sound condition. Even in the face of industrial unrest, our production schedules offer no dearth of product. Paramount has completed every picture to be released in 1946 and six of those for release in 1947 are either completed or before the cameras.

Our industry is confronted by no reconversion or must recover from virtually no maladjustment in operation. We go on making the same product that we made in wartime and we supply the same need for mass entertainment so essential to the mental recreation of our people.

GEORGE A. BANGS

President, American United Life Insurance Company

World-wide war, especially the most cataclysmic struggle in history, is inevitably the cause of violent dislocations in the social, economic, financial and industrial lives of individuals, businesses, and nations. And the travail of recovery from such violent dislocations is invariably characterized by bewildering contradictions, by strange anomalies that defy the intellects and imagination of the world's most able prognosticators of conditions and things to come.

Geo. A. Bangs

In 1946 and for some aime after, therefore, we may expect many striking antitheses; upsurging prosperity in some areas will be offset by perplexing monetary depression in others; countering huge pent-up demands for products will be an aggravating scarcity of them; nullifying high wages will be inflated living costs and burdensome taxation—the catalog of contradictions will be endless and baffling. Days will come when caution and conservatism seem unbearable and short-sighted in the face of what appears to be a glorious opportunity to throw discretion to the winds and capitalize the immense possibilities of the moment.

Amid such waves of economic and financial uncertainty, the institution of life insurance stands like a comforting rock of security—and will continue to so stand while the institution remains true to its ultimate purpose, a purpose that by its very nature is the mortal enemy of extravagance, of inflation, of "living to the full this day alone with no thought of tomorrow."

During the year before us, life insurance must be far more than a mere trustee of men's funds that have been set aside for the safety of their families and for their own comfort in old age. Life insurance must teach the hard lesson of financial sanity and rigorous thrift, and must voice its precepts more vehemently than ever before, if its wisdom is to be heard above the tempting siren songs of a beguiling prosperity. Men and women will have money, much money, to spend lavishly or to manage sensibly—and sensible spending is the key to lasting economic growth and solidarity.

For a hundred years and more, life insurance has justly been called "the poor man's bank"; during recent times high income taxes and death taxes upon estates have made it the last remaining instrument whereby all men, rich or poor, may leave behind them a more helpful share of the fruits of their lifelong labors, to the benefit of their loved ones and society in general. Some 71,000,000 policyowners in this country now hold over $154,600,000,000 of life insurance, backed by reserves of $38,500,000,000. This tremendous reservoir of funds designed and put aside to absorb the blows of an unpredictable fate is supremely vital to the nation's and its people's financial welfare. Any attacks by organized groups whose aims spell eventual run-away inflation must be met by the aggressive resistance of those 71,000,000 policyowners, since such inflation imperils to the utmost the financial resources they have entrusted to life insurance for the constant protection of their beneficiaries and themselves in life's greatest emergencies.

Yes, the task of life insurance is eternally to combat humanity's tendency to ignore the dim and distant (yet inescapable!) hazards of premature death or old-age dependency. To perform this task, in 1946 and thereafter, is not only a duty but a privilege and a basic necessity to the future well-being of the United States and of the world.

CHARLES E. BECKER

President, The Franklin Life Insurance Company

At the beginning of the war, especially during the early days of 1942, there was considerable apprehension on the part of insurance executives, and particularly of field men, as to the future of the life insurance industry. A huge segment of the potential market for life policies was being withdrawn through the drafting of millions of eligible young men.

Charles E. Becker

The passing of time showed these fears to be unwarranted. As in the aftermath of the first world war, insurance sales shortly began to soar—and continued to soar. Last year my company—the Franklin Life, completed by far the biggest year in its six decade history.

As I see it, it requires no Delphian Oracle to foresee an even better year in 1946. Of course we are having, and will continue to have a rash of strikes and other labor disorders. But economists will agree, I believe, that a plethora of strikes is always symptomatic of a prosperity trend rather than the opposite. In times of incipient depression, labor is well content to hold such advantages and gains as it already holds, without run-

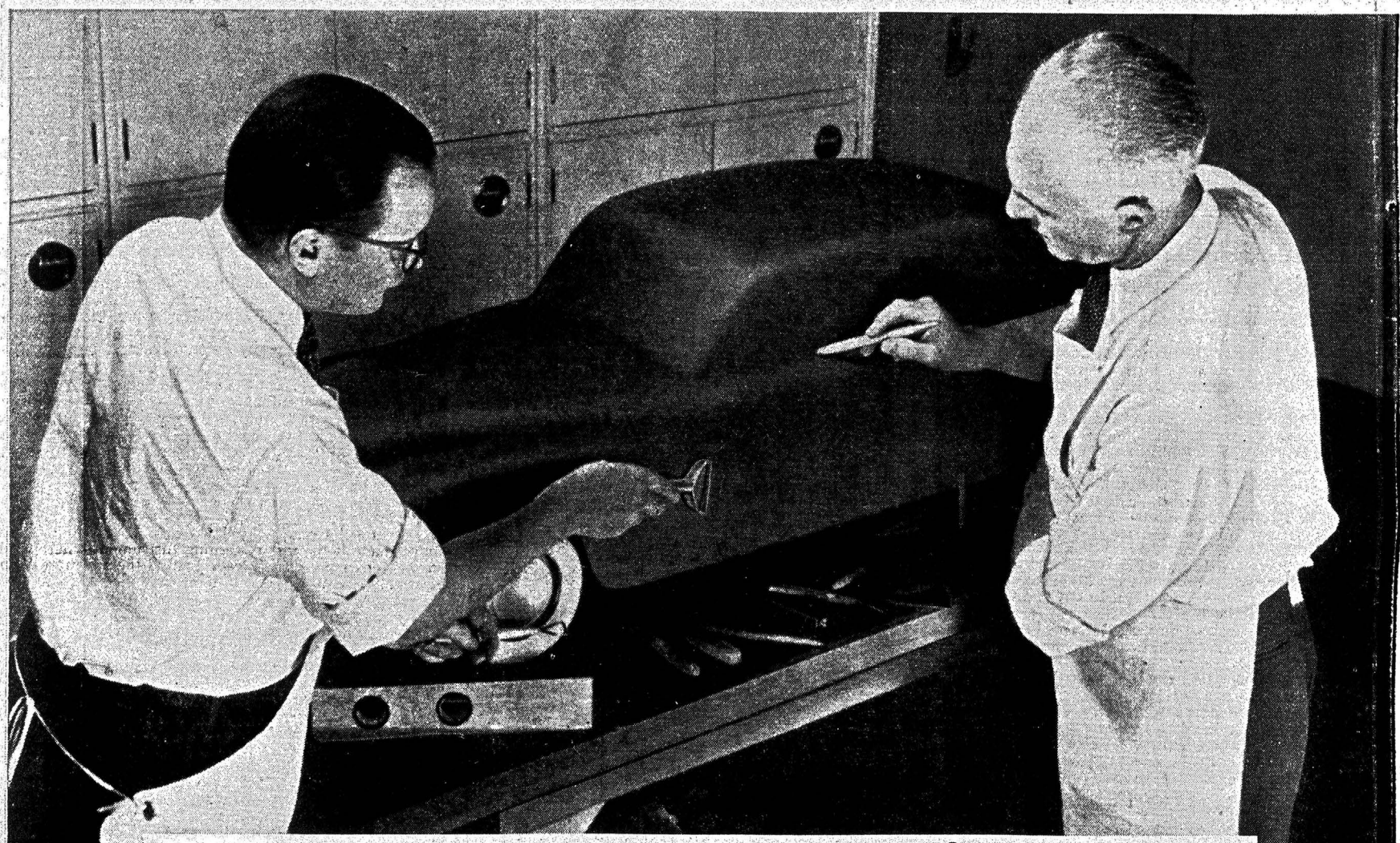
(Continued on page 544)

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

IMAGINATION IS THE DIRECTING FORCE AT CHRYSLER CORPORATION

IMAGINATION AND NEW CARS

HOW IMAGINATION IMPROVES CARS FOR YOU



Clay models like this are used in creating body styling

Imagination makes a new car really new; it hunts, creates and develops the improvements that increase a car's usefulness and value to you.

At Chrysler Corporation, imagination's record is 20 years of constantly bettering the comfort, safety, performance and service of our cars and trucks.

New cars are new because men apply *imagination* to improve them.

Ever since the first Chrysler introduced a really new and different kind of automobile, *imagination* has stimulated continuous improvement and ever-greater value in Chrysler Corporation cars.

You can drive more smoothly and comfortably today because *imagination* helped develop Floating Power, gyrol Fluid Drive, new types of brakes and springs and scientific weight distribution for our cars.

The greater safety of 4-Wheel Hydraulic Brakes, Safety Steel bodies, better vision and lighting are results of practical *imagination.* So are better performance and longer life—made possible by Superfinish, Amola Steel, and many other new methods and materials.

You'll recognize creative *imagination*'s latest achievements in the fine new Plymouth, Dodge, De Soto and Chrysler cars.

REMEMBER THURSDAY NIGHT! . . . *The Music of Andre Kostelanetz and the musical world's most popular stars—Thursdays, CBS, 9 P.M., EST.*

Plymouth DODGE DeSoto CHRYSLER

PRODUCTS OF CHRYSLER CORPORATION

AIRTEMP Heating, Cooling, Refrigeration • CHRYSLER Marine and Industrial Engines • OILITE Powdered Metal Products • MOPAR Parts and Accessories

gitized for FRASER
tp://fraser.stlouisfed.org/

Business and Finance Speaks After the Turn of the Year

(Continued from page 542)

ning the risks which necessarily accompany attempts to gain more.

In recent years women have become increasingly important prospects for the purchase of life insurance. This is not merely a temporary condition, since women are playing an ever larger part in business and industry. Likewise juvenile insurance is mounting to a larger percentage of total volume placed on the books of life companies. Add to this the millions of demobilized young men who are again returning to civilian pursuits; who are marrying and founding homes; and you find a market which is practically glutted with potential buyers.

I do not believe that the increasing availability of tangibles will make serious inroads into the potential insurance market. People have become "savings-conscious". The millions of dollars of National Service Life Insurance sold to soldiers have conditioned these men to the idea of purchasing life insurance when they return to civilian life. No longer does the average young man think of a $1,000 policy as wealth untold. And the purchase of war bonds by soldiers and, civilians alike, engendered the salutary habit of systematic thrift.

In summation: I have little fear as to the eventual working-out of our economic problems and our continued prosperity, provided politicians restrain their urge to control all things through a benevolent, paternalistic government. "Free enterprise" may be a hackneyed phrase; it is, nevertheless, a modus vivendi which made America great. If not unduly hampered, I believe it can keep us great—and prosperous.

NEAL DOW BECKER

President, Intertype Corporation

I foresee a general increase in wages and prices amounting over the next five years to 50% or more above present levels; many strikes during the period of upward adjustment.

Neal Dow Becker

The decline in the purchasing power of the dollar over the same period will probably be not less than 30% from the present level. This means, however, a larger dollar volume of business and of dollar income from which the government can get the taxes which it will have to have in order to pay the interest on the national debt, increased as it will be by large sums which will be voted for soldier bonuses and care of disabled soldiers and their dependents.

I look for an unprecedentedly active domestic business. Foreign trade could be large if U. S. A. were willing to receive imported goods in large volume. This it probably will not be willing to do; and unless we are willing to receive goods for goods foreign trade will not flourish and may not even reach prewar volume measured in prewar dollars. Nearly everyone subscribes in theory to the practice of taking goods for goods, but there is small indication that our two strongest pressure groups, labor and farmers, will consent to a sufficient importation of manufactured goods or farm products to support an export trade in anything like the dimensions so frequently mentioned by the optimists who make predictions on the subject. Unfortunately even the broadcasting of "foreign" music coming in over the ether seems now to be barred!

WALTER H. BEECH

President, Beech Aircraft Corp.

I have no reputation as a prognosticator or prophet, and present conditions require considerable ability with a crystal ball in order to foretell the future. However, I will attempt to give you one man's opinion of the outlook for present conditions in the aircraft industry.

Walter H. Beech

You are well aware of the fact that the cancellation of Government contracts after V-J Day practically eliminated the military market for aircraft in the United States. This is quite as it should be because of the tremendous surplus of practically all new airplanes of all current types now on hand. There is no sense in building an additional surplus of current types of airplanes to add to the surplus already existing.

All aircraft companies realized that this eventuality ultimately would take place, from the beginning of the war, and they attempted to prepare as well as possible for the ultimate eventualities. However, the suddenness of the end of the war with Japan surprised everyone and very few companies were in a position to offer new commercial models to the airlines and to the public for immediate delivery. There are few exceptions to this generality.

Such exceptions are based upon the availability of transport type aircraft developed for the Government and in current production at the end of the war. The task of reconversion of such production lines to commercial production was relatively easy. Certain companies have either begun to make deliveries or will begin to make deliveries in the near future of large transports adapted for civilian use.

In the field of personal aircraft about the only new types of airplanes available are those which have been developed during the past year or are adaptations of the liaison airplanes built for the Government. There are no personal airplanes of really modern type available yet, although several companies, including ourselves, are working hard to produce such aircraft. Some of them should be ready by the middle of 1946 although others will not be ready until the beginning of 1947. Even a moderate-sized airplane takes about a year to design, build, test and tool up for production.

As we interpret Government statistics, the aircraft industry is operating at about 3 to 4% of its wartime capacity insofar as production volume is concerned. The percentage of employment is believed to be larger than this percentage because of the development work that is going on which has not yet reached the production stage.

We look for a steady increase in the commercial aircraft business during 1946 and 1947 providing always that Government policies are reasonable and are calculated to assist the industry instead of throttling it. As far as military business is concerned, the requirements of the Army and Navy probably will be modest for the next two years. New types of aircraft have to be designed, developed and tested prior to being put into production, and airplanes which are now on the drawing boards will not be in production until 1948. It therefore is our opinion that Government business will not amount to much in the aircraft industry until that date, at which time there should be a resumption of Government purchasing in order to keep our air forces from being obsolescent.

While the above analysis is based upon industry-wide conditions, I am glad to be able to state that the Beech Aircraft Corporation is handling a nice business at the present time. For the month of December, 1945, we actually delivered a greater volume of commercial orders than we did in the entire prewar year of 1940. Our volume currently approximates $2½ to $3 million per month, and is expected to increase gradually during 1946. None of this business is military and most of it is being done with the most prominent corporations of America buying BEECHCRAFTS for their own use and operation. We are fortunate in having an improved new model of our Model 18 all-metal, twin-engine BEECHCRAFT available for current delivery to our customers. This airplane has been in production for the past two months. We will announce very improved new medium-sized airplanes for the pilot-owner during the years of 1946 and 1947. We are depending upon these airplanes to augment our present business with the larger twin-engine BEECHCRAFTS.

PHILIP A. BENSON

President, The Dime Savings Bank of Brooklyn

There was a steady increase in savings throughout the entire year of 1945 and as 1946 begins there is evidence that it will continue. Strikes and labor difficulties may have some effect on the savings funds. Those who are unemployed through strikes or otherwise will undoubtedly have recourse to savings for current needs. Let us hope these labor difficulties will soon be adjusted. If they are and we realize the prosperity that seems to be ahead of us, savings will continue to grow.

Philip A. Benson

There seems to be no question but that the fund of savings is now well over 150 billions of dollars and some estimates have placed it as high as high as 200 billions of dollars. Mutual savings banks are the custodians of a large part of the total fund of savings. The problem they face, however, is in making savings profitable. The successive Government loans have made it possible for savings banks to invest a large part of the new savings in Government Bonds and because these bonds were available and very few other investments were, a major part of the resources of savings banks is now invested in the Government debt. If new bonds are not available and the market price of outstanding Governments continues to rise, the yield from this type of investment will be very low.

We would all like to secure more mortgage loans as investments but that has not been possible due to the fact that there has been little new construction and therefore few new mortgage loans available.

One of the major problems facing the country is housing and as new housing is produced, the supply of mortgage loans will increase proportionately. The difficulty in producing housing is not lack of credit. There is abundant credit available for all types of housing and in every part of the country. The difficulty is to get a flow of materials needed for construction and the necessary labor to do the work. The bottleneck that prevents rapid and substantial additions to the supply of housing is, therefore, in the material and labor field.

The mutual savings banks of this country were never in a stronger or more liquid condition than they were at the beginning of 1946. There are committees studying the possibility of obtaining new types of investments for their funds. They are also seeking ways in which they can further serve their depositors. At the present time they have a greater number of customers than they have ever had before. It will be a challenge to serve these customers to the very best of our ability and to increase our usefulness to the people of our communities, and to the State and Nation during the new year.

JOHN D. BIGGERS

President, Libbey-Owens-Ford Glass Co.

Present demand for flat glass products indicates that 1946 could be the greatest of all years from the standpoint of production and of high employment in the flat glass industry.

John D. Biggers

It cannot be foreseen at this time, however, whether those production and employment goals will be reached in the coming year. Their achievement will depend primarily upon a stable labor situation. Such stability depends upon steady and efficient production, and should be compensated by adequate wages. In addition, careful consideration must be given to price structures. Application of sound economics and wise business statesmanship should aim to achieve a price level which will induce mass production commensurate with the large-scale operations for which American industry is now tuned.

Libbey-Owens-Ford has made plans to take back into employment all of the more than 2,000 employees who served in the Armed Forces as they return to their homes, and in addition we have places for about 1,000 additional veterans or others who may desire to enter the flat glass industry.

It must be remembered that reconversion to peacetime production by the flat glass industry was comparatively simple, and already has been accomplished.

During the war period it was impossible to make additions to flat glass production facilities, he said, and now it is logical for the industry to undertake an expansion and renewal program to meet the high levels of activity scheduled by the automotive and building industries.

Orders for glass from the construction industry of the nation give evidence that long-pent-up building activity in this country is trying hard to get underway. Once the assembly lines of the automotive industry begin to operate at full capacity, we can anticipate an increased and growing demand for automobile safety glass.

In the plastics field the orders on hand exceed the present plant capacity. Libbey-Owens-Ford is taking immediate steps to expand its Plaskon division to meet this demand. A new factory, a pilot experimental plant, additional research, power, water and shipping facilities involving an investment of more than $5,000,000 have been started and are scheduled for completion in 1946.

Greatly expanded research projects and experimental progress, involving basic research in glass, plastics and plasticizers used in making safety glass, will be started in 1946 by LibbeyOwens-Ford. New laboratory facilities are now under construction to provide additional space and equipment in our Technical Department.

The war years brought technological advances, new techniques and new products which have made practical applications of glass never before thought possible, and have opened new uses and new markets for flat glass and plastics.

I look forward to 1946 as a year in which the flat glass industry, along with the automotive and construction industries, with which it is closely allied, should succeed in placing the greater number of difficulties behind us, and well may lay the foundation for a period of prosperity and constructive progress in the years ahead.

JAMES B. BLACK

President, Pacific Gas and Electric Company

Public utilities emerged from the war in sound operating and financial condition, and relatively free of important reconversion problems confronting many other branches of industry.

J. B. Black

Although some recession in industrial applications of gas and electric service from the peaks established during the war was to be expected, the decline thus far has been less than generally anticipated. However, the record in this respect has naturally been far from uniform, considerable variation being observed in different sections of the country.

Sales in the domestic and commercial classifications appear not to have been affected greatly by the termination of the war. In our field of operations in Northern and Central California we have experienced a continued upward trend in these classes, more than offsetting, from the standpoint of gross revenues, the decline in wartime industrial sales.

In this territory, all indications point to the retention of much of the extraordinary growth in population which occurred in the war years. With the resumption of home building on a large scale and increasing availability of appliances, domestic sales of gas and electricity should continue to expand. New and wider applications of these services

(Continued on page 546)

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

America's Most Discriminating Tastes Have Made This

AMERICA'S LARGEST SELLING WHISKEY

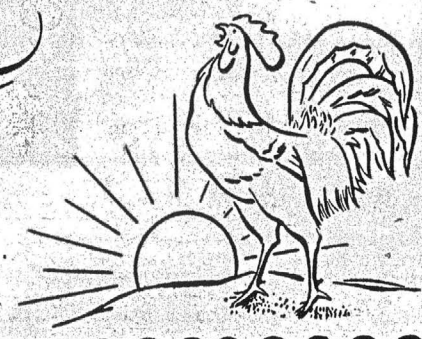
Those who appreciate the rich, smooth flavor which comes of quality ingredients skillfully blended have made SCHENLEY Reserve America's most widely enjoyed whiskey. Try it soon.

PRE-WAR QUALITY

SCHENLEY

RESERVE

Blended Whiskey



86 PROOF. 65% GRAIN NEUTRAL SPIRITS. SCHENLEY DISTILLERS CORP., N. Y. C.

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

Business and Finance Speaks After the Turn of the Year

(Continued from page 544)

in the commercial field appear certain. There is also reason to believe that much of the war-induced industrial growth will be permanent. Many new industries have already located here, and we have a comprehensive program under way designed to promote the further development of this section of the country.

Many public utilities in recent years have been able to take advantage of prevailing low interest rates to reduce capital costs and improve their capital structures. The possibilities in this direction have not yet been exhausted, and for some companies further progress along these lines appears likely.

The impact of war taxation was particularly severe on the public utilities, and the reduction in Federal taxes which became effective at the beginning of 1946 should therefore be of definite benefit to them. This advantage is partially offset by the fact that higher costs, particularly for labor and material, appear inevitable in the years ahead. However, with due regard to the equities of investors and employees, it is hoped in many cases there will remain something for rate reductions, thereby resuming the downward trend, temporarily halted by the war, which has characterized utility rates over a period of many years.

The outlook for the public utilities is still partially clouded by continuing threats of further subsidized government competition. Governmental agencies are seeking appropriations for the primary purpose of constructing transmission and distribution systems in order to set up competitive systems paralleling and duplicating existing facilities. In some sections of the country the issue in these cases has resolved itself simply to one of government ownership for government ownership's sake, without regard to consequences to the investor, the consumer, or to the Federal taxpayer. It seems clear that no one in the end will benefit if such a policy is allowed to proceed unchecked.

In the face of this situation, the forthright and constructive position recently taken by the House Committee on Appropriations is highly encouraging. In denying certain appropriations requested by the Bureau of Reclamation under the First Deficiency Bill for 1946, the Committee stated:

"In connection with the denial of funds for power market and transmission line studies and surveys the committee has taken the position that the Government should not go into the business of constructing transmission lines to market power developed at Government dams and that the activity desirous of securing such power should construct such lines to the point where Government power is being generated."

The recent decision of the United States Supreme Court in the Saratoga Springs Commission case may be of particular significance to investor-owned utilities, in that it reaffirmed the right of the Federal government to tax business activities of states and their subdivisions. The constant withdrawal of more and more property and income from the reach of taxation, such as has been observed in the utility field, is a subject which should receive prompt legislative attention. Certainly no valid argument now exists to justify the continued immunity from taxation of government-owned utilities. Those served by such agencies should not longer escape paying their equitable share of the higher burden of taxation which now appears to be permanently associated with our economy.

It is also to be hoped that American industry may soon produce a flood of goods for peacetime pursuits. This is our only insurance against further inflationary pressure. Assuming a reasonably favorable economic background and a constructive government attitude, the outlook for the public utilities appears bright, with expanding markets and new opportunities for improved service to the public.

ELBERT S. BRIGHAM

President, National Life Insurance Company

Life insurance has entered 1946 with great promise. Increased sales of insurance demonstrate that year in and year out, during times of war and peace, during periods of depression and prosperity, the American people rely upon life insurance as the major bulwark of protection against the certainty of death and the risk of an indigent old age.

Elbert S. Brigham

High taxes during wartime and the prospects of heavy taxes for some years to come have demonstrated to many persons that the only certain way to create an estate is by means of life insurance. This fact has augmented the greatly increased appreciation of the value of life insurance which has been reflected during recent years.

Despite the great value and promise of the life insurance industry to the more than 67,000,000 policyholders in this country and their beneficiaries, a heavy penalty currently rests upon the institution. The Federal Government, through its fiscal policies, has forced interest rates to the lowest levels in history and has promised to exert every available effort to maintain them at low levels. This action places a heavy burden upon thrifty and prudent persons who have endeavored to provide for themselves through the purchase of life insurance, through deposits in savings banks, and through the acquisition of Government bonds and other investments. The Government justifies its policies on the grounds that the large Federal debt resulting from the war necessitates low interest rates, in order to keep carrying charges on the debt at a minimum. And yet, if these fiscal policies result in further increases in the price level, the real burden of carrying the debt for every individual in the country might readily become far greater than the burden of somewhat higher interest charges on the Federal debt, which would be offset in large measure by a higher return on savings and greater encouragement to people to save.

EMERSON S. BOWERS

Secretary and Treasurer, Atlantic, Gulf & Pacific Co.

Public works loom large in plans for stabilizing our peacetime economy. Few, if any, other activities benefit more people than construction. Carefully planned projects give, directly and indirectly, employment to thousands. They stimulate business directly in improvement areas and indirectly throughout the country. Funds spent for labor and materials, reaching back to industrial plants, mines, farms, forests and other sources of raw materials, permeate our entire economic structure and stimulate activity at every turn.

Emerson S. Bowers

The dredging industry is largely dependent upon appropriations by the Federal Government for river and harbor improvement and flood control. At present, Federal projects totaling something over $500,000,000 have been authorized by Congress. But because of a provision in the Authorization Act passed last March that no work shall be begun until six months after the end of the wars, and owing to the completion of our war work, our industry is operating below capacity. Little work is being done aside from maintenance, construction of municipal airports, and the dredging of basins in which to lay up idle ships belonging to the Maritime Commis-

(Continued on page 548)

THE PURE OIL COMPANY, U.S.A.

Pure Oil's new peacetime products are putting greater significance than ever into

"Be *sure* with Pure"

THE PURE OIL COMPANY, U. S. A.

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

Strikes and Lockouts "Acts of War" Says Butler Urging Immediate Government Action

Declaring that both the lockout and the strike "is an act of war," Dr. Nicholas Murray Butler declared on Jan. 23 that "neither should be permitted by the Government—much less encouraged or endowed." According to Dr. Butler, whose views were voiced at the annual luncheon of the Pilgrims of the United States, at the Waldorf-Astoria Hotel, the only way to bring a quick end to the industrial warfare is to press for Federal legislation outlawing any but peaceful methods of settlements, such as negotiation, arbitration and judicial determination. The New York "Times" stated that after the meeting, he told reporters that his idea was to "prevent strikes and lockouts by law — absolutely." The "Times" added: He said that the country now has a law requiring the people to "pay the bill" for the conducting of strike votes, apparently referring to the Smith-Connally Act.

Although the problem has become desperate, Dr. Butler said, it should not obscure the fact that some of the objectives of industrial war were "frequently admirable."

"We desire that the wages of manual workers be sufficient for an orderly, decent and fortunate way of life for themselves and their families," he said. "There should be no imposition by the employer on the worker."

The United States was described by Dr. Butler as in the midst of a "terrifying" industrial civil war that must be ended by immediate Government action outlawing all strikes and lockouts and punishing those responsible. Dr. Butler, who is President Emeritus of Columbia University attacked the Federal Administration for failing to take decisive steps to end labor strife and called for political action against members of Congress who do not defend "American principles of law and order." The "Times" in reporting this added:

Dr. Butler, frequently interrupted by applause and shouts of approval from the audience of 400 business, industrial and professional leaders, charged that the labor controversies were not class war but a battle between "an organized class and the American people." Several times he repeated with emphasis that the danger point had been reached and that only prompt action could save the situation.

The real issue, he said, was not whether manual workers were entitled to wage increases, but what steps should be taken to attain them. Strikes and lockouts were "acts of war" and only peaceful means of settlement should be permitted by the Government, Dr. Butler asserted.

Because of the complex nature of our civilization, Dr. Butler declared, labor trouble affects the entire American people and a "strike in Maine is felt on the Pacific Coast and in the South."

"We must realize the danger," he said. "We have a situation in which the Government is permitting groups organized for selfish interest so to act as to attack the whole people of the United States. It is an attack on the social order."

Instead of "encouraging and endowing" lockouts and strikes, he went on, the Government should take steps to forbid them. Action should have been taken by Washington three or four years ago, he said, and added that nothing was done because of "fear of political reprisals."

"Let us now remind our Federal representatives that there will be an election in November and that those who do not defend American principles will be given permission to stay home," he declared.

A.B.A. Mid-Winter Trust Conference in N. Y.

Completion of the program for the 27th Mid-Winter Trust Conference, to be held by the American Bankers Association at The Waldorf-Astoria in New York City, Feb. 4, 5, and 6, is announced by James W. Allison, President of the Association's Trust Division, who is also Vice-President, Equitable Trust Co., Wilmington, Del.

Current developments which may have an impact on the economy of the United States for years to come will be discussed by outstanding speakers during the five sessions of the three-day conference. Special conference features will include:

First Day—"A Tribute to Frederick A. Carroll," immediate past president of the Trust Division, who was killed in an automobile accident on Oct. 16, 1945, near Paris, France. Mr. Carroll was on leave from the National Shawmut Bank of Boston, Boston, Mass., to serve as American Red Cross Commissioner for Great Britain and Western Europe, Basil O'Connor, Chairman, American Red Cross, will participate in this tribute.

"What Atomic Energy May Mean to You," by Dr. Reuben G. Gustavson, Vice-President and dean of faculties of the University of Chicago, Chicago, Ill.

"Banking's Objectives in 1946," by Frank C. Rathje, President, American Bankers Association, and President, Chicago City Bank and Trust Co., Chicago.

"The Veteran and the Trust Department," by Robert M. Alton, Chairman, Executive Committee, Trust Division, A. B. A., and Vice-President, United States National Bank, Portland, Ore.

Second Day—"Forecasting Economic Weather," Dr. Marcus Nadler, Professor of Finance, New York University, New York City.

"Are Public Relations Worth the Effort?" Dale Brown, President, Financial Advertisers Association, and Assistant Vice-President, National City Bank, Cleveland, Ohio.

Third Day—Address of Willis Smith, President, American Bar Association, member, Smith, Leach & Anderson, Raleigh, N. C.; "The Conditions of Labor Peace, Dr. Leo Wolman, Professor of Economics, Columbia University, New York City.

At a luncheon on the closing day, to be tendered the delegates by the New York Clearing House Association, Leonard W. Brockington, K. D., L. L. D., Ottawa, Ontario, Canada, former counsel on Empire affairs to the British Ministry of Information, London, England, will be the speaker.

A new feature of the Mid-Winter Trust Conference this year will be the consultation period on Tuesday afternoon, Feb. 5, when the visiting trustmen will have ten "experts" on various trust subjects available for consultation. In addition, the officers of the Trust Division, Executive Committee members, and conference speakers will be present as "roving professors" to answer questions.

The handshake that saved over $35,000 a year

One day, some months ago, an executive of a factory employing several thousand people called in the representative of The National Cash Register Company. It was not their first meeting, they had been working together for some time on recommendations for handling the factory's payroll and labor distribution records.

"We have decided to follow your recommendations for our new industrial accounting system," the executive said. Then he shook hands with the National representative.

Today, figures show that the decision sealed by that handshake saved the executive's company over $35,000 in one year. That was far more than the complete cost of the equipment. In any manufacturing plant this amount would be the equivalent of the net profit on a substantial volume of sales.

Evidence of how well National products have helped to reduce costs and increase profits can be seen wherever money is handled or records kept. For manufacturers, banks, hotels, retailers and many others, National Accounting Machines have opened the way not only to important savings but to greatly improved results in general. And in the field of retailing, from the largest store to the smallest, National Cash Registers provide the accepted method of recording transactions and controlling store operation.

The size or nature of your business does not matter. Your National representative will be glad to help you with any problem you may have. The National Cash Register Co., Dayton 9, Ohio. Offices in principal cities.

Making business easier for the American Businessman . . .

National

CASH REGISTERS • ADDING MACHINES
ACCOUNTING-BOOKKEEPING MACHINES

gitized for FRASER
tp://fraser.stlouisfed.org/

Business and Finance Speaks After the Turn of the Year

(Continued from page 546)

sion and the Navy. It is expected that Congress will son remove the six months restriction, and also provide appropriations for prosecution of certain projects already approved. The immediate outlook for the dredging industry is dependent upon these factors, and upon further construction of municipal airports along the seaboard.

The development of our country is not complete. It will continue to develop and expand. Waterway improvements, essential to navigation and to flood protection, must keep pace with this advance and development. In fact, national advance and development depend largely upon improved waterways. Moreover, we shall have the greatest merchant fleet in all history. Waterways must be ready. Here is where our industry will have its opportunity to help in putting our economy back on a stable peacetime basis, and through performing work which will increase the assets of the Nation and provide a large volume of employment. Our specialized equipment and highly trained organizations, both the result of decades of experience and evolution, stand ready. Our industry cannot fail to develop and expand along with the growth of the Nation.

We believe that we have sound reasons for continuing to look forward with confidence.

GEORGE H. BUCHER

President, Westinghouse Electric Corporation

The Westinghouse Electric Corporation at the end of 1945 has the greatest production capacity in its 60-year history. If fair wages and prices prevail, its peacetime business in the years just ahead should be largest it has ever known.

George H. Bucher

During the last year the Company has provided $61,000,000 for the reconversion of its plants and the expansion of its manufacturing facilities. More than $8,000,000 has already been spent and most of the remainder of this amount will be spent during the next 12 months.

This expansion program will permit an average annual output more than double that of any prewar year. Part of these new facilities will be used for the production of the many new products whose development was hastened as a result of wartime research and engineering experience.

Production of medium sized electric motors will be centered in a new plant at Buffalo, N. Y. This operation will be moved out of the East Pittsburgh, Pa., main works of the Company to make room there for expansion of heavy apparatus manufacture.

Greatly expanded air conditioning development and production will be headquartered at Boston, Mass., where Westinghouse has acquired the B. F. Sturtevant Company, one of the oldest and best known manufacturers of air handling equipment. Principal Westinghouse air conditioning activities will be integrated with those of the Sturtevant Company. The Precipitron, the electrostatic air cleaner developed by Westingsouse and produced in quantity during the war for use in the manufacture of delicate military equipment, will be built for home use in the Sturtevant plant.

Plants of the Electric Appliance Division at Mansfield, Ohio, and Springfield, Mass., are being enlarged and re-arranged at a cost of $11,500,000, to permit production of household electric appliances on a scale never before attempted by the Company. Although it required the most extensive reconversion of any of the Westinghouse manufacturing divisions, the Appliance Division by the end of the year was in production on many major types of consumer goods, including refrigerators, ranges, and the Laundromat, the automatic cycle washing machine. A new product, pioneered by Westinghouse to meet war needs, is the Bug Bomb aerosol insecticide dispenser, which soon will be marketed on a nation-wide scale. It is in production now.

To take care of anticipated increases in demands for elevator equipment, Westinghouse purchased the Atlantic Elevator Company in Philadelphia, the facilities and organization of which are being integrated into those of the Elevator Division at Jersey City, N. J. Additional capacity will be available at the Elevator Division as a result of the removal of air conditioning activities from that plant to Boston.

In addition to the Precipitron and Bug Bomb, other new products which we have added to our business and job opportunities include electric home heaters and aircraft gas turbines.

Home heaters will be manufactured in a plant at Emeryville, California, and will mark the Company's entry into this new field of usefulness of electricity. The market for such units is expected to be principally in the Pacific Northwest and mid-South.

For the production of gas turbine aircraft engines—both jet propulsion and propeller drive—we are completing at Philadelphia a 10 million dollar plant and research laboratory expected eventually to give employment to some 2,000 people and turn out $10,000,000 to $15,000,000 of engines yearly. Westinghouse pioneered the development of axial-flow jet engines for the Navy during the war.

Many problems still before industry must be solved before we can reach a post-war production and employment stride that will satisfy either us or the consuming public. They are serious problems of labor relations, materials supply, pricing and marketing, employe training, and the like. But we are confident that with tolerance, fair dealing and patience, they will be solved.

LOWELL R. BURCH

President, New York Air Brake Co. **(see page 550).**

GEORGE W. BURPEE

President, General Aniline & Film Corporation

Little parallel exists between the conditions faced by the American dyestuff industry this year and those which confronted it in the first year after the end of World War I. Today this relatively new industry is on a firm footing. It is established. It possesses technical know-how. It has scientific research facilities. Its productive capacity is ample. Its products have between the two wars won the acceptance of manufacturers and consumers alike.

George W. Burpee

As a result of these factors this important industry faces the first postwar year with a confidence born of its faith in its ability to meet the unprecedented demands of the growing number of domestic users of dyestuffs. Moreover, this industry is today in a position to take advantage also of numerous export possibilities. In fact, our company even today is shipping American-made dyes to Latin America, Canada and to various other countries.

The onset of the war threw a tremendous burden on the American dyestuff industry. It was compelled to meet a huge military demand, to increase production sharply and, in addition, to supply a large number of dyes which had formerly been secured entirely from abroad. It met this challenge. Production of the industry in 1939 was below 114 million pounds of dyes. The best estimate is that 1945 production was not appreciably lower than the 150 million pounds peak production in 1944.

Today the United States is the undisputed world leader in dye making. We produce every dye we need here.

(Continued on page 550)

Good Public Relations include Sanitary Public Washrooms

TIME was when the public washroom was looked upon as a necessary evil. Today, however, far-sighted management recognizes the public washroom as an important factor in building better relations both with customers and employees.

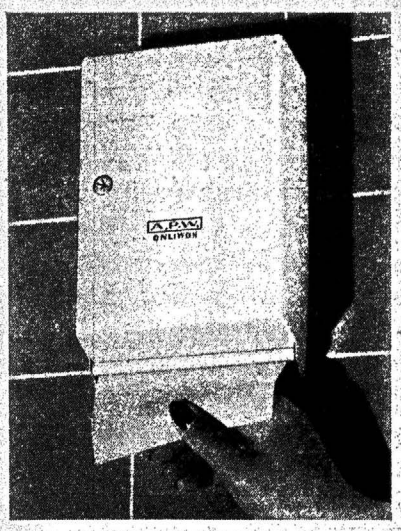
Public washrooms that look old-fashioned and unsanitary encourage vandalism—are more costly to maintain—and breed ill will. Clean, sanitary washrooms, on the other hand, encourage users to treat them with respect—reduce maintenance costs—and help business firms attract and hold desirable customers and employees.

Advantages of A.P.W. ONLIWON service

A.P.W. Onliwon Service has been created to make the public washroom safe, sanitary and adequate in the eyes of users—and to simplify daily maintenance problems. Complete Onliwon Service comprises four products: A.P.W. Onliwon Toilet Tissue—A.P.W. Onliwon Towels—A.P.W. Onliwon Toilet Seat Covers — A.P.W. Onliwon Waste Receptacles.

An outstanding characteristic of all A.P.W. Onliwon sanitary papers is that they are interfolded and dispensed from uniform style cabinets. The spic and span appearance of an Onliwon-equipped washroom is in itself a valuable form of modern public relations.

The advantages of installing all four A.P.W. Onliwon Products are conclusively demonstrated by an inspection of the washroom at the end of the day. Onliwon Service assures neater conditions and protects toilet seats and other equipment from costly abuse.



All A.P.W. Onliwon Products—towels, toilet issue and toilet seat covers—are dispensed from locked cabinets to protect them from dirt and unclean hands.

A.P.W. ONLIWON

Complete Sanitary Service for Public Washrooms

A. P. W. PRODUCTS COMPANY, Inc., Albany 1, N. Y.

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

J. W. Peterson Pres. Of U. S. Tobacco

Jonathan Whitney Peterson, has been elected President of United States Tobacco Company, succeeding the late John M. DeVoe. Mr. Peterson is the third President of the company, and is the son of its first chief executive, Jonathan Peterson, elected at the time of its organization in 1911.

J. W. Peterson

Starting in July, 1921, at the age of 23, Mr. Peterson has spent his entire business life with the well - known company of which he is now head. After more than a year in the factories in Richmond, Va., Nashville, Tenn., and Chicago, Mr. Peterson joined the sales force, and for two years sold his company's products to the tobacco trade in various parts of the country.

In 1924, he became Assistant Department Sales Manager of the Metropolitan New York area, where his executive ability and sound sales capacity brought him the appointment, in 1927, of Department Manager of the New England territory.

In 1929, Mr. Peterson was elected a Vice President and Director, and in the following year was appointed Department Sales Manager of the Metropolitan New York area. Since March, 1939, he has served as Executive Vice President of the company.

Mr. Peterson is a Director of the National Tobacco Co. of Canada, the Irving Trust Company of New York, is a member of the Union League Club and lives in Greenwich, Connecticut.

William Huckel Heads NY Fin. Advertisers

William Huckel, an assistant cashier of the Chase National Bank, was elected President of the New York Financial Advertisers at the association's annual meeting.

Other officers elected were: First Vice-President, P. Raymond Haulenbeek, Vice-President of the North River Savings Bank; Second Vice-President, Earl S. MacNeill, trust officer of the Continental Bank Trust Co.; Secretary, Lee C. Hornney, financial advertising manager of the New York Post; and treasurer, Robert J. Stiehl, eastern representative of Banking.

Directors of the 1946 term were elected as follows; W. Francis Fitz Gerald, Emigrant Industrial Savings Bank; Charles C. Hull, American Institute of Banking; B. H. Leather, The New York Times: Louis S. Lebenthal, Lebenthal Co.; Mrs. Isabel B. Murray, Hudson Advertising Co.; Theodore W. Norcross, Bank of New York; Dudley L. Parsons, of Dudley L. Parsons, Public Relations; Russell S. Sims, Albert Frank-Guenther Law, Inc.,; Ruel S. Smith, Time, Inc.; and Edward B. Sturges 2nd, of Edward B. Sturges 2nd, Inc.

Following the elections the meeting was addressed by Merrill Anderson of the Merrill Anderson Co., advertising agency. Mr. Anderson outlined twenty-two ideas on bank public relations.

F. L. Salomon to Admit

F. L. Salomon & Co., 30 Broad St., New York City, members of the New York Stock Exchange, will admit Jesse Marks to partnership on Feb. 7.

Making Good on "TEXAS BRAGS"

"Big Truths From a Big State"

War certainly proved what many outsiders considered just "Texas Brags" were "Texas Truths" after all.

Because Texas had what it took to become a powerhouse of war.

When the Japs got our natural rubber, Texas became the Butadiene capital of the world.

When the army and navy had to train flyers fast, Texas weather provided almost the maximum of flying hours.

When the army and navy got hungry, they called for Texas beef.

When the war call went out for cotton and more cotton, Texas was ready with the world's biggest cotton acreage.

When the war called for sulphur, Texas provided mountains of it.

As the richest oil state, Texas of course led in the production of 100-octane gas for planes as well as countless other war-essential petroleum products.

Yes, Texas had what war needed —and beyond that Texas has the rails and docks and ports to ship its products to market everywhere.

SANTA FE LINES IN TEXAS

Santa Fe, a Texas partner and booster since 1880, and operating 3,693 miles of rail in Texas, with automatic block signal protection all the way from Galveston to Chicago, provides rail service between the Lone Star State and Louisiana, Oklahoma, Kansas, Missouri, Illinois, Iowa, Colorado, New Mexico, Arizona, and California.

SANTA FE SYSTEM LINES

Serving Texas and the Southwest

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

Business and Finance Speaks After the Turn of the Year

(Continued from page 548)

Our industry is now in a position to supply dyes for textiles, paper, leather, fur, paints, woodstains, plastics, ink, gasoline and film, among other products. It is also engaged in producing textile auxiliaries which will waterproof, mothproof, flameproof, mildewproof and shrinkproof textiles. Our own plant at Rensselaer, New York, is today turning out some 1,200 different kinds of dyestufs. Our plant at Grasselli, N. J., is producing 800 different dyes and 700 different dye intermediates. All told we now make 3,700 different dyes and dye intermediates.

In addition to the scope of our production we became more proficient manufacturers during the war. Our research laboratory, for example, developed dye making techniques which have cut down processing time in various manufacturing operations. We learned to make maximum utility out of our plants and improved the efficiency of various of our manufacturing operations through the employment of techniques developed in our research laboratories.

The dye industry is the child of scientific research. The synthesis of dyes had its genesis in scientific development work. Its future, too, rests on our country's ability to continue its dyestuff research. To this end, our own firm now has its own central research laboratory where a staf of chemists and physicists is constantly engaged in fundamental research into dye making and its related chemistry, as well as in the development of new and more effective dye making processes.

America's lack of skilled dye chemists was a handicap to our development of a self-sufficient American dye industry several decades ago. Today, however, we have a nucleus of highly skilled dye chemists and as part of our continuing research activities in this important chemical field, we are training new chemists and research specialists.

In a period in our country's industrial life in which color is expected to play an increasingly important role in thousands of manufactured goods, it should be comforting to realize that today our dyestuff industry is a world leader. Moreover, through constant research, we plan to maintain our leadership.

LOWELL R. BURCH

President, The New York Air Brake Company

Demand for the Company's air brake products is subject to several influences, each of which will have an important bearing on the future. The strain placed on the railroads by the exceptional wartime activity and the railroads' inability to secure new equipment or make repairs commensurate with this wartime activity are well known. The desire to improve equipment has resulted in the placing of many orders for freight and passenger cars and locomotives since the end of the Japanese War. This large initial volume of orders had been expected. It will take perhaps a year to make deliveries of the orders now on hand. Air brakes for this equipment have been ordered and The New York Air Brake Company has secured its share.

L. R. Burch

The future is not so clear. While a large reservoir of demand has been built up during the war, the release of this will depend on the conditions prevailing at the time present orders are delivered. Will increased operating costs and wages reduce the railroads' net operating income to a point where it is expedient for them to curtail their capital expenditures in order to maintain an adequate working capital position? Will higher wages and material costs necessitate such price increases for equipment as to "price itself out of the market"? It may be said that the large accumulated demand arising out of the war precludes the possibility of goods being priced out of the market. Buyers' strikes commence, however, when everything looks most favorable, not at the bottom of a depression.

During the war the railroads made extensive surveys to determine the desires of passengers with respect to the cars to be built after the war. This information has been used as a basis for the designs of the cars now being built. Passenger travel is still at peak levels but when redeployment has been completed and other means of travel are more generally available, will the public continue to ride in large volume in the cars into which its ideas have been incorporated? This question cannot be answered at this time but will be a factor, nevertheless, in the orders which will be placed a year or so hence. It should be noted, however, that air brakes for passenger cars are not an especially important element in the Company's sales and earnings, especially when compared with the freight equipment operations.

Aside from the construction of new equipment, the Company is now experiencing an appreciable demand for freight car brakes from the program of replacing all old types brakes with the modern "AB" equipment. This program was initiated by the rairoads in 1934 and was originally intended to be completed by Jan. 1, 1945. The period of low earnings for the railroads which followed 1934, and subsequently the wartime material shortages, prevented the fulfillment of this schedule. It is estimated that at the end of 1945 about 58% of the country's railroad owned and private line freight cars had been equipped with "AB" brakes. The old type brakes are now being replaced as rapidly as productive capacity of the air brake companies and shop facilities of the railroads will permit.

In summary, unfilled orders now appear to assure a satisfactory rate of operations for the next few months. The present economic unsettlement of prices and wages could result, however, in maladjustments of a serious nature which would be reflected in our future order volume.

ALEX CALDER

President, Union Bag & Paper Corporation

All indications point to exceptionally large sales of all commodities purchased by the consumer. The reason: an extremely heavy pent-up demand and the greatest consumer purchasing power in the history of our country. Considerably over one hundred billion dollars have been saved during the war because of full employment, high wages and lack of consumer goods.

Alexander Calder

Although the lifting of many restrictions on production have tremendously increased department store sales, there is still a very limited supply of consumer goods due to strikes and shortages of certain raw materials. Increased sales made possible through increased production in 1946, naturally means a greater demand for wrapping paper, bags, boxes and most every other paper product.

Inasmuch as our studies indicate that consumer sales will continue heavy for three or four years, and because of the backlog of demand for paper goods considered "non-essential" during the war

(Continued on page 552)

SINCE 1840

Quality

that Never Varies

CARLING'S
Red Cap
ALE

BREWING CORP. OF AMERICA • CLEVELAND, OHIO

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

What Post-War Foreign Trade Might Mean To Us

(Continued from page 528)

scribe briefly the conditions in foreign trade as they prevailed during the war years. For several reasons, wartime exports and imports were subjected to rigid government controls. Most materials were in critically short supply, and their allocation for both domestic and foreign use had to be managed most carefully. The conduct of the war placed incessant demands upon our cargo fleet, so that a chronic shortage of shipping space had to be contended with continually. International monetary operations were limited by meticulous controls. The bulk of materials shipped out of the country were dispatched to American fighting forces, or, through Lend-Lease, to the forces of our Allies. Some commercial export shipments moved through foreign government purchasing missions established in this country. Other commercial orders, carefully screened with a view to maintaining the economies of friendly nations, were filled through somewhat more normal channels, but always hedged about with the restrictions of our government and the governments of the importing nations. Imports into the United States during the war years were as carefully directed by government as were exports. Procurement of strategic materials became almost wholly a governmental operation. Other commodities were brought into the country by government corporations, to be distributed through private companies, always with the success of the war effort as a guiding policy. Because of actual governmental operations in purchasing and importing foreign supplies, and because other imported materials were controlled in the interest of the war program, the effects of American tariffs on imports were negligible. Purely commercial considerations also failed to exert their customary influence.

World Wide Controls Imposed

The steps taken by our government to control the movements of goods and ships were duplicated in one form or another by most of the other nations of the world. As a consequence, the impact of peacetime economic and political forces which guide the international exchange of commodities and services were virtually suspended. The splendid victory achieved by the United Nations, however, somewhat abruptly changed the aspect of the entire situation. Once more it has become possible for plants to start to produce the many articles in demand by civilian populations. Shipping is becoming increasingly available to carry supplies in peacetime commerce. Export and import controls have been substantially relaxed. The American Government has withdrawn from much of its wartime export and import activity. Lend-Lease has been terminated. All these factors, together with others, including drastic political readjustments and efforts to mold the United Nations together in peace as in war, contribute to the fluidity of the situation which I mentioned a few minutes ago.

Without a moment discounting the gravity of the problems which exist in many areas of the world at the present time, including the difficulties confronting us here in the United States, and without overlooking the possibilities of unfavorable or even disastrous future developments, I should like to take this occasion to place some emphasis upon the positive, favorable elements in the picture. For, with respect to foreign trade, there is a tremendous amount of endeavor being expended to set certain rules of fair play and mutual advantage for the post-transition period. A definite pattern is emerging.

At the top, there is the United Nations Organization, now a functioning body. A highly important division of that organization is the Economic and Social Council, constituting a forum where the nations of the world can exchange information and views, and perhaps agree on concerted action to mitigate or to solve completely various problems of international trade as they exist at present and as they will undoubtedly arise from time to time.

Tariff Barriers

The ending of the war has raised again the issue of tariff barriers, since tariffs are beginning again to exert a direct influence. With commendable foresight, Congress in the Spring of 1945 renewed the Reciprocal Trade Agreements Act, and revitalized the nation's international bargaining power by relating the power of the executive to readjust tariffs to present conditions and postwar realities. Therefore, the United States is prepared to enter into negotiations with foreign countries for the mutual lowering of excessive and trade-hampering import duties and restrictions, along with the elimination of discriminatory practices which place unfair burdens on international commercial relations. The Department of State has already invited fourteen nations to attend a conference several months hence for the purpose of concluding trade agreements and discussing broad commercial policy proposals. As a result, there should be good probability that foreign suppliers will find the American market more accessible than it has been in the past. At the same time, our foreign traders should encounter abroad fewer barriers to American products and to the healthy conduct of their business in foreign countries on a non-discriminatory basis. Shortly after the trade agreements meeting, present plans call for a full dress United Nations Trade Conference, at which even more may be accomplished toward opening the channels of world commerce in accordance with rational and constructive policies widely adhered to.

Dollars Needed Abroad

Congress is also to be commended for its action last summer in expanding the capacity of the Export-Import Bank to $3,500,000,000. In many foreign countries there is a critical need of American dollar credits. Many of these countries, although temporarily distressed due principally to the ravages and dislocations of war, nevertheless present opportunities for sound business at reasonable risk in the development of their economies and the promotion of American foreign trade. If past experience is a guide to the nature of future operations, the Export-Import Bank can be depended upon to select risks with prudence and to advance dollar credits for purposes which will be mutually beneficial. The operations of this government bank supplement rather than compete with private banking business.

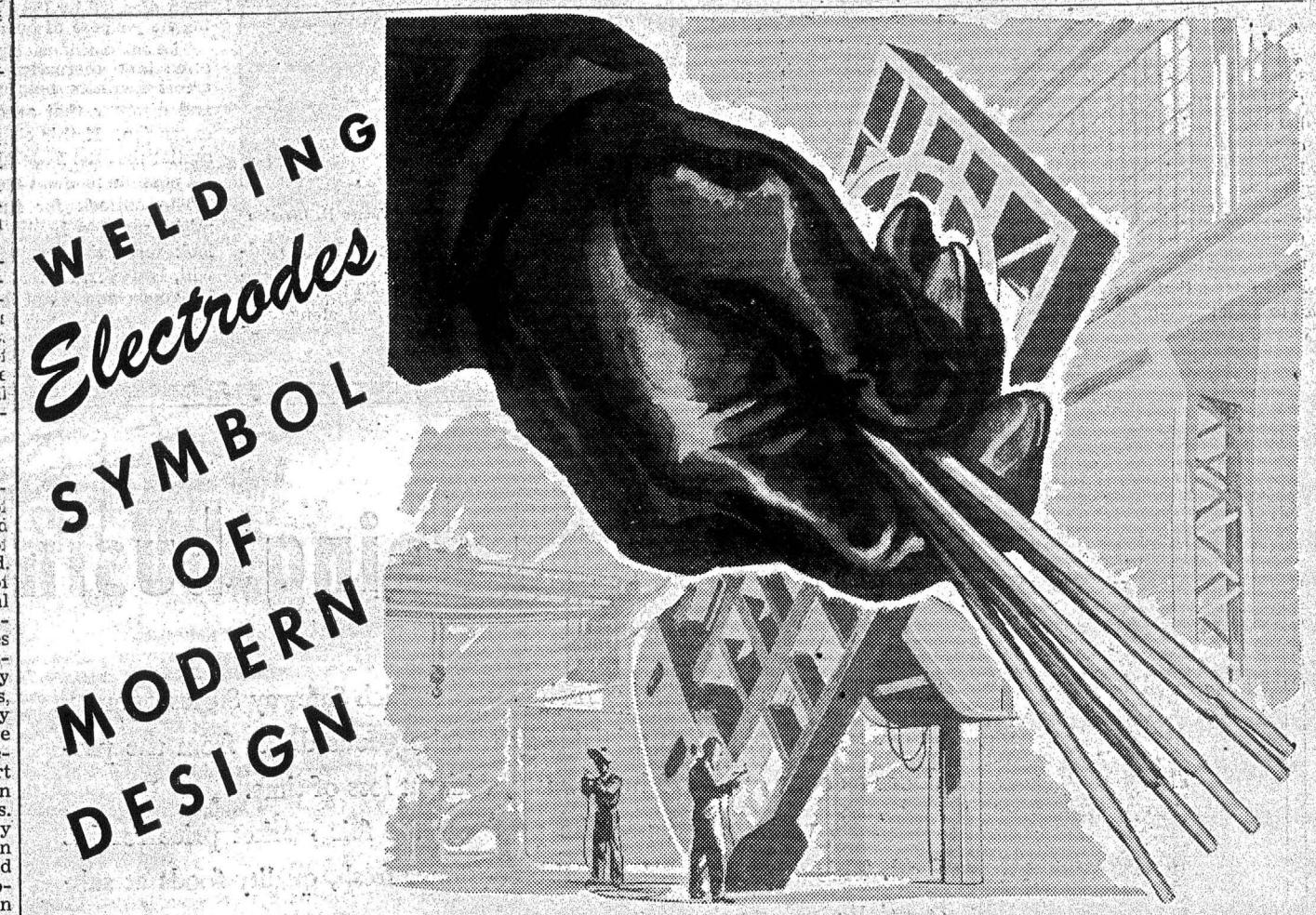
Recently, the world financial institutions which have come to be commonly known by the name of Bretton Woods, came into being upon having been ratified by a sufficient number of nations. If trade barriers are reduced, if constructive policies to maintain domestic economies are followed, these two institutions, the International Monetary Fund and the International Bank for Reconstruction and Development, under conservative and capable management, should be in a position to contribute in large measure to the business development and financial stability of the various participating nations.

A pattern, then, is shaping up to an extent that warrants much hope for the future of international commerce. Opportunities for a sustained and growing foreign trade are at hand. The question arises as to what American business can and should do to attain the maximum beneifts from the potentialities inherent in the foreign trade outlook.

Peak Demand for U. S. Goods

Making a very broad statement, as a means of introducing consideration of business procedures as distinguished from national policies, it can be said that there exists today throughout the world a demand for American products that far exceeds anything heretofore experienced. Continuing to speak in broad terms, it is also true that at present one of the principal difficulties in export lies in obtaining goods to ship abroad, rather than in locating customers for available commodities. The prevailing situation of supply is probably tempo-

(Continued on page 553)



These are welding electrodes . . . even smaller than a musician's baton. Yet many modern giants — ships, streamliners, planes . . . owe their trim lines and rugged structures to the application of these slender sticks of coated metal.

Yes, today, welding electrodes symbolize the new concept of design — lighter, stronger, better. Whether joining metals in the largest battleship or the smallest assembly, arc welding has become indispensable to provide maximum strength with minimum weight. Today, whatever the task may be in joining or surfacing metals, there is a P&H electrode to properly answer the need.

Here at P&H, leading *maker* as well as *user* of welding electrodes and equipment, the fabrication of all-welded cranes, hoists and excavators has been reduced to modern production technique — fast, efficient, simple. And in shops all over the world, P&H know-how is helping to solve literally thousands upon thousands of welding problems. P&H welding specialists are ready to assist you, too, on any problem in electric arc welding.

P&H

Manufacturers of
Overhead Cranes • Electric Hoists
Excavators • Welding Positioners
Arc Welders • Welding Electrodes
Milwaukee 14, Wisconsin

HARNISCHFEGER CORPORATION

WELDING ELECTRODES • MOTORS • HOISTS P&H ELECTRIC CRANES • ARC WELDERS • EXCAVATORS

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

Business and Finance Speaks After the Turn of the Year

(Continued from page 550)

we look for good business in the paper industry for at least three or four years.

The total production of paper and paperboard in 1945 will be a little over 17,300,000 tons. This will be the highest U. S. production of any year in history excepting 1941. About 8,900,000 tons of this product will be paperboard, with about 8,400,000 tons distributed among other paper grades.

Barring strikes and raw material shortages, I assume the over-all production in 1946 will reach about a million tons more, or about 18,300,000 tons—probably about one-half paper and one-half paperboard.

During the war paperboard production was encouraged because of its importance in the war effort, whereas the production of many other grades was discouraged. The production of grocers bags, for example, at the end of the war, was 50% of normal. Now, paperboard production is decreasing slightly and the production of grades such as grocers bags, will be increased.

When the war ended, shipments of pulp came to the United States from Scandinavia in rather large quantities because inventories had been accumulated there during the war. A great many people expected and probably do expect that heavy imports of pulp will have a bearish effect on pulp and paper markets in this country. This, however, is not true. As a matter of fact, and as shown by the following figures, I believe that pulp imports during the first six months of 1946 will be less than they were during the last six months of 1945.

	Last Six Months '45	Estimated 1st Six Months '46
Imports from Canada	560,000 tons	440,000 tons
Imports from Europe	625,000 tons	360,000 tons
U. S. Production	4,940,000 tons	4,800,000 tons
TOTALS	6,125,000 tons	5,600,000 tons

Increased demand in this country for paper and board during the first six months of 1946 will result, I believe, in a shortage of pulp, paper and board. It is quite possible, furthermore, that production in this country of both pulp and paper will be adversely affected because of a shortage of pulpwood. This shortage is not due to a lack of trees, but a lack of labor, and unseasonal rain last summer. Approximately one-third of all pulpwood cut in the South during the past year has been cut by German prisoners-of-war. The U. S. Army is planning to repatriate these prisoners between March 1st and May 1st, so that unless they can be replaced promptly, it is quite probable production of pulp and paper in this country will be decreased to a serious extent. Right now many mills in the South are running five days a week, or less, because they are unable to secure enough pulpwood to operate seven days.

O.P.A. ceilings, still in effect in the paper industry, have seriously affected the production of various grades of paper because of the inequitable profits allowed on certain grades as compared with others. Newsprint production for example, due to the scant profit under O.P.A. ceilings, has been radically decreased. The same is true of wrapping paper and grocers bags. In view of the extreme shortage of pulp and paper which seems imminent and which is likely to continue for some years to come, there is strong likelihood that if O. P. A. continues beyond June, higher prices will be in order on many paper products.

JAMES H. CARMINE

Vice-President in Charge of Merchandizing, Philco Corporation

Production of radio receivers, radio-phonographs, refrigerators, freezers and all other appliances will increase rapidly throughout 1946. Demand for all these products is of tremendous proportions. Even the task of sampling distributors and dealers and filling up the "pipelines" will require several months. So the immediate emphasis in almost every company is on expediting raw materials and parts and getting our production.

James H. Carmine

The time will come, perhaps sooner than many now think, when the tremendous productive capacity of the United States will overtake this temporary demand, and it will be up to advertising, merchandising and old-fashioned selling to create new consumer wants and the urge to buy, if our factories are to continue to operate at a high level and maintain national prosperity.

Farsighted management is laying its plans on a long term basis and I predict that in 1946 you will see the greatest volume of newspaper, magazine and radio advertising in the history of this country. We are laying our plans at Philco along these lines and expect to maintain our percentage of the radio receiver business and greatly increase our share of the available refrigerator and home freezer market.

J. LUTHER CLEVELAND

President, Guaranty Trust Company of New York

Although the end of the war has brought sweeping changes in industry, it has not put an end to Federal emergency expenditures and deficits. This means that one of the tasks of the nation's banks has continued to be the financing of a part of the Government's emergency costs, and this will cntinue to be true in gradually diminishing degree until costs are reduced to a level that permits an approximate balance in the Federal budget.

J. Luther Cleveland

Further expansion in bank resources and deposits is, therefore, to be expected in 1946. Loans to business enterprises have increased substantially since "V-J Day" and some additional increase is likely, although the amount of probable expansion in loans is limited by the strong cash position of most business concerns and the ease with which needs for additional operating funds can be met by the issue of securities.

The banking system as a whole is in an excellent position to meet any probable increase in credit requirements. The ability to create excess reserve funds in the banking system, however, is lodged with the Federal Reserve banks, not with the commercial banks; and the actual availability of the excess funds as a base for credit expansion, therefore, depends primarily on Federal Reserve policy. For some years this policy has been dictated by the Treasury as a means of implementing its purpose of borrowing at low interest rates.

The main financial problem in 1946 and probably for some time thereafter will not be to provide adequate credit facilities but to avoid the monetary instability and disorder that so often result from wartime credit expansion. If this objective is to be attained, it is essential that the Federal budget be balanced at the earliest possible moment and kept in balance thereafter.

The outlook for further expansion in bank credit might seem to imply a correspondingly favorable outlook for bank earnings. Improvement in this respect will, however, be restricted by a number of factors. As long as the present low money rates continue, bank holdings of the older Government securities, with high-

(Continued on page 554)

Our principle of doing business!

There is a simple, logical principle upon which Safeway Stores operate.

It is the objective of Safeway to take goods direct from the producer to consumer—without waste, without loss of time.

This way we can pay the producer the fair market price for his food. This way we can bring the consumer fresh, quality foods at substantially lower prices.

We have no secrets at Safeway. Our policies toward the farmer, banks, labor unions, brokers, manufacturers, etc., are clearly printed in an interesting booklet entitled, "Safeway Policies". It's available to anyone at any time. If you would like a copy of this book, write Safeway Stores, Incorporated, Box 660, Oakland 4, California. We'll be happy to send you one, free.

SAFEWAY NEIGHBORHOOD FOOD STORES

gitized for FRASER
tp://fraser.stlouisfed.org/

What Post-War Foreign Trade Might Mean To Us

(Continued from page 551)

rary in character, born of the war and the aftermath of war. It should be pointed out that there are many well established, successful companies in the United States, accustomed for decades past to meeting unsettled conditions at home or abroad. They are proceeding with their plans to maintain foreign business relationships, and to expand their programs where feasible. They have a highly practical knowledge of the best methods of conducting foreign trade which I shall endeavor to review, hoping that such a summary may be of value to some of you.

Commerce Dept. Can Help

Wisdom, it is said, is the distillation of experience, and experience in foreign trade shows that each customer in each foreign market presents an individual problem which must be tackled as such. To say, for example, that demand abroad for American goods is high is hardly a reasonable basis upon which to decide to enter the export field for the first time or perhaps to seek foreign markets for new products. In proceeding with specific analyses of demand in foreign countries, as well as many other factors of overseas distribution, the Department of Commerce can supply intelligence concerning the past export sales volume of thousands of different products in dozens of different countries, and a vast amount of other related information. Many companies, particularly the larger ones, will depend to a great extent upon their representatives abroad, with information obtained from government and private sources serving to round out a reliable estimate of the prospects for successful business. If the item in mind has no significant export record, information with respect to comparable products may be obtained and found useful. Such information should throw much light on future export prospects of specific products. However, many factors enter into a sound calculation of foreign business possibilities. To what degree have new industrialization and other recent changes in foreign areas affected sales potentials? What of competition from other outside sources? Have fashions changed? To find the answers to these and many other questions, if the supplier is not equipped to conduct the work, it may prove advisable to employ the services of an outside agency. A detailed market analysis of various foreign areas for some particular product or group of related products may be obtained from established survey services, competent American export merchants or foreign import houses, or consulting engineers. Here again, the Department of Commerce should always be kept in mind as a source of help. The Departments of State and Commerce at the present time are cooperating in a review of the activities of the foreign service of the United States, with the object in mind of modernizing this service to provide much greater assistance to American foreign trade.

Competitive Production Factors

Occasions frequently arise in which it is found advisable to compare American and foreign production costs, to determine a relative competitive position with some exactitude. A determination of this sort cannot be made merely by referring to prevailing wage scales in each country. Factors such as raw materials costs, total costs of processing per unit, and costs of packaging, warehousing, packing for shipment, transportation, insurance, sales and advertising, as well as monetary exchange rates and regulations are all brought under strict consideration. Special attention should be given to ascertaining the least expensive method of shipping—that is whether to ship semi-manufactured or completely finished goods; articles knocked down to be reconstructed at the foreign destination, or perhaps individual parts for final assembly abroad. Sales and advertising expense enter significantly into this development. As to foreign costs of production, these of course are not normally available, but the guiding factor in any event is the selling price of an article in a foreign market. Intelligent guesswork by representatives in any given country should provide a reasonably accurate estimate of profit margins, from which judgment may be made as to the possibilities of having to contend with drastic price cuts.

In dealing with the problems of transportation, frequency of shipments will depend chiefly on stock turn-over. Once regular shipping services are again available, there is not, in general, any necessity to go beyond the checking of sailing dates when the question arises as to when to ship. Some companies maintain their own freight forwarding departments; others rely upon independent foreign freight forwarders of which there are many dependable ones offering their services. As between competing steamship lines, freight rates are found to be rather uniform, due to the prevalence of conference agreements. Transportation difficulties will be greatly reduced if the buyer gives practical shipping instructions which are clear, and carefully followed. Care should be taken, incidentally, to see that boxes and other containers, as well as the merchandise itself, bear all legal markings in conformance with the laws and regulations of each separate country.

Individual Consideration

In planning terms and credits in export transactions, the rule of considering each customer in each market as an individual problem is particularly pertinent. In addition to reports from agents and direct head office contacts, advice may be sought from any of the well established banks conducting an international business, from local foreign trade organization, from credit rating organizations, or from a World Trade Directory Report of the Department of Commerce, or all of these sources may be consulted to determine the standing of a buyer. Special attention should be given to ascertaining the exchange regulations in force in any given country. It is worth while noting that credit losses in foreign markets average lower than similar losses sustained on domestic business.

A vital consideration in planning procedures in foreign operations is the matter of taxation. Local tax laws, both corporate and personal, should be carefully investigated, for these may have an important bearing on the advisability of establishing a branch plant abroad, of maintaining representatives from the home office in a foreign country, as well as upon the whole broad question of being able to conduct a profitable business. The problem of eliminating international double taxation has long been among the most difficult for which to find an adequate solution. Much relief is promised, however, through the negotiation of special tax treaties to alleviate excessive tax burdens. Recently, such treaties with France and Canada have been ratified, and another with the United Kingdom is now pending before the Senate Foreign Relations Committee.

These, then, are some of the procedural methods which have been found advisable to follow in foreign trade. There are many other day-to-day business considerations which are encountered in developing foreign markets, but I should like to turn now to a broader problem of commercial policy which is currently receiving much attention. I imagine that all of you have been reading about the British-American financial agreement and have noted the terms and conditions on which dollar credit facilities would be extended to Great Britain, as one of the many current matters of international consideration. In reflecting on the history of our foreign loans, we note that a sharp distinction emerges when American Government loans of the first world war and Lend-Lease credits of the second war are compared with sound private foreign loans and Export-Import Bank credits of the last quarter century. Dollars made available as part of our overall war effort go by the board and are lost forever. Dollars made available for sound economic purposes, through prudent private investment and the Export-Import Bank, by and large have proved of long-term benefit to both lender and borrower. Trade potentials hvae been increased and realized, and living standards elevated.

Economic Loans Productive

War loans to our allies, or the materials and services obtained by virtue of such loans or credits, are used up in the destruction of war and the maintenance of living in allied countries. Their repayment cannot be reasonably expected. In contrast, economic loans are productive of useful goods and services, and their con-

(Continued on page 555)

TODAY

and

TOMORROW

Coty takes a natural pride in its position of leadership in the perfume and cosmetic industry, nationally and internationally.

Public respect for Coty quality and Coty prestige have reached new heights—a recognition of our uncompromising standards under all circumstances.

Our policy reflects our concern with the broad future, not only with the limited present.

COTY, INC.

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

Business and Finance Speaks After the Turn of the Year

(Continued from page 552)

er coupon rates and partial tax exemption, will be gradually replaced with obligations yielding income at current rates, which are substantially lower than those on the older obligations. Profits from the sale of securities, which have been primarily a reflection of the decline in interest rates, cannot continue indefinitely. Recoveries from doubtful assets held over from the depression period have, for the most part, been realized. As the Treasury reduces its working balance, a larger proportion of bank deposits will become subject to reserve requirements and deposit-insurance assessments. Finally, the abnormally low rates of loss on loans and securities during the war period can probably not be maintained under peacetime conditions.

These limiting factors are mostly long-term influences that will be only partly effective in 1946. Despite their gradually increasing effects, it seems likely that bank earnings as a whole will be fairly well sustained this year, mainly as a result of further increases in investments and moderate expansion in loans.

ROBERT H. COLLEY

President, The Atlantic Refining Company

Mostly, the outlook for the petroleum industry is encouraging. The demands of users may exceed earlier expectations. In fact, despite war's depletion of the auto fleet, the 1946 demand on the American industry may be at least as great as it would have grown to be in the absence of war. Current supply of products is ample for all users who will, or are allowed to, pay prices which will provide fair wages for workers and yield nominal profits to investors. Moreover, products have been improved to suit the needs of users better than ever before. There is no present threat of shortage of underground reserves of crude oil, Probably no serious threat will develop in this generation.

Robert H. Colley

Some of the difficulties which have impeded the industry during recent years, like the wartime loss of its tanker fleet, have been removed. Others, for example, the current lack of meeting of minds of managements and labor unions—an experience unprecedented in the industry—are in process of solution. But another difficulty of long standing persists and may further wastefully consume the energies of the industry's personnel. Some day this difficulty also may be dissipated, through the slow process of education.

I refer to the periodic attacks upon the industry's economic procedures and organizational structure. No doubt they arise out of the nearly unique character of the industry. It stands alone among the great industries with regard to the number of natural ramifications of its organization. It is the one industry in which the larger, "integrated", units perform all four major functions—production of raw material, transportation, manufacture, sale and delivery. The complexity of the organizational structure is further increased by the fact that many companies and individual citizens specialize in one or the other of the four divisions.

As a consequence of this type of organization there are countless opportunities, first in one division, then in another, for making improvements which alter the pattern of competition. Such changes reduce costs and enhance product values, the benefits of which, as a matter of the long record, are passed promptly on to consumers. They also keep the entire industry stirred up and its personnel on the alert, which is simply another way of saying that they maintain competition at high intensity. Perhaps it is because of this state of affairs, which I believe is wholesome for the entire economy, that the profits of the oil industry, as represented by rate of return on investment, are somewhat lower than the profits of publicly reporting manufacturing and trading companies and certainly lower than anyone would expect of a relatively young, vigorous industry which has been enjoying nearly uninterrupted growth of demand.

Unfortunately this progressive industry, teeming with fruitful changes, is harder to understand than a simpler business. The line between a lack of understanding and misunderstanding on the part of the public and especially upon the part of those in government, is a fine one. Out of the experiences of the oil industry with misunderstanding I see the need for faith in the American system of doing business—faith that knows that the system effects the maximum of economic progress toward increasingly higher standards of welfare for our people.

I do not know how this faith can be acquired except through knowledge which comes from a study of changing conditions—trends of developments over relatively long periods of time—over much longer periods than those covered by the personal experiences of the majority of business men. The perspective gained by such studies would enable persons charged with the administration of our laws to understand such fundamental matters as: how economic forces bring about changes in the prices of products; and how competition brings about improvements in the qualities and reductions in the costs of products, a little here and a little there effected by individual companies as a result of their successful researches, and how these advances, operating through normal competitive processes, stimulate all other members of the industry who must learn somehow to do equally well or be left behind.

This is the chief source of economic progress. It is the fruit of our competitive system. It has made our country economically great. It must be better understood by a larger part of our people or we may find ourselves legalistically slowed down from the accelerated pace of the past and threatened with a loss of our leading position in world economic affairs.

JOHN S. COLEMAN

President, Birmingham Trust and Savings Co.

During the period of hostilities practically all the manufacturing plants in this area as elsewhere were engaged in production for war purposes. Very few plants were built in the Birmingham district strictly as war projects and their output was small in comparison to the total volume produced here.

John S. Coleman

There is no problem involved in the reconversion of the facilities of the local plants from war to peacetime operations. Skilled and semi-skilled labor appears to be more available now than in several years and it is hoped that pending negotiations on wage questions may be completed at once so that resumption of industrial production can go forward immediately.

The Tennessee Coal, Iron & Railroad Company, subsidiary of United States Steel Corporation, announced several weeks ago the opening of new coal and iron ore mines and the construction of a new battery of coke ovens as well as the addition of an open hearth furnace all of which will enable it to increase its steel manufacturing capacity.

This is the largest center for the manufacture of cast iron pipe and it is expected that there will be a large demand for this product when the cities and other Governmental subdivisions and private concerns can go ahead with their plans for expansion.

The lumber business is one of the largest industries in Alabama and occupies an important part in our economic affairs. Due to price controls and wage differences production of lumber has been greatly curtailed for the past few months but it is expected when these difficulties are ironed out the great demand for homes and buildings will result in considerable activity in this line of business for some time to come.

There are five large cement plants in the district and it is anticipated that their products will be needed in the erection of buildings and in the construction of highways and other improvements.

The Alabama Power Company with the completion of new units to the steam plant has added 150,000 KW's to its capacity. Ample electrical power and water supply appear to be available to consumers.

The farmers are in the best financial condition they have experienced for many years. Substantial progress has been made in soil conservation and in better methods for the diversification and production of crops. The raising of cattle has materially increased in this State and the grades have been improved.

The Southern Research Institute, a non-profit organization with headquarters in Birmingham, is sponsored by a large number of leading business concerns interested in the industrial progress of the South. The Institute has employed a trained technical staff and is now in operation. Its purpose is to study Southern resources, the development of new products and to improve the quality and technique in manufacture of the articles suitable to be produced and manufactured in this region.

The feeling here is that this district and the South will materially benefit in any improvement of general business conditions and will be in better position than ever before to take its full part in industrial and agricultural production.

POWEL CROSLEY, JR.

President, Crosley Motors

I see no reason why 1946 business cannot reach the highest peak we have ever known in peacetime provided the American Public fulfills its responsibility. The public responsibility in my opinion cannot be emphasized too strongly because I believe the basic factors to be so favorable that only the public can upset their inevitable trend toward a happy conclusion. For example: The liquid capital of the American people and American industry have more than doubled during the war. This, coupled with the fact that we "did without" for the past several years, has given us a tremendous accumulated consumer demand with ability to pay which will be augmented by the prospects of continued high national income. Also, we have been constantly learning new methods, and improving old ones under the added incentive of war time necessity. These will improve old products and encourage the creation of new ones which will also contribute to the eventual increased demand.

Although the foregoing is an optimistic picture, it could be upset by public action leading to runaway prices and wages.

However, I have too much confidence in the average American to believe that he won't see the light of reason and accept his responsibility for avoiding disastrous inflation in time to permit us all to continue to enjoy the good things so many lives were lost to defend.

CLINTON H. CRANE

President, St. Joseph Lead Company

At the present time there is a shortage of lead in the world, partly due to decrease in production and partly to increased use. In the early years of the war, when lead was more plentiful than copper, zinc and tin, uses were found where lead could be substituted for them; for instance, collapsible tubes, high lead babbits and solders replacing tin base alloys, lead plating of iron in place of zinc and a few minor uses. But the main increase in use was along the lines where lead was already a major factor—storage batteries, lead encased cable and tetra-ethyl gas. White lead, partly by Government restriction and partly as a result of higher price compared with other pigments, has been gradually losing its place as one of the principal uses of lead. In the United States, shortage of labor has resulted in a drop of production from a peak of 496,000 tons of mine production in 1942 to 385,000 in 1945. During this past war, Government controls in the production and marketing of metals have been on a distinctly different basis from any previous time. While the OPA maintains a ceiling, the high-cost miner is bonused by government payments to maintain or increase production. As the high-cost miner is of necessity a mine which produces the least metal per man employed, this plan has resulted in producing considerably less lead than would have been produced under a free market. In the year 1945 the average price received by the miner was 8¾¢ per pound as compared with a ceiling price of 6½¢ per pound. There is no question at all in my mind that a ceiling price of 8¾¢ would have produced more lead than has been produced under the present method. Moreover, this low price of 6½¢ makes lead seem cheap to the consumer as compared to some of the other metals. At the present time it would pay a manufacturer of storage batteries to buy United States lead at 6½¢ and sell the battery abroad. Foreign miners in Mexico and Australia are receiving a higher price for their metal than the few mines in the United States which are not enjoying premium price payments.

Clinton H. Crane

During the war and when Government was virtually the only purchaser, prices and wages must be a Government responsibility, but with the return to peace, a free market will allow the domestic and foreign economy to adjust themselves much more readily than any iron-clad Government control. The consumption of lead during 1945 in the United States is estimated at a little more than 1,000,000 tons, about 385,000 tons of this coming from the domestic mines, 300,000 tons from secondary sources, and 315,000 tons from importation of either ore or metal. The year 1946 will require as much, but just where this is to come from is hard to foresee. If foreign lead is to be imported and the present ceiling is to be maintained, the foreign miner must receive a higher price from the Government, which in turn must take the loss in selling in the American market at the ceiling price of 6½¢. So far as I know, no arrangement has yet been made for purchases of this kind, and Government stocks of lead, which were 275,000 tons in March 1943, at the end of the year 1945 have been reduced to 75,000 tons, which obviously cannot go far toward making up the deficit.

VINCENT CULLEN

President, National Surety Corporation

Insurance business in the United States has not been and will not be exempt from the effect of world wide evolution or revolution brought about by World War II, and the full effect is not ascertainable immediately.

Vincent Cullen

The efficiency of insurance company management will be tested as never before in the years that lie ahead and much depends upon forceful, constructive management activity during the year 1946.

The demand for new, improved and broader forms of coverage will grow apace and insurance company management must promptly meet this demand; otherwise, the future industrial development of this country will be slowed down by reason of lack of essential insurance protection.

The prospect is that, during the years 1946-1947, rate and other regulatory statutes will be enacted by states which have not heretofore taken action indicated necessary as a result of Supreme Court decision in the SEUA case and

(Continued on page 556)

gitized for FRASER
p://fraser.stlouisfed.org/

Over-the-Counter Markets

(Continued from page 520)

originally distributed and subsequently redistributed in large and small blocks; of a mechanism that develops and maintains a resource through which investments may be liquidated at moderate cost and relative ease; a mechanism that provides even the smallest community with a home market for securities native to the area; and which at the same time through a vast system of communications is a part of a national system well organized to serve efficiently the needs and interests of the most remote investor.

The Over-the-Counter market is not an unregulated group of dealers. For example, in New York, we have the New York Security Dealers Association. The purposes of the Association are to promote and uphold fair and equitable principles of trade, to maintain the highest standards of business ethics and integrity among the Association members, and thus promote both the interest of the investing public and of its members.

The NASD is the national policing and regulation body. Acting upon authority granted to it under the Maloney Act, NASD has adopted certain rules of fair practice both for the protection of investors and for the protection of members from unfair practices which would tend to lower the standards of business conduct. It has taken the over-the-counter rules adopted by the Commission to govern transactions in the over-the-counter market and made them its own rules of fair practice applicable to all its members. In addition, the Association has adopted certain other rules of fair practice on matters not covered by rules and regulations of the Commission and has made them applicable in governing its members. The NASD has assumed the responsibility of supervising fair and accurate newspaper quotations.

In summing up, may I say, to my mind, the most important function of the over-the-counter market is the creation of marketability for local securities. The pattern is similar all over the country. Business enterprises have grown by the plowing back of earnings. Then the time comes, sometimes in the first generation of ownership, frequently in the second, when public participation in the business is desirable. Here, the over-the-counter market enables them to raise additional capital, resulting in greater employment, expansion of industry and continued sound, economic development on which the past and future prosperity of this country is predicated.

The "Oxford" Case

At this point, let's stop to consider the tremendous implications that arise from the recent "Oxford" case. Let me read to you excerpts from the Securities and Exchange Commission's findings and opinion on this case. I quote:

"A firm which makes a purchase to fill an order solicited by it when it knew it did not have the securities on hand is making that purchase for its customers—in fact and within the meaning of the Act. Such a transaction is, therefore, a brokerage transaction under the statute and it is a brokerage transaction apart from the fact that the particular customer may be (as was true in this case) especially reliant on the firm by reason of particular trust, confidence or infirmity. Under these circumstances the firm must fulfill the obligations of brokerage in the transaction: among other things, to refrain from acting adversely, to refrain from taking secret profits, to make the best deal for the customer at the best price obtainable and to confirm as agent making specific disclosure of the amount of its remuneration. In transactions such as we have outlined the firm placed itself in a brokerage position and it could not choose to act otherwise. Nor could it relieve itself of the necessity under the statute of acting as broker by sending a confirmation as a purported "principal." The decision initially made by the frim to recommend the purchase of a security which it did not own was a voluntary decision which committed the firm to the role of brokerage. That role could not be changed without explicit and informed consent in each case prior to the completion of the transaction or explicit and informed ratification afterwards and non-action of the customer upon the receipt of a principal confirmation did not, in our opinion, constitute such ratification. However, these views do not, of course, apply to a course of dealing with a customer (as, for example, a bank or insurance company) who does not desire to deal with a firm as a broker and who understands the price status occupied by the firm. To hold that a securities firm can, under the circumstances outlined in this case, validly act as a principal would be to ignore the meaning of the Act, and permit the firm, without particular, explicit, and informed consent, by a mere play on words, to shift its position in the course of the transaction to suit the convenience of the moment. That respondent attempted to do in violation of the anti-fraud provisions of the Exchange Act."

Just what have we here? Can this mean that the oft-discussed Disclosure Rule has arrived in an unobtrusive but effective way? Is this going to result in tremendous hardships for the small dealer throughout the country, who will be unable to compete with the large organizations who carry sizable positions? In other words, speaking very frankly, is the small dealer going to be forced out of business through his inability to maintain his business on a profitable basis? Here, I believe, is the reason for organizations such as yours, the NASD, New York Security Dealers Association and other regional dealer organizations. This is a problem that we should all be occupied with. It is my opinion that these various Over-the-Counter organizations should request from the SEC a clarification of what, I believe, is a confusing and on the face of it, an alarmingly restrictive decision of this body. We, who believe the over-the-counter markets are an important and useful part of our financial system, have a right to know what the rules of the game are and, may I add, if we don't agree, let's in the good old American way, reserve the privilege to fight for what we believe to be right.

What Postwar Foreign Trade Might Mean to Us

(Continued from page 553)

tribution to international business progress is a recognized fact. We should, I believe, regard the proposed line of credit in the British-American agreement as an investment in the business future of the world. In the first place, it falls into the category of an economic rather than a war loan. Secondly, without the line of credit, and the implementation of the liberalized commercial policies that are part of the overall agreement, the economic outlook of both the United States and Great Britain, as well as of most of the other trading nations of the world, will suffer a rather severe setback. As a condition of the loan, the Government of the United Kingdom has agreed to support the United States in an effort to reach wide international agreement on such problems as tariffs, preferences, quantitative trade restrictions, currencies, subsidies, state trading, exchange controls and restrictive business practices in general. There is a highly significant provision concerning the establishment of an International Trade Organization of the United Nations.

Thus, in the large national sense, the line of credit would help open up for us and for other nations the kind of world in which we could live with greater security and with more opportunity for growth in the exchange of goods and services on a basis of mutual business advantage. It seems to me that the attainment of such world conditions can be loked upon as a most tangible and worthwhile objective.

New York Stock Exchange Weekly Firm Changes

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

Privilege of W. Herbert Davis to act as alternate on the floor of the Exchange for John H. Brooks, Jr. was withdrawn on Jan. 24.

Privilege of George S. McNamee to act as alternate for Martin Doherty of M. J. Meehan & Co. was withdrawn on Jan. 24. On the same date Edward B. Schnell retired from partnership in the firm.

Privilege of Townsend E. Allen to act as alternate for Martn Scherk of Ira Haupt & Co. will be withdrawn Feb. 2.

Harry W. Lunger, general partner in Johnston & Lunger, Wilmington, Delaware, will become a limited partner effective Jan. 31, on which date Jane du Pont Lunger will be admitted to limited partnership in the firm.

William V. Driscoll, member of the Exchange, will withdraw from partnership in Garvin, Bantel & Co., Jan. 31.

Joseph J. Harrington will withdraw from partnership in W. S. Sagar & Co. on Jan. 31.

Julius Bliss, member of the Exchange, died on Jan. 20.

Porges and DeFine Rejoin Hirsch After War Duty

Hirsch & Co., members of N. Y. Stock Exchange, announces that Michel Porges and Robert E. DeFine have been released from the armed services and have become re-associated with the firm.

PUBLIC SERVICE LOOKS AHEAD!

PUBLIC SERVICE CORPORATION OF NEW JERSEY AND ITS SUBSIDIARY COMPANIES look to the year 1946 with anticipation of "better things to come".

It will be a year of problems, of course, but they will be problems of reconversion—putting together the machinery for peacetime production and setting it in motion.

Problems, yes, but the kind of problems that result in better things for our country, and better business for industry.

PUBLIC SERVICE CORPORATION OF NEW JERSEY

AND SUBSIDIARY COMPANIES

A-49-4

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

Business and Finance Speaks After the Turn of the Year

(Continued from page 554)

subsequent enactment of Federal Public Law 15 of 1945.

We need sound laws enabling duly authorized public officials and the courts to supervise, control or even eliminate management which may attempt to operate contrary to the public interest in the matter of financial structure, rates, forms or procedure. However, if the insurance business of this country is to be shackled with a wide variety of restrictive rate regulatory and other laws, it will not be possible for it to keep pace with the industrial development of the country, nor will it be possible for it to follow and support operations in the international field, where our country and all of its business components are now called upon to play a leading part.

The making of rates, the development of improved and broader forms of coverage and the promulgation of new forms of coverage must of necessity be retained as functions of management if the insurance business is to continue to operate in the public interest.

Insurance company management should develop ways and means of conforming to all of the Federal anti-trust and related laws without the necessity for a mass of legislation and incidental regulations which may operate to handicap and even destroy the American institution of insurance.

The continuance of the insurance business under private management is now a major issue—an issue of paramount importance to millions of policyholders, thousands of stockholders and the general public. Private management in the insurance business will cease to exist, if, as a result of rate regulatory or other statutes and regulations stemming therefrom, the essential functions of management are transferred to public officials or governmental bureaus or commissions.

Competition, sound business-like competition, is the backbone of American business and commerce, of which the insurance business is an important component. In the final analysis, the purpose of Federal anti-trust and related laws is to eliminate combinations, boycotts, monopolies and coercive activities which would operate to destroy competition. Therefore, in conformity with the requirements of Federal Public Law 15 of 1945, which arises out of SEUA decision, it should be necessary only to strip the insurance business of all anti-competitive and discriminatory practices.

C. DONALD DALLAS

President, Revere Copper and Brass Incorporated

A nationwide tie-up of industry is imminent unless the wave of strikes now sweeping the country is checked, and Government asserts its leadership. Collective bargaining must be restored, and contracts lived up to.

C. Donald Dallas

The voice of copper and brass, while not so deep and penetrating as steel, is sufficiently basic to be heard in the present controversy. Every automobile that is manufactured contains approximately forty pounds of copper and brass. 6,000,000 cars is the estimated quota for 1946. The electrical industry absorbs 30% of the total annual production of copper which is in excess of 1,600,000 tons. The balance goes into communications, transportation, aviation, shipping, plumbing, heating, roofing, refrigeration, air-conditioning, and the like. You are, of course, familiar with the tremendous contribution of copper and brass towards winning the war, where we suspend production in the above civilian classifications, and devoted our resources 100% to the war effort.

A prolonged shut-down of the automotive and electrical industries together with their affiliated trades, will have serious repercussions on the copper industry. With this appreciable volume of sales cut off, copper and brass mills would be forced to shut down, mines would be closed, and thousands of workers would be thrown out of their jobs. Has labor faced this reality?

Time and production lost now, with attendant unemployment will dissipate the people's savings. These savings will be used for food, clothing and shelter rather than for the purchase of merchandise, because this merchandise will not be on the market. Labor, management, and the general buying public are all losers in the present stalemate about wage increase, to say nothing of the cumulative adverse effect on national recovery and national economy.

Economically and practically, the "ability-to-pay" theory is all wrong. It violates the union principle of equal pay for equal work, and would force many small businesses to the wall. Many companies in this country, including the copper fabricating industry, are at present operating at a loss. Labor would be doing itself a grave injustice if it based its present wage claims on the earning sheets of such companies. Management "takes the rap" under these conditions by paying war wage rates already established, while prices are still "frozen."

It is unreasonabe of labor to single out companies that are making a profit, base its claims for wage increases on their suspected ability to pay out of future earnings, and then saddle these wage rates on other companies whose ability to pay even current wage rates is a serious burden.

The difficulty, as we see it, is that the representatives of the workers ignore the source of wages, the inseparable relationship of wages, costs and prices, and the way in which they are all bound up togetheer.

We cannot have additional wage increases in this country, certainly not in the copper industry, without corresponding increases in costs of production, and both of these factors add up to higher prices on commodities which workers as well as everyone else must pay if they want the goods.

A 30% wage increase in any one or two of our large, basic industries will, in all probability, result in a general increase of 30% in commodity prices. Therefore, what does labor gain? Relatively nothing. White collar workers, farmers, and people on fixed incomes cannot afford to pay the higher prices, so sales fall off, production drops, and mass unemployment, such as we had from the same cycle after the last war, is the inevitable result.

The fundamental principle of American Industry is to reduce cost by mass production and technological development, giving part of the savings in wages and salaries and part in reduced prices to the consuming public, thereby raising the standard of living, broadening the market, and making possible a further reduction in cost. In effect, the unions are asking today that reduction in future costs be passed on now to labor, not after costs have been reduced but in a forecast of this reduction as estimated by labor. This would give all the advantage of reduction in cost to labor and none to the consumer and would prevent the further broadening of the market and further reduction of cost. It would be disastrous to the progress of American Industry.

Labor seems to overlook the fact, in basing its claims for a 30% wage increase on the 33% reported rise in the cost of living since 1941, that it has already received from 30% to 38% increase during this same period. What labor is now asking is an additional 30%, or a net 73% or over, since prices were "frozen" by the OPA, an increase which certainly is not "in the cards" for the copper industry, nor for companies in other industries with which I am familiar.

In closing, I would like to quote Bernard Baruch, who, on the eve of his 75th birthday, had this to say about the American scheme of free enterprise:

"Our political and economic system saved the world in two wars. It will save the peace, if given a chance."

But it can't do it if it is crushed between rising prices, wages and strikes on one hand, and "frozen" prices on the other. All that management is asking in this present labor crisis is a chance to continue commerce and industry in the way which has made the United States the most properous and most powerful nation in the world.

RALPH S. DAMON

President, American Airlines, Inc.

The year 1946 will provide the air transportation industry with the opportunity to put to peacetime use the know-how and experience which it gained during the war years.

Ralph S. Damon

The commercial airlines in this country have demonstrated their faith in the future by having on order 400 planes with a capacity of 20,000 seats as compared with 6,250 seats in 1941, the total number of seats available for all airlines. Delivery this year of these superior airplanes will permit a tremendous increase in service to every city and country served by air.

In 1945, more than six million people traveled by air, and more than three billion passenger miles were flown. These figures seem staggering until you realize that delivery of additional equipment to the commercial airlines will see these figures doubled and possibly even tripled in 1946.

As an example of the expansion program which the industry is prepared to embark upon, let me cite my own company, American Airlines. We have already on order 175 airplanes at a cost of $64,750,000. Many of these planes will be delivered and put into operation this year, permitting an increase in service of more than 100% in 1946.

Service to Europe will also be greatly expanded this year. Only four months after V-J Day, American Overseas Airlines, the transatlantic operating division of American Airlines, and Pan American are offering daily service to London. Within a period of weeks, this service will be extended to include the Scandinavian countries with connecting service to other major European capitals this year. A third U. S. airline, Trans World Airways, will shortly inaugurate transatlantic service to Europe and the Far East.

Of vital importance to this tremendous increase in airline service here and abroad is the airport development program which will of necessity have to be undertaken. In 1944 the Civil Aeronautics Administration submitted the "National Airport Plan" for the improvement of existing airports and the addition of new airports in this country at an estimated cost of $1,000,000,000 (not including land and buildings). The plan requires that 61% of the total cost be spent to extend the benefits of scheduled air transport with approximately 143 airports to be built and 623 to be improved. Work on our national airports will begin in 1946 and continue for a period of years.

On the basis of our past experience plus an unshakeable belief in the ingenuity and progressiveness of the American people, I am convinced that the year 1946 finds us on the threshold of a thrilling new era in our history. We in America today are pioneers of the last frontier—the sky. I believe that this wonderful new Air Age which is already here will bring with it a better understanding of all men, and the realization that air transportation is now international and that we cannot engage in international commerce unless we contribute our time, our experience, and our prestige to undertakings designed to be of aid to orderly international commerce.

Benefits resulting from the sensible utilization of air transportation will do much to bind up the wounds of war and permit the citizens of the world to live peacefully together. Where the opportunity is great the responsibility of accomplishment is equally great. Thus, it is our responsibility to see that air transportation is made available and utilized for the common good.

HENRY M. DAWES

President, The Pure Oil Company

Artificial price schedules imposed by the Government as a war measure have destroyed, for the time being, the operation of natural laws and those incentives which are essential to the successful conduct of industry. Their most damaging effect was upon the producing phase of the oil industry. However, it is reasonable to assume that prfice control will not continue indefinitely.

Henry M. Dawes

The coming year will be one of readjustments. Some excessive refinery capacity was constructed for the purpose of meeting the war emergency, and this will naturally have the effect for a time of encouraging an over-production but eventually the relationship between the demand for oil products and the supply of crude oil must control. There is a danger of excessive competition evidenced by the construction of marketing facilities beyond the needs of either the public or the industry. The public can be fully served from existing outlets and to increase them would be a complete economic waste. These two factors of excessive refining facilities and unwise competitive emphasis are the most depressing that will manifest themselves in the next few months.

The longer view, however, is much more encouraging. The general disturbed conditions which involve strikes and the reconversion of industry from a wartime to a peacetime basis is not likely to be long continued and the prospects for an adequate demand is distinctly encouraging.

The war years have seen a very great increase in the number and variety of uses for petroleum products. There seems to be almost no limit to the possibilities of new uses and developments which modern chemistry has made and there is no raw material which can be manipulated and transformed into various commodities as effectively and cheaply as crude oil. A synthetic rubber process has been developed and is now in operation which could, in emergency, provide for all the demands that this country might make for rubber. Plastics from refinery gases are being utilized in everything from buttons to automobile bodies and there is an almost infinite number of new products and new uses to which petroleum will be adapted. It is almost as though a new chemical industry has been super-imposed upon that of petroleum.

To say just how many months will be required for readjustments to peacetime conditions would require a clairvoyant but it does not take a great economist to appreciate the stability of the industry.

GEORGE A. DAVIS

President, Oklahoma Gas and Electric Company

Our business is essentially a service industry and as long as the general industrial picture is obscured by labor difficulties, our own pattern is uncertain. Otherwise, the outlook here is very good.

Geo. A. Davis

Only a relatively small percentage of our sales was to war business; therefore, there should be no serious problem of reconversion in our territory. The decline in revenues in our own Company has been smaller than anticipated and dollar volume has shown an increase each month since V-J Day over the corresponding period a year ago. However, in our opinion, the full effect of the close of the war has not yet been felt in this area.

The smooth transition from war to peace economy in our market will continue only if labor difficulties in industrial centers can be settled and the flow of civilian goods can be resumed. Many small businesses here closed by the war are reopening and many firms are expanding their facilities for increased business. We anticipate increased sales to residential, rural, and commercial customers as soon as appliances and other goods are available. Our customer growth has continued without interruption since 1932 and we anticipate a continuation of this trend. This will be greatly accelerated as soon as home building gets back to normal.

(Continued on page 558)

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

Seneca Gamble Is Promoted by Mass. Mutual Life Co.

SPRINGFIELD, MASS.—The Massachusetts Mutual Life Insurance Company has announced the promotion of Seneca M. Gamble to the newly created post of advertising manager. He will direct all advertising and publicity for the company.

He entered service with the Massachusetts Mutual in July, 1934, and was immediately sent to Detroit where he assisted George E. Lackey, general agent, in promoting the field sponsored fiftieth anniversary testimonial to the late William H. Sargeant, then president of the Massachusetts Mutual. In December of last year, Mr. Gamble was again loaned to the field force, to assist Mr. Lackey in promoting a testimonial to Vice President Joseph C. Behan who celebrated his fiftieth company anniversary on Jan. 1.

Following the Sargeant campaign twelve years ago, Seneca Gamble became supervisor of direct mail advertising. He was made agency assistant in 1937, and since that time has been given increased duties in the advertising and publicity activities of the company.

Nat'l Secs. Research Appointments

National Securities & Research Corporation, 120 Broadway, New York City, (sponsors and underwriters of the various National Securities Series and First Mutual Trust Fund) has announced the promotion of Walter J. J. Smith to Wholesale Representative of the New York-Metropolitan Territory. In the security business since 1929, Mr. Smith for the past year has been assistant to Douglas Laird, National Securities & Research Vice-President in charge of Sales. Before entering the mutual investment fund field, he was associated with "Market Trends" the Baltimore investment consulting organization; and prior to that he was a member of the editorial staff of the "Financial World."

The appointment of George E. Macksoud as Sales Promotion Manager was also announced. Mr. Macksoud was formerly in charge of advertising and sales promotion for Administrative and Research Corporation. He was also circulation and sales promotion manager for the "Magazine of Wall Street," and editor of a national statistical service with over 32,000 paid subscribers.

H. L. Bogert With Eastman, Dillon Co.

Eastman Dillon & Co., 15 Broad Street, New York City, members of the New York Stock Exchange, announce that H. Lawrence Bogert, Jr., has become associated with the firm. Mr. Bogert served in the Air Corps beginning in 1942 and advancing from second lieutenant to major. Prior to his military service he was with the bond department of the Bankers Trust Company for eight years.

Thomas Walsh V.-P. of J. J. O'Connor & Co.

CHICAGO, ILL. — Thomas D. Walsh has become associated with J. J. O'Connor & Co., 135 South La Salle Street, as a vice president in charge of the firm's trading department, J. J. O'Connor announced today. Mr. Walsh has been in the army for the past 3½ years and prior to that was with Doyle, O'Connor & Co. here.

Morrissey in New Quarters

PHILADELPHIA, PA.—F. J. Morrissey & Co., specialists in bank and insurance stocks, announced the removal of their offices to larger quarters in the Finance Building.

Scrimgeour Partner Of J. K. Rice Co.

J. K. Rice, Jr. & Co., 120 Broadway, New York City, announces that John Scrimgeour has been admitted as a partner to the firm. Mr. Scrimgeour has been associated with the firm for many years.

Capt. Higle Returns to Kidder, Peabody & Co.

Capt. Alfred T. Higle, AUS, has returned to the trading department of Kidder, Peabody & Co., 17 Wall Street, New York City, members of the New York Stock Exchange, after three-and-one-half years of military service.

IT'S YOUR MOVE

MR. MANUFACTURER—

MANY INDUSTRIAL EXECUTIVES are now getting the facts on what Long Island has to offer them as a permanent location for their business.

Every day more and more inquiries are received, and it is being discovered that in many cases Long Island is the real answer to the problem of where to locate.

First of all, the folks here are good substantial citizens. A majority of them own their own homes, are interested in community affairs, and are traditionally American in their way of life.

Many are highly skilled in their training—proved by the excellent record of Long Island in the production of aircraft and other precision products that contributed so much toward final Victory.

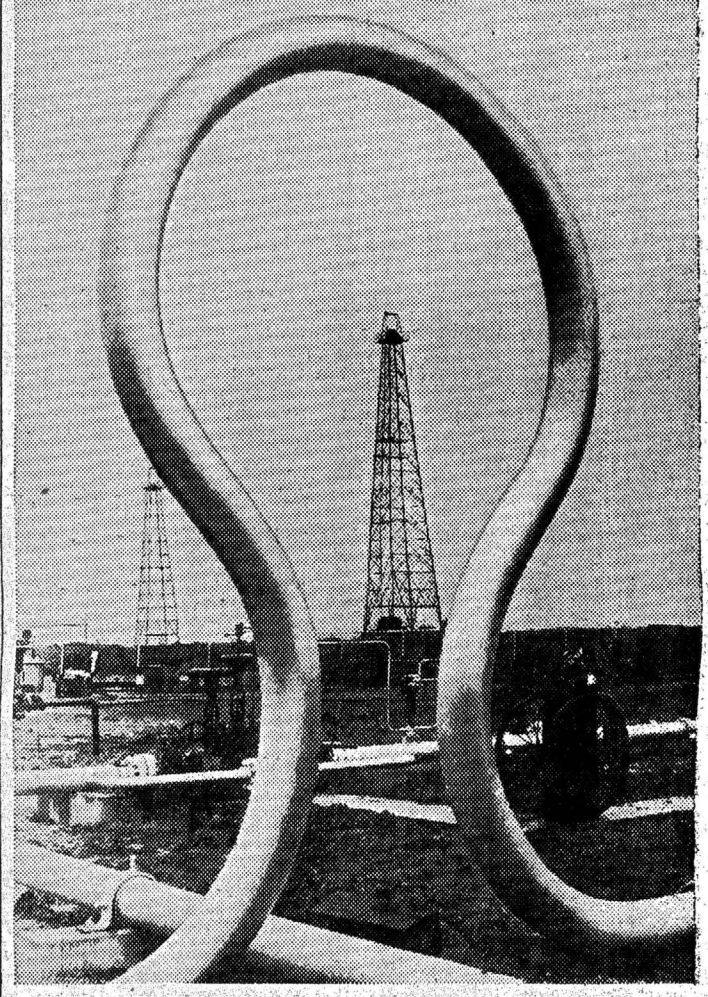
To do our part in this period of readjustment, our business development department will be glad to answer your inquiries and supply information on what Long Island offers progressive manufacturers.

Address: Business Development Manager

Long Island Lighting Company

250 Old Country Road, Mineola, N. Y.

Resources...



Typical scene in Southwest gas and oil fields—well rigs with pipeline expansion loop in foreground.

THE GAS-BORN flame of the kitchen range is an every-day phenomenon.

Behind it lie the resources of a phenomenal industry.

They are the vast, earth-held reserves of natural gas . . . the thousands of miles of pipe-lines that carry it to hundreds of thousands of homes and industries . . .

They are operational efficiency . . . sound fiscal policy . . . management's integrity.

These are the essential resources that enable the Columbia System to pledge public service for years to come to 1600 communities in an area supporting more than 5,000,000 people.

COLUMBIA GAS & ELECTRIC CORPORATION

COLUMBIA SYSTEM

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

Business and Finance Speaks After the Turn of the Year

(Contiued from page 556)

Oklahoma is a young, vigorous state with many opportunities for business growth. The economy here is almost equally divided between agriculture, mineral production, and manufacturing with good diversity in each group. Therefore, we are optimistic about the future of our territory.

ARTHUR O. DIETZ

President, Universal C. I. T. Credit Corp.

"Record production of consumer durable goods can be attained before the end of 1946 if industrial peace is restored quickly and artificial obstructions to full production are removed. There is an urgent need for these goods, to relieve the acute shortage left by the war.

A. O. Dietz

"Once capacity production is attained, concern about the inflation danger will wane rapidly. The one sure way to combat inflation is to provide more and still more goods to consumers, so that they will be able to spend without bidding up prices. More goods will then offset more purchasing power.

"While shortages of durable goods exist, we will have to rely largely upon consumer credit to effect an equitable distribution of the limited supplies of durable goods that are available. Veterans and others who did not enjoy large incomes during the war do not have as much cash to spend as those whose earnings increased sharply in the war years. If all buyers were required to pay cash for the automobiles and other costly durable goods they need, it is obvious that serious injustices would result.

"Fortunately, we have our instalment credit machinery to place the millions who could not accumulate large amounts of cash during the war on a bas's of equality with those who did, provided the former have the current income to maintain instalment payments. The American sales financing system should play a vital role during 1946 in promoting a more equitable distribution of the consumer durable goods produced. This role will be all the more important since the nation has decided against rigid rationing of these goods because of the many administrative difficulties and the black markets to which rationing gives rise."

THOMAS DREVER

President, American Steel Foundries

American Steel Foundries look forward with optimism to 1946 prospects for the Railway Equipment industry despite certain disturbing influences attributable largely to readjustment of industry from the war period to normal operations.

Recent purchases of modern passenger equipment have exceeded those of any period over the past 20 years, and car builders have scheduled building well through the year 1946. It is only natural that this type of equipment should receive immediate consideration since, prior to the war period approximately 50% of all passenger cars were over 25 years of age, and the building of such equipment was completely discontinued during the war years.

As of Jan. 1 there were approximately 35,000 freight cars on order. We do not believe it unduly optimistic to expect the construction of at least double that number during the full year 1946. To maintain the present railway and private car line inventory of approximately 2,000,000 freight cars based on a normal life expectancy of 25 to 30 years, would require the annual purchase of approximately 70,000 freight cars. Well over 30% of all freight car equipment is over 25 years of age. In handling the enormous peak traffic during the war years, the rails not only continued to operate many thousands of cars that had been scheduled for dismantling, but the intensity of service naturally resulted in reducing materially the anticipated life of all freight car equipment. The average number of cars built during the war years fell far short of replacement requirements. With the anticipation of a continued increase in industrial output, it is reasonable to expect that the railroads will continue to purchase large numbers of new and improved freight cars.

For similar reasons there should also be correspondingly large purchases of locomotive equipment. As of Jan. 1, 1946 there were approximately 500 locomotives on order.

American Steel Foundries are large suppliers of freight car trucks, passenger car, locomotive, and tender clasp brakes, couplers, springs, and other truck components for all railroad equipment. During the past few years this company has spent approximately $1,000,000 in research work for improvement of its products, including the development of a freight car truck that will permit safe and easy riding at all operating speeds even up to 100 miles per hour.

The company has sufficient tonnage on its books to permit it to continue at close to capacity operations for the next several months, and looks forward with confidence to railroad purchases being such that will permit this rate of operations throughout the year.

CHARLES ENGELHARD

President, Baker & Co., Inc.

Although the cessation of hostilities in mid-August was rapidly followed by a sharp abatement of demand for critical materials for military purposes, platinum is not yet in adequate supply, Charles Engelhard, President of Baker & Co., Inc., the nation's largest refiner of precious metals, stated in a year-end review.

Charles Engelhard

"Shortly after the war ended, the United States Government, and other governments, removed all remaining restrictions on the use of platinum metals for jewelry and other peacetime uses," Mr. Englehard continued. "This was followed by a heavy demand for platinum by domestic and foreign manufacturers of civilian goods—particularly jewelry manufacturers — who, having been restricted in their use of platinum for several years, were desirous of restoring their stocks with all possible expedition and in time for the first peacetime holiday season in December, 1945.

"Supplies of platinum in the hands of the trade were not adequate to meet this pent-up demand. United States stocks of platinum in the hands of refiners, dealers and importers when the war ended were below normal. They were approximately 20% lower on Sept. 1 than at the beginning of the year. Deliveries of platinum for war purposes during the first eight months of 1945 were well in excess of the recoveries and imports of refined metal which averaged about 25,000 troy ounces per month during that period.

"Throughout the war period, domestic production of primary platinum, including Alaskan, was relatively small as compared to United States requirements. Most of our requirements came from Canada, which also supplied the major portion of palladium, rhodium and ruthenium. Colombia and Russia supplied important quantities of platinum.

"The merit and value of the platinum metals for industrial purposes is demonstrated by the following figures compiled by the United States Bureau of Mines, showing the use of the platinum metals during the first six months of this year:

	Platinum	Palladium	(*)
Electrical and chemical industries	165,000	40,000	7,500
Dental and medical purposes	15,000	22,000	----
Jewelry	------	37,000	----
Total	180,000	99,000	7,500

*Other platinum group metals.

"Palladium made great gains during the war as a precious metal for fine jewelry. The white color of palladium is used to advantage in settings for diamonds and other gems, and in two-color combinations with gold. The lightness of palladium is utilized to eliminate excess weight from large brooches and other pieces. These advantages together with its strength and durability assure for palladium a place in fine jewelry along with platinum and gold. The public is being better informed on the preciousness of palladium, through extensive advertising and publicity, and is thus realizing that palladium is indeed the only truly natural 'white gold' in existence.

"Platinum metals contributed greatly to the winning of the war through their widespread use in military equipment and in the production of war goods. Large quantities of platinum were used for electrodes in airplane spark plugs, for contacts in magnetos and in numerous instruments, including airplane flight controls, bombing equipment, and computing apparatus. Electronic devices, including radar, utilized the superior performance of platinum metals in various parts, one of the most notable being the use of platinum and platinum-clad grids in high frequency transmission tubes. Platinum alloys played a vital role in production of military explosives, being used as catalysts in manufacturing nitric acid, which is one of the principal raw materials in the production of such explosives. From platinum alloy spinnerets and bushings came the rayon and fiber glass used for so many varied war purposes. Insoluble platinum anodes produced the perchlorates, peroxides and other chemicals obtained by anodic oxidation, and were employed in production of war equipment that involved electrodeposition of nickel, rhodium or other metals. The innumerable instruments used in communications, in navigation, in automatic controllers, and in measuring and recording devices of many kinds utilized the exceptional corrosion and heat resistance of platinum metals as well as their electrical and mechanical properties.

"Now that the war is over, the uses of platinum metals in civilian goods are expected to be more diversified than in the pre-war period. These metals, which have long been valued primarily for adornment purposes, have demonstrated their merit and economy as working materials for industrial uses. The important improvements contributed by the platinum metals are better quality in chemical products at lower costs; appliances and equipment that give better service with less maintenance; and greater precision and reliability in measuring instruments and automatic controllers or recorders. They have replaced base materials in many cases.

"As more people than ever before know about the uses and advantages of platinum metals and moreover have had actual experience with them, the future holds great promise for these metals and their alloys. Current research and development are aimed at the continued improvement of platinum alloys and the expansion of the platinum metals in world markets."

DeCOURSEY FALES

President, The Bank for Savings in the City of New York

Savings banks in New York State close the year 1945 with the greatest yearly increase in deposits in their 126 years of existence, over $1,000,000,000, and with total deposits Jan. 1, 1946 at a new peak of over $8,000,000,000. This reflects continuing confidence in the mutual savings banks and a high degree of prosperity for their depositors.

DeCoursey Fales

During the coming year the banks will pursue their objective of promoting thrift with renewed vigor. Many new branches are being established in the larger cities of the state to more conveniently serve existing depositors and to encourage new ones. Savings banks services, such as assisting veterans in purchasing new homes, Christmas clubs, bond accounts for the purchase of savings bonds, and other club accounts, savings banks money orders for convenient payment of bills, and savings bank life insurance will be offered more attractively than ever before.

Savings bank life insurance, sold over the counter to all persons residing or working in New York State, has also made new records in 1945. Over $15,000,000 was bought during 1945, bringing the total in force to $61,000,000. It is available in group policies and in individual policies as term, straight-life, endowment, children's policies, etc., at low cost. Thousands find it to be an excellent medium for systematic savings and enjoy the added protection of insurance.

The problem of investing new deposits, confined in 1945 largely to the purchase of U. S. Government bonds, will become more acute in 1946. Savings banks are particularly interested in aiding to alleviate the tremendous housing shortage by financing all types of permanent residential structures, but the shortage of material is such that probably only a start can be made in remedying the situation in 1946. Huge sums await the slow advance of building construction and the competition for whatever loans are available may keep mortgage interest rates at or below the already reduced levels of 1945. Savings banks are also becoming interested in housing developments—building, operating and owning —on a limited scale.

Securities available for savings bank investment are at about all-time highs. Government bonds are likely to continue at present levels in view of the Treasury's determination to keep its interest cost at a minimum. Corporate securities will probably be sold in greater volume over the coming year, but the pressure of funds seeking investment and the outlook for good business over the next two or three years at least will keep the return from these investments at their present low levels.

The pent-up demands accumulated over the past four years for durable consumers goods, automobiles, refrigerators, washing machines and other household equipment, combined with shortages which have developed in other commodities, notably men's clothing, should result in an extremely high level of industrial production and general business activity.

Farm income should continue at a high level because of the demand for foodstuffs abroad and because of the continued demand at home, generated by the continuation of and even an increase in war-time purchasing power.

Savings banks have always reflected prosperous times in increased deposits, and 1946 should prove no exception.

C. E. FAULK

Chairman of Board, Delta Air Lines, Inc.

Some aviation experts predict that traffic on commercial airlines will be ten times as high in 1950 as in 1941. In my opinion traffic will increase about seven times during that period.

Considering all things, I believe passenger traffic over our commercial airlines in 1946 will approximately double the 1945 figure, which itself was up about 69% over 1944. Others in the aviation industry will scale their estimates much higher, but the limitations on the number of new planes that can be placed in service this year, the necessary training program for new employees and for old workers who must be trained to handle new and larger equipment, will curtail the speed of our industry's growth during the next 12 months.

C. E. Faulk

The Army and Navy have exerted great influences on America's thinking along aviation lines. That influence is already felt and reflected in the flood of applications for positions with airlines. Delta Air Lines recently received 175

(Continued on page 560)

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

Battista V.-P. of Union Bk. of Commerce

CLEVELAND, OHIO — J. K. Thompson, President, Union Bank of Commerce, has announced that A. J. Battista, who has been an official of the Foreign Department of J. P. Morgan & Co., Incorporated of New York, joined the organization of Union Bank of Commerce as Assistant Vice President, effective Jan. 15, Mr. Battista will be in charge of the Foreign Department of the Union Bank of Commerce, serving companies and individuals in the Cleveland area in connection with business in foreign countries.

A. J. Battista

Mr. Battista is a graduate of the University of Pennsylvania and of Rutgers University Graduate School of Banking. He has been with J. P. Morgan & Co. Incorporated since 1929 in various banking capacities, specializing in Foreign Department work including service abroad.

Congress Resists OPA Cotton Price Ceilings

If the Office of Price Administration carries through its proposal to place price ceilings on raw cotton, it will meet with organized resistance from angry Cotton State Senators who have threatened to seek its discontinuance upon its expiration date, June 30, in retaliation. Fulfilling the legal requirement that growers be notified of planned price schedules at least 15 days in advance of the normal planting season, the OPA announced on Jan. 14, according to United Press Washington advices, proposed ceilings of 24.09 cents a pound for 15/16-inch middling American upland cotton in area 1. Ceilings for all other grades and staples, the United Press pointed out, are based on this grade.

In announcing it, according to the Associated Press from Washington, on Jan. 15, Price Chief Chester Bowles said the rise of cotton prices threatens the whole stabilization program in the cotton textile field.

Saying that continued increases would mean higher prices for clothing, Bowles added that OPA intends to do everything in its power to prevent this.

Senator Burnet R. Maybank, (D-S. C.), according to the United Press, said he would try to amend the next OPA appropriation bill to prevent the agency from using any of the funds for enforcing ceiling prices on cotton.

The statement that there has been no final decision on whether the 1946 cotton crop will be brought under price control was made by Price Administrator Chester Bowles on Jan. 22, it is learned from Washington Associated Press accounts on that date, which reported:

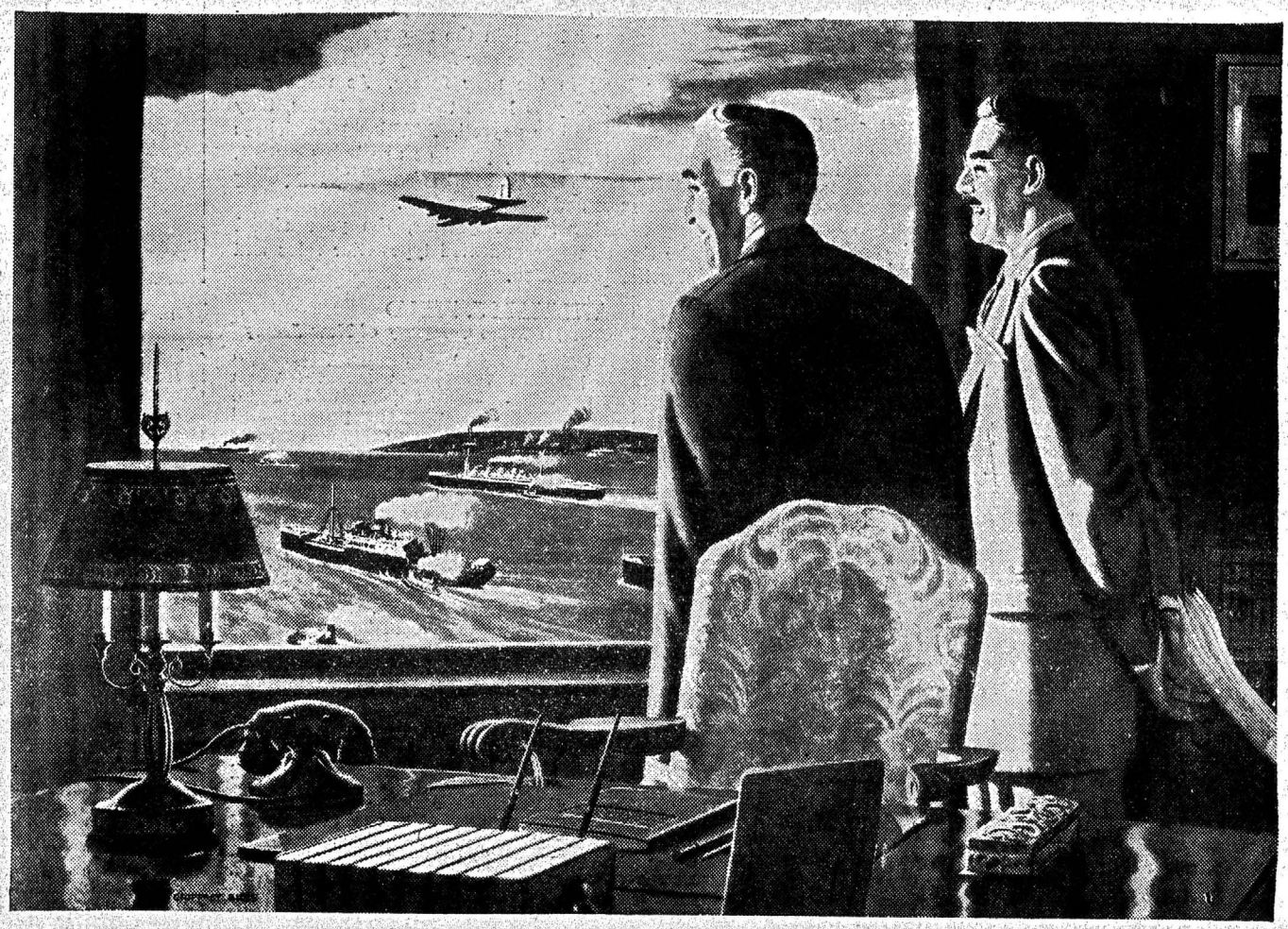
He added that proposed ceilings announced last week to meet legal requirements "represent the minimum levels which would be fixed."

"If ceiling prices are established at a later date, they can, of course, be higher than the prices proposed in the notice," Mr. Bowles said. "In other words, the prices in the notice are the lowest ceiling prices that can be established, not the highest."

Mr. Bowles said the purpose of his statement was to correct "some misapprehensions among cotton growers." He added that the OPA's notice applied only to the 1946 crop.

"I would have been remiss in my duties if I failed to issue the recent notice covering raw cotton," he declared. "The market for raw cotton has been advancing steadily since last August and is now above parity. Without such a notice, it would have been legally impossible to establish any ceiling prices later in the year, regardless of what happened to cotton prices. It is a technical procedure."

Mr. Bowles said that if OPA should decide that an inflationary situation is developing in the future in the price of cotton, "I would call in a representative group of cotton growers to consult with and advise me on every aspect of this problem." He reiterated that if the price of cotton becomes stabilized "no ceiling will be imposed."



As American Business Sends Peacetime Goods Abroad

American business faces the greatest potential foreign demand in history for post-war reconstruction materials. To take advantage of this opportunity, intelligent planning *now* is necessary.

WHAT WILL BE MOST NEEDED?

WHAT ARE THE CREDIT RISKS INVOLVED?

Only information gathered from authoritative sources can provide dependable answers. Through its branches and correspondents abroad, the Chase is in a position to supply just such information. These facilities which are always at the disposal of our domestic correspondent banks provide a valuable service for their own customers.

You are invited to send for our Folder "Import and Exchange Regulations of the principal countries of the World."

THE CHASE NATIONAL BANK
OF THE CITY OF NEW YORK

HEAD OFFICE: *Pine Street corner of Nassau*

Member Federal Deposit Insurance Corporation

LONDON—6 Lombard Street • 51 Berkeley Square • Bush House, Aldwych
Havana • San Juan • Panama • Colon • Cristobal • Balboa • Offices of Representatives: Mexico, D. F. • Bombay
THE CHASE BANK: Paris • Shanghai • Hong Kong • Tientsin

gitized for FRASER
tp://fraser.stlouisfed.org/

Business and Finance Speaks After the Turn of the Year

(Continued from page 558)

applications in one day for nine positions as pursers. Ex-military pilots apply for any type job we might have to offer—as purser, ticket agent, reservations clerk and mechanic—and the parents of these pilots look upon airlines in a different light today than they did before the war. The American business man is in a greater hurry than ever before to complete his business trip and return to his desk Vacations postponed during the war will be possible this summer.

All of these factors will maintain a high demand for airline seats during the post-war years—a demand the airlines will be unable to completely meet this year because of equipment limitations and the normal pains that come from rapid growth.

However, by 1947 that demand will be met, and then the actual post-war aviation period will begin.

Since 1941 Delta's net working capital increased from $50,912 to $3,121,054. Current assets jumped from $385,169 to $4,573,035, and earned surplus rose from a $45,173 deficit in 1941 to a surplus of $847,823 in 1945.

The financial sheets of the airlines will continue to improve this year and our industry wil aid greatly in solving post-war unemployment problems. Within 12 months Delta alone will be employing about 2,500 people although Delta's staff today consists of about 1,600 people. In 1929, when aviation was in its infancy, Delta employed only 60 people.

The buying power of domestic airlines will be a major influence this year and the orders already placed with plane manufacturers are high in the multi-millions. Orders for new type planes are by no means complete and during the next six or eight months hundreds of new planes will be requisitioned, thereby providing an excellent "carry-over" for Glenn Martin, Lockheed, Douglas, Boeing and other manufacturers between the war period and reconverted America.

Schedules will be greatly improved within the next six months when the giant Douglas DC-4's, the Constellations and other faster ships appear on the skyways to begin replacing and supplementing the 170 mile per hour, standard Douglas DC-3. The faster schedules will appear first on the longer routes, and by early Fall, many of the shorter routes will be supporting the big four-motored planes.

During 1946 the Civil Aeronautics Board in a series of hearings, examinations and awards, will add thousands of miles to the airline map of the United States. Many cities never before served by an airline will welcome its first plane during 1946 and other cities that have only been stops along a single route, will be transformed into aerial hubs by 1947.

The aviation industry will expand greatly during 1946 but the year will be marked principally as the time when the foundations for post-war aviation were laid—the time when the aviation industry passed from adolescence into manhood.

E. C. FAUSTMANN

President, Royal Typewriter Company, Inc.

Projecting current conditions through the year 1946, the typewriter industry will face a severe problem of increasing production to new highs in order to meet an unprecedented demand for both office and portable machines.

The prediction most commonly heard prior to the end of the war was that typewriters might flow from production lines within 90 days after relaxation of wartime controls. This estimate was more than fulfilled by the Royal Typewriter Company's reconversion progress since Aug. 15, 1945, the day on which all war contracts were cancelled.

Royal faces 1946 in a position where it can take advantage of the tremendous backlog of typewriter demand with production which will shortly exceed that of any prewar period. Not only is present business activity, operating at an unusually high level, causing a universal demand for typewriters, but huge unfilled requirements were accumulated during the war years when the principal producers manufactured no machines. We estimate the backlog of demand to be over a million office typewriters and over a million portable typewriters. Clearly, the industry is likely to be operating at peak production levels for several years before the supply and demand relationship approaches a balance.

On the production side, Royal's Hartford factory was producing standard typewriters at 50% of the normal rate within 90 days of V-J Day. The Company was able to move and store the machines and belt lines used in our war goods production. We are making good use of additional plant capacity which was leased during the war years. Physical reconversion at the factory is now complete.

Reconversion at Royal was interrupted in only a minor way by labor unrest. While we foresee no serious disturbances in our favorable relationship with the union which represents Royal's factory workers, national developments in labor relations may have an effect.

Respecting prices, present Government policies do not appear to permit the price increases which are justified by higher production costs. The Company has explored the considerations pointing to the desirability of price increases, but has not lost time in reconverting because of price restrictions. Machine prices, for the present, remain at prewar levels. The present rate of production, coupled with price ceilings, is naturally having a temporary depressing effect upon earnings.

At present, we are rapidly rebuilding our typewriter sales and factory organizations. Acute hiring and training problems are integral in the reconversion process. However, we expect to see our factory employment top any prewar level in the near future. As rapidly as former Royal employees leave the armed forces, they are being added to our payroll. Additional employees for production and selling positions are being sought. The Company has been able to attract outstanding young material for sales and production jobs.

Barring unforeseen developments, the year ahead should be one of unprecendented typewriter sales and full typewriter production.

WILLIAM J. FIELD

President, Commercial Trust Company of New Jersey

Our country is overburdened with spending money, a condition which presages exceptional business when commodities are available. There appears to be some careless spending at present and mostly for inferior commodities, but this does not seem to affect savings accounts in banks which are increasing daily. While savings bonds are being cashed, the proceeds do not add materially to the savings deposits of our banking institutions.

W. J. Field

All we need at the present time to start prosperity is proper thinking and common honesty.

Under such conditions we would be free of strikes and every one would be busy. To be busy means production and production means wealth.

Unfortunately we are in an election year so that honest solutions cannot be had on labor troubles. Fear of election results causes our representatives in Washington to duck proper solutions of pressing problems.

Economic laws give way to vote enticement. If our Congressmen would consider that only one-third of our employed are members of unions and many of that one-third are forced against their better judgment to follow unscrupulous leaders their courage in voting might be changed materially. However, the clamor of union leaders reaches their ears and closes them to facts. A little fact finding by Congressmen could be used profitably.

Some day enough courage may be developed to incorporate all unions and enact laws to compel unions to show where they get their income and what they do with it.

Such laws will eliminate the racketeer and give labor a square deal. Until then the present kind of labor unrest will continue with us.

However, present strike troubles will be compromised (but not settled) in the near future and our country will then begin what should result in many prosperous years.

ALEXANDER FRASER

President, Shell Oil Company, Inc.

The oil industry emerged from the war period in a relatively strong financial position with increased productive capacity, improved technology and the ability to make generally superior products.

Alexander Fraser

Inventories of certain products, principally distillate and residual fuel oils, were however somewhat below normal peace time levels in the face of a substantial continuing demand from the military services—the Navy in particular. This has resulted in some tightness of fuel oil supplies over the current winter. In order to meet this situation it has been necessary to operate refineries at a relatively high percentage of capacity with the result that a heavy accumulation of gasoline is currently occurring. In view of this it is quite likely that gasoline prices will decline to lower levels, and a trend in this direction has already appeared in the mid-Western markets.

Oil industry earnings may be expected to decline below those of 1945 due to a reduction in overall demand and somewhat lower prices for gasoline in particular. It is expected that the oil producing states and the oil industry will adjust crude oil production and refining operations to meet realistically the changed market situation so as to minimize the effects of the readjustment to a peacetime economy. The outlook for 1946 is accordingly dependent upon the extent and effectiveness of such corrective measures.

DUNCAN W. FRASER

Chairman of Board, American Locomotive Company

Since 1940 the United States has gone without a great bulk of essential goods and 1946 is certain to restore the flow of these goods into their normal peacetime channels. The matter of transporting these essentials is a challenge to the entire railroading industry and America's railroads will meet this challenge in the same energetic way they performed under war conditions.

D. W. Fraser

We know that the railroads need locomotives, spare parts and rolling stock to replace much of their equipment which did double and triple duty in the war years. The American Locomotive Company, which was devoted almost 100% to war, is now 100% converted to the job of meeting the requirements of both the domestic and foreign railroad markets.

To meet the demands of the greatest buying power ever, we have the machines, the plants and the vigor. It is no idle thought that we have gained 25 years of scientific and engineering progress in four years of war. This progress is rapidly being applied to manufacturing and production methods at all of our plants. The value of research was clearly demonstrated while we were at war, and we are going ahead with peacetime research with renewed enthusiasm.

New peaks in passenger and freight traffic will be reached by the railroads all over the world in the decade ahead. No small part in this rising curve will be seen in new mass production methods for manufacturing locomotives of advanced designs. Research and engineering developments in the field of diesel-electric locomotives will manifest themselves in 1946 and the important steps we are now taking will be important factors in the record of accomplishment the railroads will establish.

Although our prime goal is to help re-equip America's railroads, an important new market has developed in the foreign field. American locomotive executives who have returned from survey missions to Europe report that mile after mile of railroad tracks throughout the continent are operating at greatly reduced efficiency because of the havoc wrought by Allied air power, lack of equipment and maintenance. With their manufacturing facilities also destroyed, many Governments in Europe are looking to our shores for new locomotive equipment.

A staggering number of locomotives were made inoperative in Europe. For example, in the 11 months between D-Day in June, 1944, and V-E Day in May, 1945, Allied aircraft destroyed 6,583 locomotives and damaged 4,425 more. Just before the end of 1945, our unfilled steam and diesel locomotive orders for overseas export totaled 558 units. This includes equipment for France, Belgium, and Portugal. In addition, substantial locomotive orders from other countries are in various stages of negotiation.

The dominant part that Latin America expects to play in trade and commerce in the peacetime years ahead is reflected in locomotive orders from Brazil, Mexico, and other countries in the western hemisphere.

As we enter 1946, American business management was never more confident of its ability to make free enterprise reassert its superiority over any other economic system for delivering the goods in the greatest volume at the cheapest price to the largest number of people, providing they are given favorable circumstances for doing business.

We of American Locomotive look forward to a busy period in the fulfillment of these expanded production aims.

JACK FRYE

President, Transcontinental & Western Air, Inc.

During the war years, the normal growth and development of commercial air transportation was restricted by the inability of the airlines to obtain sufficient numbers of aircraft. Since the termination of hostilities, each of the airlines has been concentrating on the problem of getting its post-war fleet into operation, and within a matter of weeks new, fast, comfortable, four-engine aircraft will be placed in service by the major air carriers. We anticipate that by next fall the airlines, for the first time in years, will be adequately equipped to meet the pent-up demand for air travel.

Jack Frye

The airlines are now experiencing a growth without parallel in modern business. In June 1942, the combined fleet of U. S. domestic carriers totaled 166 planes, with an estimated book value of $15,000,000. Today the same carriers are operating approximately 375 planes, with an estimated value of $25,000,000, and have on order for delivery in 1946 and 1947 an estimated additional amount of $250,000,000. The domestic

(Continued on page 562)

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

French Cabinet Approves Nationalizing of Gas and Electricity—Food Rations

The French Cabinet has adopted the text of a law draft pertaining to the nationalization of gas and electricity. This text, it was learned (Jan. 19) from the French Press and Information Service, an agency in New York of the Provisional Government of the French Republic, is to be submitted to the Constituent Assembly for approval.

The agency also made public as follows the information received under date of Jan. 15 from the Ministry of Information at Paris:

"Acting on the reports of Francois Billoux, Minister of National Economy, and Pierre Tanguy-Prigent, Minister of Agriculture and Supply, the Cabinet moved toward a temporary solution of the desperate food situation. Ceilling price of meat has been fixed at 100 francs per kilo (a little over 2 lbs.). Rations for this week are 5¼ ounces of frozen meat, plus 3½ ounces of sausages or potted meat per person, not counting the usual supplementary rations.

Bread rations, in general, remained unchanged, but persons engaged in hard manual labor will receive 12¼ ounces per week instead of 10½ ounces.

Sherwood Sec. to Board Of Export-Import Bank

The appointment of Sidney Sherwood as Secretary to the Board of Directors of the Export-Import Bank was announced on Jan. 22 by William McC. Martin, Jr., Chairman of the Board. Mr. Sherwod has been with the Government in Washington in various capacities since 1933. During the war period he served successively as Assistant Secretary of the Advisory Commission to the Council of National Defense; Executive Officer of the Division of Industry Operations, War Production Board; Assistant to the Director of the Combined Production and Resources Board; Consultant on Foreign Requirements in the Office of War Mobilization; Special Assistant to the Administrator, Foreign Economic Administration; and Consultant to the Foreign Liquidation Commissioner of the Department of State. Prior to going to Washington he was in the copper business.

STATEMENT OF CONDITION

MERCANTILE-COMMERCE

BANK AND TRUST COMPANY

Locust - Eighth - St. Charles

ST. LOUIS 1, MISSOURI

DECEMBER 31, 1945

★

THE RESOURCES

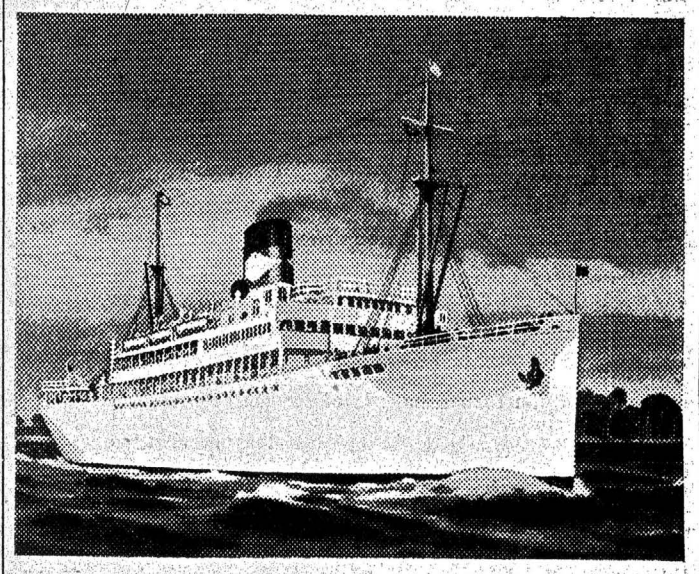
Cash and Due from Banks		$ 90,219,853.82
United States Government Obligations, direct and guaranteed (incl. $104,568,343.25 pledged*)		224,633,000.79
Other Bonds and Securities		28,093,057.21
Demand and Time Loans		60,643,427.52
Stock in Federal Reserve Bank in St. Louis		525,000.00
Real Estate (Company's Building)		2,790,536.40
Other Real Estate (Former Bank of Commerce Buildings)		1,500,000.00
Overdrafts		23,149.92
Customers' Liability on Acceptances and Letters of Credit		1,240,118.53
Other Resources		44,719.66
		$409,712,863.85

THE LIABILITIES

Capital Stock			$ 12,500,000.00
Surplus			5,000,000.00
Undivided Profits			4,735,929.58
Reserve for Dividend Declared			250,000.00
Reserve for Interest, Taxes, etc.			1,728,983.26
Unpaid Dividends			3,856.30
Bank's Liability on Acceptances and Letters of Credit			1,240,118.53
Other Liabilities			98,051.73
Deposits, Secured:			
U. S. War Loan	$ 86,792,908.38		
Other Pub. Funds	5,768,712.21	$ 92,561,620.59	
Other Deposits:			
Demand	$240,424,732.54		
Savings	51,038,186.98		
Time	131,384.34	$291,594,303.86	$384,155,924.45
			$409,712,863.85

*All Securities pledged are to the U. S. Government or its Agents, State of Missouri and the City of St. Louis, to Secure deposit and fiduciary obligations.

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION



COURIERS *and* CARGO CARRIERS *of the Caribbean*

DIPLOMATS and businessmen, travelers by the thousands, know these white ships well. Since the turn of the century it has been an Inter-American custom to travel the Caribbean via the Great White Fleet. Yet the ships of the Fleet are equally well known for their fast, reliable cargo service. They have played a prominent part in developing a healthy, 2-way interchange of commodities between Middle America and the United States.

Since Pearl Harbor the Great White Fleet has been devoted entirely to the war effort. Now regular sailings are being gradually resumed. If you have a shipping problem involving any of the countries listed below, please call on us.

Great White Fleet

UNITED FRUIT COMPANY

COLOMBIA ★ COSTA RICA ★ CUBA
DOMINICAN REPUBLIC ★ ECUADOR
EL SALVADOR ★ GUATEMALA ★ HONDURAS
JAMAICA, B.W.I. ★ NICARAGUA ★ PANAMA
PANAMA CANAL ZONE

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

Business and Finance Speaks After the Turn of the Year

(Continued from page 560)

carriers operated two billion seat miles in 1942 as compared with an estimated nine billion seat miles in 1946 and 14½ in 1947.

The above figures are exclusive of a proportionately greater growth in international air transportation now taking place. Before the war, U. S. carriers made six North Atlantic crossings a week as compared with an estimated 110 crossings per week by July of this year. Service which formerly extended only to London and Lisbon will soon go to Moscow, Calcutta and Ceylon.

Many new problems must be met by the industry in 1946. During the war, with load factors at a maximum, mail and passenger rates were progressively lowered to where passenger rates are now lower in many cases than first-class surface transportation. Wartime load factors may not be maintained as service is expanded. Costs, and particularly wage rates, are rising substantially. However, we believe that these factors will be equalized by the improved efficiency of the newer aircraft.

While the long-range prospects of the industry are excellent, it must be recognized that the expansion period now under way will materially affect current earnings. Before the new equipment can begin to produce revenues, the entire organization and facilities of the airlines must be expanded. New hangars, shops, ticket offices, and other facilities must be provided. Many thousands of additional personnel are being employed. Because of the high standards of service of the commercial airlines, the new personnel will be required to undergo extensive training prior to their serving the public. The airlines are, therefore, faced with greatly increased costs during the transition period required for the inauguration of new equipment. Once this transition period has been passed, the airlines should enter a long period of continued development.

E. CHESTER GERSTEN

President, The Public National Bank and Trust Co.

Assuming that common sense will prevail and adjustment will bring about a satisfactory and lasting relationship between labor and management so that reconversion can proceed to a greater extent than at present, the outlook appears clearly to be one of great production, distribution and consumption. Contacts with hundreds of business concerns among our bank's customers definitely predict this. The pent-up demand for all kinds of goods is tremendous and facilities for producing them never larger. While much can be done in the matter of distribution, still our system is well geared to handle that important phase and the funds are available to be spent by the consumer.

E. Chester Gersten

While much remains to be done in the international field, that is only what one would expect after the upheavals of the past several decades.

I believe one may look forward for several years with confidence.

KENNETH S. GASTON

President, Distributors Group, Incorporated

No special perspicacity is required to forecast that 1946 will bring further expansion, in influence as well as size, of mutual investment companies.

Kenneth S. Gaston

With gross assets of over a billion at the beginning of 1945, sales plus market appreciation during the year added at least half a billion. (Several companies doubled in size.) Such assets are, of course, almost entirely comprised of the listed stocks and bonds of our leading enterprises.

Appreciation of the effects of this extraordinary growth of a relatively new type of financial institution is as yet confined to a rather small circle. The concentration of funds of thousands of small investors under informed professional management is affecting security markets, the organization of the security underwriting and distributing industry, and stockholder influence upon the management of our large corporations. Yet many individuals and institutions directly influenced appear as yet to be little aware of the potential force of mutual investment companies. Perhaps 1946 will increase the number of those who follow the progress of "group investing."

Fortunately the mutual fund exerts forces which are wholly constructive. For uninformed, emotional buying and selling they substitute appraisal of values and careful placement of orders. They promote decentralization of the business of security distribution in that the retail distributor is no longer dependent upon the New York or Chicago underwriter and can select investments solely on the basis of their suitability for his customers. For the well-known indifference of the small stockholder they substitute an informed and alert critic of corporation managements.

No major changes in policies or practices of mutual funds seem in prospect for 1946. The Investment Company Act of 1940, which placed them under Federal regulation, has been operating smoothly. All companies are subject to complete and detailed publicity, all have within themselves the corrective for poor performance in that their shareholders can redeem their shares on demand. Managements have every inventive to produce results—and in general have performed creditably.

1946 will be a record year for mutual investment companies.

WALTER GEIST

President, Allis-Chalmers Manufacturing Co.

Settlement of labor difficulties rates a No. 1 priority for many management groups as industry launches its first full year of peactime production since the war.

Walter Geist

However, I believe that these difficulties can be solved so that during 1946 we shall see production throttles turned wide open and "full speed ahead" the order of the day. As equitable agreement is reached on labor demands, expansion plans of many firms will grow into new or enlarged factories. Research which developed the many new tools for war will bring forth new products for peace which will furnish further production impetus.

Full-scale production will provide jobs for the returned servicemen and unemployment should be relatively low for the year. During the war, we planned for a post-war employment increase of 50% at our plants. That figure now appears to have been conservative.

I hope to see accelerated relaxation of government controls. Revision of the tax structure was a healthy move to encourage greater circulation of risk capital among those about to enter new fields. The government is aware, I feel sure, that traditional free enterprise still is the best form of business operation, and aims to preserve this freedom.

Another factor which will help to keep business barometers high during 1946 is the reopening of foreign markets. Some foreign trade agreements remain to be completed, much rehabilitation work is ahead in the war-ravaged countries before they will be in a position to use some items of American production. But I think the export picture is quite bright. Our general machinery export bookings, for example, are approximately 300% ahead of production.

An important part of peacetime production plans concern the veterans. These men are returning in increasing numbers—more than 1,800 of our men have been re-employed—and they are bringing with them a vigorous spirit which is a challenge to all of us. I have been quite happy to note their industrious attitude and to learn that their "quit rate" is approximately one-half of that of our other workers.

Placing them back at work under a carefully developed, long-range program, we have found the veterans offer far less problems than were predicted. We have upgraded many who came back to us with newly-acquired skills. Our training plans have been enlarged for those who wish to fit themselves for better jobs.

All in all, I firmly believe that industry given the proper economic climate will blossom forth and make 1946 a year of promise with many bright potentialities.

BERNARD F. GIMBEL

President of Gimbel Brothers, Inc.

Viewed in broad aspect and recognizing that prosperity in the retailing field parallels conditions in industry as a whole, one is justified, it seems to me, in an attitude of optimism as of today on prospects for retailing during 1946.

Bernard F. Gimbel

Reconversion from war to peace economy has progressed more rapidly than expected. With lay-offs from war plants all but completed and releases from the armed services ahead of schedule, unemployment is far less than anticipated. As a consequence the predictions of a substantial drop in sales volume during the period immediately following the end of hositilities has failed to materialize. On the contrary, volume has continued to go head of last year's highly satisfactory levels. It is significant that estimates of peak in unemployment expected to be reached during the first half of 1946 are being sharply revised downward. Finally, on the favorable side, the pent up demand for articles out of production during the war continues unsatisfied and once the flow of these goods from the factories gets under way, this will contribute much to maintaining the satisfactory level of sales volume I look forward to in 1946.

In appraising 1946 prospects, I am not overlooking pending and threatening strikes, which if prolonged would of course constitute a real menace to business stability. It is my belief, however, that the differences responsible for the not unexpected upsurge of strikes will be resolved in time to avoid serious deterioration in purchasing power and prolonged delay in the manufacture of goods the public is waiting for.

My judgment is that sales volume during 1946 as a whole will not vary much from that enjoyed during the year now coming to a close.

E. G. GRACE

Chairman, Bethlehem Steel Company

Steel has a magnificent opportunity to serve the country in the coming several years if the managements of the respective companies are free to forge ahead.

Eugene G. Grace

By that I mean free to use the best in science, free to compete, free to adopt the best manufacturing processes, and free to make necessary profits to support progress and steady employment,—all a part of a national free economy.

Obviously, no satisfactory peacetime condition is in the cards for the worker, the investor, the employer or the public until present industrial disturbances cease. The long continued threats to most major industries inevitably retard action on those expansions which are the best insurance for future employment. The longer such threats continue the deeper will be the harm to our national economy.

On the other hand, the future of steel, if allowed to operate normally, was never better. Great improvements in the making of flat rolled steel in the past decade have opened up a vast number of new markets. The war has taught us a great deal in improved metallurgy. Pent up demand for products which use steel is evident on every hand.

We have gone through a long costly war and will have to pay for it. We are already paying for it; but the best thing that can be done to fend off depression and build a new prosperity is to get back to work. The sooner that feeling prevails generally the better will it be for the well-being of everyone. There is no substitute for production in any successful economy.

GEORGE H. GREENWOOD

Chairman of Board of The Pacific National Bank of Seattle

Geo. H. Greenwood

In my opinion the outlook for banking for the coming year is excellent. The total volume of deposits in our banks will not diminish but is likely to increase somewhat as Government deficit financing continues.

There will be shifts from banks located in war manufacturing centers to those located in our central reserve cities, but these shifts, while affecting the figures of a comparatively small number of banks, will be made without difficulty since the banks have been anticipating them and have wisely prepared for them.

With reconversion progressing as favorably as it is at present there should be some increase in the demand for commercial loans although this is not likely to assert itself until fairly late in the year.

All things considered, it is my opinion that the immediate outlook for banking is favorable.

CHARLES P. GULICK

Chairman of the Board, National Oil Products Company

The prospects for the chemical industry for the coming year are from many points of view extremely encouraging.

Charles P. Gulick

Because of the substantial moratorium on many types of consumer, as well as capital goods, production during the years leaves a tremendous void to be filled. A substantial part of our business is that of the production of processing chemicals for industry. The demand for these goods of course will depend largely upon the activity of the fundamental industries served. There is no doubt in my mind that all of these industries could operate at a very high percentage of capacity and will do so if some of the present (and I hope temporary) obtacles of reconversion are cleared away.

Based upon surveys of many kinds, and particularly those made by the Committee for Economic Development, business and improvement which will include the chemical industry will move forward with accelerating force, volume

(Continued on page 564)

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

World Economic Recovery at Stake In Current Political Decisions

(Continued from page 518)

health. It is possible, indeed, to regard the whole complex of current international developments as an effort to reconvert world economy to bring it into line with the changed power relations among nations. That is the common denominator in all the foreign news in your morning paper, even where economic matters are not mentioned.

Early in December our State Department made some remarks that are pertinent to the problem of global reconversion. In the course of a preamble to a declaration of British-American commercial policy it said:

"Human institutions are conservative; only within limits can they be moved by conscious choice. But after a great war some power of choice exists: it is important that the United Nations use it wisely. The fundamental choice is whether countries will struggle against each other for wealth and power, or work together for security and mutual advantage."

Unhappily the statement smacks of wishful thinking. For the choice has in most respects already been made. Only those who adhere to the Pollyanna school of world politics still believe that the United Nations as such are in a position to guide affairs, wisely or otherwisely. Clear around the world the major powers are struggling "against each other for wealth and power," with no holds barred. The rights and preferences of smaller countries are being ignored and among the great nations the sole arbiter is raw force.

In shattered Europe, Soviet Russia has marched roughshod into the power-vacuum created by the collapse of Germany. It is treating "liberated" victims of Germany and small Allies as arbitrarily as satellites of Germany. The main question still to be answered is how far westward Soviet penetration will extend, and the answer will not be shaped by the United Nations. It will be determined by the vigor and skill with which Britain and the U. S. A. counteract the dynamic Russian drive.

The western fringe of European peoples, from the Scandinavians to the Spaniards, look to the English-speaking powers to save them from forcible inclusion in the Russian area of direct or indirect domination. Their chance of escaping this fate depends in large measure on whether Central Europe—Germany, Austria, Czechoslovakia — falls under permanent Muscovite control. Without Central Europe as an economic base and as a territorial buffer against Soviet dynamism, Europe must tend to become part of the Eurasian mastadon sprawling from the Pacific to the Atlantic.

Thus far Britain and America have been out-maneuvered at every turn. First they gave up the Baltic countries, including Poland, to Russia; only recently, at the Moscow meeting of the three Foreign Ministers, they surrendered what remained of the Balkans; and now they seem well on the way to giving up Central Europe by default, through blundering policies and emotional confusion.

Outwardly the struggle in Europe is around forms of government, democratic versus totalitarian regimes and the like. Deeper down there are two intimately related economic issues: First, can the ruined and bankrupt continent be restored to something like economic normalcy? Second, how much of this continent will be open to world trade, how much of it fenced off as an exclusive Russian preserve?

That world recovery on the economic level requires the recovery of Europe seems self-evident. Aside from North America it is still the greatest industrial potential in the world. The productive capacities and the markets of that thickly-populated continent cannot be destroyed with impunity. An economic slum of such dimensions would upset the balance of world economy, besides establishing a tragic breeding ground for disorder, new experiments in political oppression and new wars.

Unfortunately that recovery has been cruelly handicapped by territorial and population settlements which violate economic good sense as much as they violate the principles of the Atlantic Charter. Indisputably Polish cities have been annexed by Russia and indisputably German cities have been tacked on to Poland. Food producing areas on which the subsistence of Europe is dependent have been arbitrarily cut off from the continent and joined to the Soviet-dominated sphere. About 12 million people of German origin — nine from the Eastern provinces of the Reich and three from Sudetenland — are being driven into an already overcrowded Germany. They are being shoehorned into a Germany, moreover, that has lost one-fourth of its farming area to Poland.

This contracted country, packed with additional millions, will be deprived of some industries and restricted in the development of others. Viewed from the angle of retributive justice, one can dismiss the problem with a "Serves them right!" Viewed from an economic vantage point, it cannot be so glibly dismissed. Can one pauperize Central Europe on a permanent basis without pauperizing all of Europe? Can one create a vast slum in the heart of Europe embracing perhaps 150 million people without condemning it to become part and parcel of Asia, or more specifically the Soviet Empire?

To ask such questions is to begin to wonder whether a vengeance that undermines the economic vitality of Europe does not help to fulfill Hitler's boast that if he falls he will pull down the pillars of Europe with him. A competent commentator on foreign affairs, William Henry Chamberlin, recently put the dilemna this way:

"Whatever one may think of the phrase One World, there is a good deal of reality in the conception One Europe. One can no more deliberately destroy a great productive mechanism like prewar Germany and expect neighboring European countries to remain unscathed than one could blot out all American factories between Pittsburgh and Chicago and expect the rest of America to feel no consequences."

The question is not whether Germany deserves grim punishment; of that there can be no doubt. The question, rather, is whether it can be punished by the kind of economic measures which inflict colossal damage on Europe as a whole. One of the ironies of the present trade picture is that the elimination of Germany, which used to be an important outlet for British goods, has added substantially to England's load of economic troubles. The effect on nations closer to Central Europe must be even more drastic.

A Europe minus its eastern third (already largely integrated with Soviet economy) and minus its industrial heart in Central Europe could hardly be expected to recover more than a minor fraction of its accustomed economic strength. The highly emotionalized controversy between the advocates of "hard" and "soft" peace policies rarely analyze the problem in these terms, but that does not erase the problem.

The widespread charges that Americans and Britons are being too tender with the defeated Germans come chiefly from Soviet sources or from critics who, consciously or otherwise, reflect the Soviet propaganda. The strange part of the story, however, is that the Soviet zone of occupation in Germany is achieving economic recovery much faster than the other zones. As far back as Nov. 26, "Time" reported:

"Though the Russians had plundered industrial equipment at will, they had started the wheels of what economy eastern Germany had left. By last week, industrial production was at 20% of the 1938 level, as compared to 5 to 10% in the U. S. zone."

Since then the disparity has grown notably wider. A New York "Herald Tribune" dispatch from Berlin dated Dec. 29 indicated that output in the Soviet zone had reached 30% of the 1938 level and, more significantly, that plans to boost production to 68% of the 1938 figure for that zone during 1946 have been adopted with the approval of the Russian occupation authorities. Meanwhile

(Continued on page 565)

NATIONAL BANK OF DETROIT

DETROIT, MICHIGAN

Complete Banking and Trust Service

STATEMENT OF CONDITION DECEMBER 31, 1945

RESOURCES

Cash on Hand and Due from Other Banks		$ 265,059,079.78
United States Government Securities		333,851,605.36
Stock of the Federal Reserve Bank		1,455,000.00
Other Securities		58,433,009.13
Loans:		
Loans and Discounts	$142,719,895.86	
Real Estate Mortgages	19,197,740.38	161,917,636.24
Branch Buildings and Leasehold Improvements		1,014,362.91
Accrued Income Receivable		2,805,208.61
Customers' Liability on Acceptances and Letters of Credit		1,970,568.46
		$1,326,506,470.49

LIABILITIES

Deposits:		
Commercial, Bank and Savings	$963,899,829.69	
United States Government	245,949,629.94	
Treasurer—State of Michigan	17,025,686.19	
Other Public Deposits	31,647,413.07	$1,258,522,558.89
Accrued Expenses and Taxes Payable		2,664,755.70
Common Stock Dividend No. 23, Payable February 1, 1946		812,500.00
Acceptances and Letters of Credit		1,970,568.46
Reserves		7,855,183.82
Preferred Stock		8,500,000.00
Common Capital Funds:		
Common Stock	$ 12,500,000.00	
Surplus	27,500,000.00	
Undivided Profits	6,180,903.62	46,180,903.62
		$1,326,506,470.49

United States Government Securities carried at $286,874,237.13 in the foregoing statement are pledged to secure public and trust deposits and for other purposes required by law.

DIRECTORS

HENRY E. BODMAN
CHARLES T. FISHER
CHARLES T. FISHER, JR.
JOHN B. FORD, JR.
JAMES S. HOLDEN
JAMES INGLIS
WILLIAM S. KNUDSEN
ALVAN MACAULEY
WALTER S. McLUCAS
W. DEAN ROBINSON
R. PERRY SHORTS
GEORGE A. STAPLES
R. R. WILLIAMS
C. E. WILSON

TRUST DEPARTMENT

This bank acts as Trustee, Executor and Corporate Agent

Member Federal Deposit Insurance Corporation

DREDGING

Filling, Land Reclamation, Canals and Port Works

River and Harbor Improvements, Deep Waterways and Ship Channels

We are equipped to execute all kinds of dredging, reclamation and port work anywhere in the United States

Contractors to the Federal Government

Correspondence invited from Corporate and Private Interests Everywhere

Longest Experience

Atlantic, Gulf and Pacific Co.

New York 7
15 Park Row

Houston 2, Texas
Citizens State Bank Bldg.

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

Business and Finance Speaks After the Turn of the Year

(Continued from page 562)

and speed, with time. Industries, including the chemical industry, have developed many new products which are yet to be made and marketed. Public psychology is ready and expectantly awaiting these new products. Certain of these products, particularly those in the technological fields, will influence the operations of many plants in many industries. American industry has become so completely inter-related that it is quite difficult today for any one company to develop a new material which will not influence the activities of many plants in many fields.

Because of this inter-dependency, it is clear that maximum results will depend greatly upon the cooperation of all segments of our economy. Cooperation is the key that will fling wide the doors of a prosperity never before experienced. The American people, who have been pretty thoroughly sold upon the idea of "one world," must also learn that it is tremendously important that this concept cannot come to be unless we also have "one nation." Any group or block which is unwilling to cooperate with all other groups—and I am referring to such groups as Government, owners, management, labor—will be guilty of obstructing and impeding the fruition of the highest possible living standard which all of these segments wish so ardently to see come into being.

Again I say **cooperation** is the key. The plant is here, the funds are here, the workers are here, the market is here. What are we waiting for!

W. HARNISCHFEGER

President Harnischfeger Corporation

Naturally, it is difficult to hazard a guess regarding the future—particularly in these uncertain times. We have experienced a terrible conflagration and, in my opinion, the repercussions of same will eventually overtake us.

W. Harnischfeger

In considering the future, from the standpoint of this country, the problem must be divided in two - national and international.

The national situation is, of course, of vital importance to everyone in this country. This country was built along the philosophy of free and individual enterprise, in which the individual assumed the responsibility of building up a business and creating employment, wealth and purchasing power. The savings were largely used to create venture capital and develop additional enterprises.

This country had been blessed with vast resources, which had the tendency to stimulate the economy and bring about a sustained prosperity over the years.

In 1932 the country went through one of its major business crises and, instead of permitting the natural forces to bring us out of same, we started in on a program of artificial subsidies and regulations. Ever since that time, we have been drifting in the direction of a "planned" economy. We deviated from the gold standard which, up to that period, had been, more or less, an automatic regulator for our economy. We replaced this with man-made subsidies and this, naturally, had a tendency to progressively dislocate our economy. We entered into a period of deficit-financing and this was further accelerated by the war so that, today, the result is, we now have a national debt of well over $250 Billion.

We have depleted a great many of our natural resources and we are about to enter a period of rebuilding and reconstruction which is being hampered because of strikes which are taking place throughout the country.

We have a set of procedures and regulations regarding collective bargaining, which, in my opinion, if not modified, will prove to be unworkable. My reason for taking this position is that manufacturing constitutes a substantial part of our productive economy. Labor usually represents a substantial part of the cost of commodities. During the period in which this country grew and prospered, under the capitalistic system, a man started in business by negotiating an arrangement with the employee, individually, and compensating each one in proportion to the prevailing market and in proportion to what he could afford when working in competition. Each arrangement was an individual proposition, based upon the knowledge and abiltiy of the manager of the enterprise and if he was in a position to sell his product, after paying for material, labor, overhead and taxes, he retained the net re-invest in his business, thereby providing additional employment and, in this way, automatically providing for a method of expansion and increased compensation.

Under our Constitution, it was possible for a man to seek other connections if he was not satisfied with the employer's procedures and, if the employer was not satisfied with the production and attitude of the employee, he could discharge him and replace him with a more efficient man. This automatically developed the incentive system and built up our economy accordingly.

Under the prevailing system, a complicated method of bargaining and fact-finding has been developed which is being administered by a substantial number of parties who are not directly involved in the successful operation of the business.

I am, personally, of the opinion that some means must be developed to modify our present legislation to again make it possible to adopt a simple method of managing business. Governmental functions should be the maintaining of law and order in a community and the right to work or not to work should be the prerogative of an individual.

I am not opposed to a legal minimum rate but believe this should be substantially below that which is the actual minimum at this time.

Regarding taxes, they have gone up by leaps and bounds! The new tax bill which has been passed and has been effective since Jan. 1 of this year, has reduced taxes and will give some relief. Nevertheless, a reduction in taxes is not the only thing that is required to sustain a period of prosperity. The important problem is to balance the National Budget, which, in turn, will require a very drastic reduction in governmental expenses. With the additional appropriations which are being made and contemplated through consideration of expansion of social security and unemployment insurance, health insurance and the full employment bill, there does not appear to be any possibility that there will be a drastic reduction in governmental expenses and balancing of the budget in the years to come. This can only result in a national deficit which will affect all of our bondholders and it will certainly have a reactionary influence on our economy.

The question naturally arises, whether we are going to have inflation or deflation. Unless the Government spending is curbed and wage increases are rationalized to a point where the increase in cost can be offset by new methods, which usually require capital, we will very likely go into a period of inflation which will, of course, mean a high level of business for a short time, followed by a very drastic reaction. I hope that our Government will modify its position and insist upon the strictest economy in order to assure our country of a more lasting prosperity.

The matter of retaining and extending unnecessary wartime controls and price regulations is another factor which will have a negative influence on business. I hope that Congress will take a constructive position in this matter.

The effect of influences, such as mentioned above, upon various lines of business, will not be entirely uniform. There is unquestionably considerable over-expansion in a substantial segment of the industries in which we are engaged. There will be some contraction and readjustment.

In the construction industry, there appears to be a pent-up demand and this segment of industry should be relatively prosperous for some time to come. There too, the question will arise as to how some of the public projects will be financed over the long run, taking into consideration the national fiscal situation.

The railroads have gone through a long period of capacity operations without adequate maintenance and replacements and there, unquestionably, is a great amount of buying power which is pent up in that segment of industry.

The durable goods industries and the housing industry, of course, will operate at capacity and there undoubtedly will be a substantial demand in those lines for some time to come. The progress which will be made in expanding these industries will depend somewhat on the Government's labor policies and whether OPA will permit venture capital to earn a decent return.

In the consumers industry, there will be a heavy demand during the coming year and, with the pent-up savings, the demand for consumers goods will be backed by buying power.

In regard to the international picture, I believe that this country and the world, in general, finds itself in a rther precarious position. The next few years will probably determine whether the capitalistic form of government will decisively influence world affairs or whether the communistic form of procedure will get the upper hand. This, in my opinion, is a very serious picture to contemplate and only a sound, realistic and farsighted program, on the part of our Government, will bring order out of the present chaotic conditions.

This country is, unquestionably, in the unique position of being the strongest nation in the world from a military and short-term economic standpoint. I believe, therefore, that we must impose sound viewpoints on the rest of the world, patterned on the capitalistic system, if we want this system of society to survive.

To properly rehabilitate the war-torn countries will take years and we should take part in setting them up so that they can rehabilitate themselves.

I believe that this country will be required to furnish relief to prevent starvation and complete disintegration of society in the war-torn countries. This relief, however, should be kept to the necessities of life and should be administered with the greatest possible efficiency.

We find ourselves again in the position of the creditor nation of the world, which position we occupied at the end of the first war; however, instead of maintaining a strong hand and handling the situation on a sound basis, we allow ourselves to relinquish the influence that we should rightfully exert as the nation through which the war was brought to a successful conclusion.

I believe, in extending credits to foreign countries, we should work out each proposition on its individual merits so that we will receive something tangible in return—either raw materials or various bases or possessions. Otherwise, we will weaken our own economy through our generosity to other nations of the world over the year. Lend Lease should be liquidated to us on a sound basis. It seems to me that the matter of foreign credits is not any different than a credit matter handled between a businessman and his banker. Interest on foreign loans should be substantially greater than on domestic Government bonds.

Naturally, our policy on loans will have an influence on our export business. I believe that our export business should be gradually reconstructed over a period of years—first, with such countries which have credit balances with us—thereafter, or simultaneously on the basis that we must import from such countries to which we export.

In summing up the entire picture, I believe there will be good business in this country during the coming year. As the year progresses, however, I believe business will become more competitive in certain sectors and many industries will find it necessary to go through some drastic readjustments. Governmental policies will have considerable bearing upon any sustained prosperity in this country.

LEWIS G. HARRIMAN

President, Manufacturers and Traders Trust Company, Buffalo, New York

In 1946 commercial banks will be well started on their transition from war to peace. While banking was not popularly classified as a war industry, it is the fact that for the past four years the major policies and activities of banks have been concentrated on financing and furthering the successful prosecution of the war. The challenges posed by the demands of war have been capably met by our private banking system. The record is outstandingly good.

Lewis G. Harriman

While it will continue to be a first and vital function of all banks to finance the public debt and cooperate fully in the great task of its orderly refunding and discharge, greater attention can now be given to the needs and opportunities of our post war economy. There is every reason for confidence in the expectation banks can and will meet all the legitmate requirements of reconversion and business expansion.

It is readily apparent to even the most casual observer that our banking system is abundantly conditioned to supply capital and credit. Of at least equal importance is the mental attitude and aggressive intent of bankers to take the initiative in making their services and functions more widely understood and more readily available than ever before. Bankers are no longer the political whipping boys of the thirties nor are they restricted and burdened by either adverse public opinion or the problems engendered by a decade of depression. Quite the contrary. They are ready to go and are saying so to business and the public.

The world is concerned with what comes next and its hope lies in an expanding economy, a rising standard of living, a greater utilization and efficiency of manpower, materials and the machinery of manufacture and distribution, the furtherance of scientific and technical research and the exploitation of the products of the test tube and laboratory.

If the sixty-four dollar question is "what are we waiting for?"—you can be sure of one big lusty answer. It isn't the bankers.

H. HITER HARRIS

President, First and Merchants National Bank, of Richmond

I know that in the case of our own bank and I believe it to be true regarding banking generally that never have we been in a stronger condition financially nor better equipped to serve the legitimate demands made upon us.

H. Hiter Harris

A large part of our income continues to come from United States Government securities but we have been pleased to notice in recent months a slight increase in the demand for loans. As you know, total loans of reporting member banks increased $3,260,000,000 in 1945, a gain of 25%. Our own experience with loans was almost identical, the gain last year being 24.6%. One encouraging part of the nationwide figures was that commercial, industrial and agricultural loans were up 13%. We shall strive to see that this trend continues until banks generally have regained their rightful position as the primary source of business credit.

As for what we bankers expect for 1946, the one certainty, in my opinion, is that we will have increased operating costs. In the face of that, it now appears that many of maturing obligations of the United States Government will be refunded with low-rate short-term securities and that interest rates generally will remain low. The Treasury probably this year will not have to raise any subsantial amount of new money, if any at all, through sale of new securities other than savings bonds for cash. Deposits in the aggregate may increase slightly, particularly if money in circulation comes back to the banks, but not a great change is anticipated.

It is going to be difficult to greatly increase the total

(Continued on page 566)

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

World Economic Recovery at Stake In Current Political Decisions

(Continued from page 563)

the American zone is still at around 10%.

However harsh they may be in other respects—and the accounts of their depredations have a barbaric ring—the Russians evidently follow a "soft" course in the matter of German economy. At the same time they continue to hold the United States to a "hard" economic line and in this endeavor have the support of their extensive fifth-column among American opinion makers. It now seems altogether likely that in the near future the Soviet half of Germany will be more prosperous than the non-Soviet half. The effect will be to divert the Germans, today inclined to favor the Western Allies, toward the Russians.

Soviet purposes are easy to grasp. It is not so easy to grasp why the United States and Britain accept the situation so apathetically. Having lost Eastern Europe by a process of appeasement, we seem determined to surrender Central Europe to the Soviets through sheer inepitude.

To date the most forceful and effective Anglo-American intervention in Stalin's East European domain has been in connection with the trade treaties drawn up by Moscow for Hungary and Austria. That in itself supports the suspicion that economic purposes are more important, if less obvious, than political objectives.

Through the device of a fifty-fifty Soviet participation in the exploitation of all natural resources and industrial potentials, the proposed treaties in effect would give Russia total control of the economic life of those countries. In Hungary's case, the pact signed in Moscow established a joint Russo-Hungarian company to develop bauxite, petroleum, coal, power plants, chemicals (especially fertilizers) and other natural riches; agricultural machinery, electrical goods and other manufacturing enterprises; shipping, motor transport and aviation. Little of economic value would thus remain solely in Hungarian hands. The Austrian trade pact was likewise a fifty-fifty arrangement and equally inclusive. This, indeed, is emerging as the typical pattern of Soviet economic imperialism in areas not actually annexed to the U. S. S. R.

Small wonder that businessmen in Austria and Hungary were horrified and hastened to lodge appeals against the proposed foreign enslavement with the Allied Control Councils. Sharp protests by both Washington and London gave the Hungarian and Austrian Governments the courage to temporize and at this writing the treaties have not yet been ratified. It is not likely that they will take effect in their present form.

However, the statesmen and foreign trade experts who suppose that Eastern Europe can remain economically accessible to other nations while politically subservient to Russia simply do not know the nature of the totalitarian animal. There are myriad ways in which the Soviet leaders can reserve all economic plums for Russia without recourse to formal treaties. Moscow has never been constricted by the procotol of international relations in attaining its ends.

If the European nations are to remain on the world trade map, they must first be guaranteed real national independence. That common-sense proposition holds true for immediate neighbors of the Soviet Union like Poland, Finland and Bulgaria and for more distant countries like Germany and Austria. In any case, it is not hard to discern economic motivations under the political disputes around those countries. What is being decided is, at bottom, whether and which European nations shall retain economic autonomy internally, as well as "open doors" in foreign trade for foreign investments.

The most dangerous area on the map of international trouble just now is without doubt the Middle East, and here the economic factors are fairly obvious. A contrived revolt in Azerbaijan, in northern Iran, has virtually detached one of the richest Persian provinces. Iranian independence and territorial integrity had been solemnly pledged by Roosevelt, Churchill and Stalin in their memorable Teheran meeting. Nevertheless, Moscow has refused to acknowledge its role in the revolt or to submit the issue to international discussion. Meanwhile Russia is pressing Turkey for cession of territory, military bases on the Dardanelles and other humiliating surrenders; Red Army deployments in the Caucasus and Bulgarian military concentrations on Turkey's flank serve to drive the pressures home.

The situation is loaded with explosive possibilities. The immediate targets of the Soviet drive are Iran and Turkey, but the

(Continued on page 567)

COMMERCIAL TRUST CO.

OF NEW JERSEY

Jersey City, New Jersey

FINANCIAL STATEMENT

at the close of business

DECEMBER 31, 1945

ASSETS

Cash and Due from Banks		$ 17,187,214.72
U. S. Government Obligations (All Direct)		84,229,600.28
State and Municipal Bonds		146,579.51
Other Securities		12,418,866.79
Loans and Bills Purchased		4,349,877.30
Mortgages		6,401,253.68
Six Bank Buildings		1,594,189.03
Accrued Interest (all current)		332,958.83
Customers' Acceptances		1,900.00
Other Assets		6,419.14
		$126,668,859.28

LIABILITIES

Capital		$ 3,400,000.00
Surplus		3,400,000.00
Undivided Profits		123,056.96
Reserves		801,964.83
Quarterly Dividend		136,000.00
(158th regular Consecutive Dividend 2% and Extra Dividend 2%)		
Acceptances and Guarantees		1,900.00
Deposits—		
Demand	$59,683,296.42	
Time	761,125.07	
Savings	40,277,590.20	
United States War Loan Acc't	18,083,925.80	118,805,937.49
		$126,668,859.28

DIRECTORS

ROBERT A. ALTSCHULER, President, International Fidelity Insurance Co.
JAMES W. AMES, President, W. Ames & Co.
J. FISHER ANDERSON, Counsellor-at-Law
JOHN F. BOYLE, JR., Vice-President, John F. Boyle Co.
WILLIAM J. FIELD, President
GUSTAV F. FISCHER, Vice-President, Brewer Dry Dock Co.
ROBERT V. KINKEAD, Judge of the New Jersey Circuit Court
GEORGE F. LAHEY, Retired
OTTO A. LEMBECK, President, Fifth Ward Savings Bank
GEORGE LETTERHOUSE, Vice-President & Trust Officer
KENNETH K. McLAREN, The Corporation Trust Co., New York
WALLACE PYLE, M.D.
JOSEPH G. SHANNON, President, Guttenberg Bank & Trust Co.
MARK A. SULLIVAN, Counsellor-at-Law
WILLIAM V. TOFFEY, Vice-President & Secretary

Member Federal Deposit Insurance Corporation
Member Federal Reserve System
Member Northern New Jersey Clearing House Association

International Shoe Co.

ST. LOUIS, MO.

SULPHUR IN 1946

Industry will have a plentiful supply of Sulphur in 1946 to help speed the flow of goods to civilians.

Shipments of Sulphur to war industry have been maintained at record heights during the past five years. Today, peacetime industrial and agricultural needs are replacing the wartime uses which ended with V-J Day.

1946 promises to be an important production year for such Sulphur-consuming industries as rayon, paper, fertilizer, chemicals, steel, high octane fuel, synthetic and natural rubber. For these and others, now turning from military to civilian needs, production and stocks are ample to meet every anticipated demand.

♦

FREEPORT SULPHUR COMPANY

122 EAST 42ND STREET

NEW YORK 17, N. Y.

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

Business and Finance Speaks After the Turn of the Year

(Continued from page 564)

volume of loans as a large part of the year will be a transition period from war to peace. As demand for commercial credit develops, it will be offset to a large extent by the payment of loans made for war purposes. However, banks generally are hopeful of obtaining a volume of consumer loans when at last labor is appeased and allows full production of badly needed consumer goods. As I now see it, operating earnings of commercial banks for 1946 may not be greater than 1945 earnings.

ROGER A. HUMMEL

President, Lone Star Cement Corporation

You can well appreciate how difficult it is at the present moment to make an accurate estimate of conditions for any future period. The general labor situation is so badly confused as to make any intelligent estimate extremely difficult.

So far as the cement industry is concerned, there is without question a period of very heavy demand in the making. When this will develop, however, is dependent on many factors. The demand for Portland cement is increasing, and if the labor situation improves in the very near future, the demand is likely to develop within a period of a few months.

Construction programs are taking shape within practically every state in the union, involving roads, bridges, water supply, conservation work, and flood control. Much of this is sponsored by the states; other work is under the jurisdiction of the United States Government. When this will develop, however, is contingent upon the availability of labor at rates sufficiently stable to enable contractors to place bids on the basis of fixed amounts which will give them a reasonable profit expectancy. The experience thus far has been that contractors are reluctant to bid, principally for the reason that they are unable to anticpate with any degree of certainty the cost of labor which in the construction industry is an important item.

There are still shortages existing in many lines allied with the construction industry, namely: lumber, hardware, plumbing fixtures, and household appliances. Many of these shortages can again be directly traced back to the inability of producers to obtain satisfactory and sufficient labor.

The question of labor is an important factor in the cement industry also, and should a period of great demand develop within a short time, there is every reason to support the belief that a shortage of cement would quickly develop. It appears, therefore, that until such time as the present labor difficulties are adjusted and the labor supply becomes adequate, the outlook for the coming year will remain confused and almost unpredictable.

LESTER HUTCHINGS

President, Western Auto Supply Company

The prospects for concerns in our line of business are exceedingly good for 1946. Sales volume will reach an all-time high record. In lines of merchandise where only limited quantities were available in 1945, there will be very substantial increases in 1946, while new items, not in production during the war, such as radios, refrigerators and washing machines, will be produced in substantial quantities.

Lester Hutchings

Labor unrest is somewhat retarding reconversion, but indications are that labor and management are coming closer to an area of general agreement, with salary increases of between 15 to 20%. It may be expected that the bulk of strikes will occur in the early part of the year and the labor situation will then improve.

Price ceilings are creating problems for manufacturers and retailers, but this will be gradually ironed out and except on some few isolated items they will not greatly retard production.

Unemployment is less than anticipated and the reconversion program is moving along with less dislocation than expected. Most indications point to a very good consumer market and a record year in our line of business, even though available supplies will probably fall short of the demand.

Distribution costs will be higher. Wages will increase in line with the trend indicated in the wage dispute settlements now being negotiated. Rentals and building costs are substantially higher. Extensive employee training programs are the order of the day. Pension plans, group insurance and hospitalization benefits for employees are being more widely considered in the distribution field. Demands for a forty hour week will increase, New York State having just passed a law to this effect; other States will probably follow.

Most retailers in our line contemplate modernizing their existing outlets and catching up on maintenance work which was deferred during the war period. These factors tend to increase operating costs and reduce profits.

Generally, distribution businesses are in sound financial condition to enter the postwar period, even though the increase in price levels requires comparatively more working capital than was necessary in prewar days.

Competitive conditions will not be too severe in the early part of the year, but as merchandise production increases and the supply comes nearer to the demand we may expect to see much keener competition.

Most distribution concerns expect to increase the number of their outlets, and it is anticipated that many newcomers, principally discharged service men, will enter this field.

Cooperatives will expand in the distribution field and there is a tendency for independent retailers to form buying or service combines. These factors indicate a return of the keen competitive condition that has always characterized the retail distribution field. This will not seriously affect 1946, but will be an important factor in subsequent years.

With higher costs and probably smaller mark-ups, increased volume is esential to profitable operation and to obtain this, competition will force more and better services to the public.

Although the writer anticipates a record year in sales volume, added costs and competitive conditions will not permit earnings to increase proportionately. The elimination of the excess profits tax will undoubtedly help the earnings picture and profits should be substantially better than have been experienced in recent years.

always characterized the retail distribution field. This will not seriously affect 1946, but will be an important factor in subsequent years.

With higher costs and probably smaller mark-ups, increased volume is essential to profitable operation and to obtain this, competition will force more and better services to the public.

Although the writer anticipates a record year in sales volume, added costs and competitive conditions will not permit earnings to increase proportionately. The elimination o fthe excess profits tax will undoubtedly help the earnings picture and profits should be substantially better than have been experienced in recent years.

LESTER E. JACOBI

President, Schenley Distillers Corporation

Any effort to analyze the 1946 prospects and outlook for the distilled spirits industry must, in my estimation, lead to a seemingly paradoxical conclusion. That is, in brief, that the difficulties confronting this industry in effecting readjustments following the inevitable dislocations of the war period are more than ordinarily complex, as compared with many other industrial "reconversion" problems, while at the same time beverage producers and distributors are afforded an unusual new opportunity for growth, development and service.

Lester E. Jacobi

Reflecting the wartime dislocation of the industry most severely is the shortage of aged and aging whiskies. For nearly three years, while production facilities of all registered beverage distilleries were devoted almost exclusively to the manufacture of war alcohol for the government, distribution of beverage spirits to the consumer was maintained only by means of withdrawls from steadily diminishing pre-war whiskey reserves. While resumed beverage spirits distilling operations have been underway on a limited scale since last Sept. 1, there is, unfortunately, no possibility that this war-imposed supply situation can be corrected in 1946. In fact, we cannot realistically anticipate a return to normal inventory levels for three or four more years.

Basically, it can be explained that the "reconversion" period for the beverage distilling industry will necessarily be longer than for numerous other industries because "age"—a number of years of aging, in fact—is essential before the distillers' product is released for distribution at the consumer level. For example, much of the whiskey that was produced in the Fall of 1945 will not be ready for marketing as a matured and properly aged beverage until 1949, and whiskey that is put into barrels this year will not be fully matured until 1950. Moreover, while there no longer is need for the beverage distilling plants' record output of war alcohol, which a few months ago was so urgently required for synthetic rubber and other urgent military and industrial uses, lack of sufficient grain has delayed the resumption of full-scale beverage spirits production. The obvious corollary, of course, is that until there is an adequate flow of grain and other raw materials, the country's distilleries will not be able to launch a period of uninterrupted production which would assure adequate whiskey suply three or four years hence.

Currently, distillers are operating on a limited month-to-month basis, with whiskey-making schedules dependent on government grain allocations. Beverage production, since the conclusion of the war alcohol program in August, 1945, thus has been limited to approximately 7½ to 10 days of distillery operation per month. It seems worth noting, in this respect, that the industry normally uses considerably less than 1% of the nation's total grain supply—of which small percentage at least one-third is recovered and processed in the form of high-protein by-product feeds for livestock and poultry and returned to farm areas whence the grain came originally.

Another factor complicating the industry's production outlook is the existing acute shortage of acceptable white oak cooperage necessary for whiskey storage and aging. As a direct result of this scarcity, it is considered doubtful that the industry will be able to put away much more than 60,000,000 gallons of whiskey for aging this year, as contrasted with production of more than 135,000,000 gallons in 1941, even if the grain picture is clarified.

The supply of mature whiskey during the next four years, it therefore appears, must consist of the gallonage now on hand in warehouses, minus the losses which will occur through normal evaporation and leakage over a period of many months. This will permit net withdrawals from warehouses of approximately 52,000,000 tax gallons per year of whiskey during the next four years. For comparison, 83,000,000 tax gallons were withdrawn in 1941 to supply the "normal" market of that year. However, the total supply of whiskey available to the trade will be adequate to meet the demand through the increasing popularity of spirit blends, which has enabled the industry to use the dwindling reserves of aged whiskies to the fullest advantage.

On the other hand, there is no reason to expect that other alcoholic beverages, such as gin, domestic wines, rums, brandies, cordials and liqueurs, will be scarce during the next few years.

Meantime, although our industry is confronted with protracted problems of reconversion, not common to most other industries at present, there is a brighter side in considerations affecting its long term welfare and development. These considerations can best be understood in the terms by which all private industry and business will most likely be rated for performance in the coming years . . . quality products at reasonable cost, sustained high levels of employment within the industry, banishment wherever possible of any feeling of insecurity on the part of employees and a convincing contribution to a continually improving American standard of living.

In the field of veteran re-employment alone, the industry has the opportunity to set a striking example of broad public service which can go far toward enhancing and safeguarding favorable public opinion earned through the distillers' important production contributions to military victory. Servicemen are returning to civilian jobs with the expectation that they will be given ample chance for recognition and advancement merited by special training, education and experience gained in the Armed Forces. Other opportunities and constructive assistance must be provided for those of our veterans who are handicapped as a result of their war service.

In a program which I believe may be regarded as typical within the industry, our own Company has tried to establish a sound policy regarding re-employment so that the veteran can return to his job with the least possible delay and be given information and assistance as he may need it. In our contacts with employees not yet discharged from the Armed Forces, our first aim is to set the serviceman's mind "at ease" both for the present and future when he will be returning to civilian life.

Early in the war, liberal military benefits were established for employees or for the families of employees gone to war and these benefits are, of course, being continued. With the occupation of Japan, over 1,500 Schenley employees serving in uniform both at home and abroad were given detailed information on both Government and Company facilities to speed and facilitate their return to civilian status with every protection and benefit.

The Company's program for veterans includes special benefits under the Employees' Retirement and Benefit Plan for providing a comprehensive form of social security. Time spent in military service counts as time spent with the Company in respect to the Plan, which provides retirement income paid for entirely by the Company, plus hospitalization, surgical, medical, accident and sickness benefits and permanent life insurance coverage on a contributory basis.

It is my earnest hope that enlightened planning in all phases of the distilled spirits industry will produce a general program advancing the manufacturers and distributors of alcoholic beverages to first rank in the whole, broad field of employer-employee relations. A position of leadership in this field, achieved both through inter-company programs and active participation in civic and community projects, will undoubtedly assure the unparalleled growth and service within the industry which I regard as the not-to-be-missed opportunity of the postwar period.

MAXEY JARMAN

President, General Shoe Corporation

I look for production in the shoe industry for 1946 to be a record breaking year with pairage for the year running between 550 and 600 million pairs. Supplies of raw materials will be tight but should be sufficient to take care of this greatly increased production. However, if price controls and international hide distribution controls are continued after June 1946, then the supply situation will be more difficult and production will suffer.

W. M. Jarman

Employment in the industry is picking up and will probably continue to increase back to levels that the industry maintained before the war as fast as people are available. The industry could use perhaps 15% more employees than it now has if people were available.

Inventories of finished shoes are at an extremely low level, both in the hands of manufacturers and retailers. Current demand is absorbing shoes as fast as they are shipped to retailers, but this very condition of low inventories with the retailers means a continued demand even though there should be

(Continued on page 568)

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

World Economic Recovery at Stake In Current Political Decisions

(Continued from page 565)

larger target beyond them is the British Empire. Should Iran fall under Russian dominion, should Turkey be forced to yield, the Middle East keystone of Great Britain's world structure will have been destroyed. The threat is not merely, as the pat phrase has it, to Britain's life line—but to Britain's life. Should he succeed in intimidating Turkey into quiescence, Stalin unquestionably has the means and the urge to extend Russian influence into Afghanistan, Iraq, Syria, Palestine, Saudi Arabia, in all of which places Soviet political agents have been exceedingly busy for some time. Repercussions in India and North Africa would inevitably follow.

Only those willing to look on without misgivings at the creation of a Soviet economic sphere greater than the rest of the world combined can fail to be impressed with these possibilities. However the Russian push may be disguised with claims based on military security, it aims at the conquest of an economic empire, chiefly valuable for its vast oil deposits. American oil interests in the region are also involved in the conflict, but they are minor when seen against the titanic struggle between Russia and Britain and the implications of that struggle for the economic balance of the whole globe.

In China the American stake is more apparent. Under the complexities of the civil struggle and the international tensions is the American determination to protect the Open Door principle which our Government pronounced for China in 1899. Washington at that time sought no special privileges, at a time when all nations were grabbing spheres in China. It sought rather to put an end to the grabbing.

Russia at the time was attempting to impose its economic hegemony over Manchuria. The American Secretary of State, John Hay, addressed himself to all interested powers, Russia included. His view, which has come to be known as the Open Door policy, was summed up in these words:

"It is the sincere desire of my Government that the interests of its citizens may not be prejudiced through exclusive treatment by any of the controlling powers within their respective 'spheres of influence' in China, and it hopes to retain there an open market for all the world's commerce, remove dangerous sources of international irritation, and thereby hasten united action of the powers at Peking to promote administrative reforms so greatly needed for strengthening the Imperial Government and maintaining the integrity of China, in which it believes the whole Western World alike is concerned."

An "open market for all the world's commerce" was the point of the pronouncement. Of the governments addressed, only the Russian failed to accept this principle. The Tsar's reply was vague and evasive. History in 1946 seems curiously reminiscent. Russian dominance in Manchuria—the fear that it may become an exclusive area—is again the most alarming economic factor under the political surface. The present diplomatic maneuvering is concerned chiefly with the fear that the Chinese Communists may establish a special Soviet sphere in North China, precisely where the economic vitals of the country are located.

America certainly would like to see China united and on the road to democratic government. These are in themselves highly desirable ends. A democratic China would tend to become a bulwark of peace in the Pacific—and a pillar of strength for the democratic nations in the event the peace is once more broken. At the same time American economic interests are sufficiently in evidence. We have no reason to conceal them. An Open Door to Chinese economic opportunities would not exclude other nations from trade and investment.

* * *

Addressing both Houses of Congress on Nov. 18, 1943, Cordell Hull, then Secretary of State, drew a roseate picture of the world to come when victory has been achieved. He told America and the peoples of other countries that:

". . . there will no longer be need for spheres of influence, for alliances, for balance of power, or any other special arrangements through which, in the unhappy past, the nations strove to safeguard their security and to promote their interests."

Those words sound utterly tragic in the context of the reality of this period. The carving of spheres of influence proceeds more lustily, more ruthlessly, with less consideration of the rights of the weak, than ever before in modern times. So far as the scale is concerned, there has rarely been such feverish grabbing. Alliances and special arrangements —some open, some disguised—are being worked out everywhere.

The "unhappy past" seems, if anything, cheerful by comparison with the unhappier present. Nothing is gained by denying or blurring this truth.

Turnesa Now Sales Dir. at Pressurelube

Pressurelube, Inc., through its Chairman, Philip M. Carter, and President, E. Richard Bagarozy, announced the appointment of William P. Turnesa as Director of Sales.

William P. Turnesa

Mr. Turnesa, of the famous seven Turnesa Brothers, who holds the course record at a number of golf clubs and who won the amateur title in 1938, was recently honorably discharged from the United States Navy where he was promoted from an enlisted man to a first grade Lieutenant, serving his last 18 months on the staff of Admiral Charles A. Pownall.

Mr. Turnesa will supervise Pressurelube's various sales divisions, including the high pressure portable grease guns, Woodruff air operated equipment, "All-Out" fire extinguishers, Everready hydraulic jacks and greasing equipment and "Soft Tone" insulation. Pressurelube, Inc., which during the war was commended by many divisions of the Armed Forces for its active contribution to the war program by its manufacture of different types of fighting equipment, is now preparing a reconversion program for its peace-time products.

Mr. Turnesa, who was formerly Vice President of Differential Wheel Corporation, resides at White Plains, New York with his wife and two children. He intends to resume his golf career after a long layoff, and expects to participate at the next amateur tournament which is to be held at Baltusrol, New Jersey in September, 1946.

SERVING

MANY MASTERS

Meat packers are required to serve not one, not two, but *four* masters:

(1) They must be the marketing agents for livestock producers, (2) They must be buying agents and manufacturers for consumers, (3) They must provide satisfactory jobs, steady employment and "Social Security" for their workers, and finally (4) They must conduct their business so as to earn a fair return on the money invested in it.

In serving these four masters, there are these three requisites: (1) Livestock must be obtained in adequate amount and at prices which bear a definite relationship to the prices of the finished products, (2) An operating personnel, competent to do a good job in a highly competitive field, must be built up and maintained, (3) Sales outlets and an efficient sales organization must be developed.

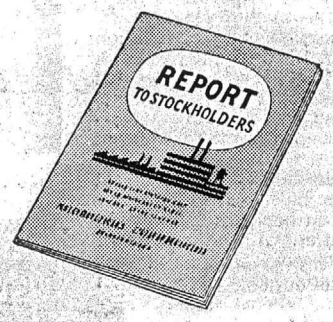
Occasionally, consumers interested chiefly in quality and low prices overlook the problems inherent in buying at prices which will encourage livestock production, and in maintaining an efficient organization.

Also occasionally, producers interested chiefly in profitable prices and ease in marketing, overlook the problems inherent in maintaining efficient operating and sales organizations and in meeting the price and quality demands of a very exacting consuming public.

No packer, however, can remain in business unless he meets all three requisites. Armour and Company has succeeded in meeting these requirements for three-fourths of a century and that is why Armour and Company has constantly progressed and has constantly increased its capacity to serve producers and consumers.

E. A. Eastwood
President

ARMOUR and Company



WHAT CAN YOUR

Annual Report

REALLY DO FOR YOU?

You can gain many definite and tangible advantages for your corporation by publishing an annual report that will be read and understood. Properly conceived and attractively designed, it should:

1. Increase the confidence of the stockholder in the management and interest him in promoting company's products and services.
2. Be a means of attracting new shareholders, since banks, rating agencies and investment advisers serving potential investors rely heavily on your official communique—your annual report.
3. Afford you an opportunity of telling what you have accomplished, what you plan and what you stand for.
4. Enable your company to obtain better terms when undertaking financing, either for expansion, refunding or, in the case of closely held corporations, for partial sale of ownership.

We have been privileged to assist in the preparation of the annual reports of nationally known corporations, both large and small. Out of this experience and from our background in the field of finance and public relations, we can create for you a *truly effective* report—one that will be not merely an array of figures but one that will emphasize the significant phase of your operations—one which will implement your every day efforts and be *your corporate show window*.

We would welcome the opportunity of demonstrating how we can make your annual report for 1945 do justice to your company and its management. May we suggest a preliminary discussion now? No obligation is entailed.

ALBERT FRANK-GUENTHER LAW
INCORPORATED
Advertising and Public Relations
131 Cedar Street, New York 6
BOSTON • PHILADELPHIA • CHICAGO • SAN FRANCISCO

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

Business and Finance Speaks After the Turn of the Year

(Continued from page 566)

some reduction in the takings of shoes from the retailers themselves.

Wages will probably continue to increase in the industry throughout the year. Other costs of operation will probably also continue to increase.

Operating profits are expected to decline. The reduction in taxes may offset this in the showing of net profit, but the operating outlook from a financial standpoint has some very serious problems for 1946.

COL. WILLIAM KELLY

Chairman of Executive Committee, Buffalo Niagara Electric Corporation

The prospects for 1946 for the power business in Western New York are very good.

The power business is a service which depends for its success upon the expansion and prosperity of all other businesses in the territory served.

Col. William Kelly

As Chairman of the Committee for Economic Development for Erie County, New York, I supervised a survey of all industry and of other business in this region in 1944 with a view to ascertaining the probable employment situation in the first postwar year, which was taken as 1946. The results of this survey were very encouraging. Since V-J Day we have rechecked the situation and it now looks even more favorable than the estimates indicated in 1944.

Negotiations for taking over all the large war plants in the area for postwar use have either been concluded or are well under way. Plans for expansion of other plants are well along toward completion and construction on some of them has actually started.

The power load in Western New York has fallen off only about 2% since the end of the war. If contemplated expansions are carried out on schedule, this reduction should be more than recovered by the middle of 1946.

The only disturbing factor in the situation is the threat of strikes. A protracted strike in the steel industry could cause a serious recession in business that would materially curtail the use of power. A continuation of the strikes in the motor industry would have a similar effect, but they will affect this area less seriously than would a steel strike.

JACK KAPP

President, Decca Records, Inc.

The phonograph record industry has entered the postwar era with no reconversion problem to retard the resumption of full-scale production. It faces no shortages of essential materials. With the return of former employees from the armed forces to supplement present personnel, the industry will have more workers skilled in the art of record manufacture than ever before.

Jack Kapp

Yet despite these favorable production factors, so great is the pent-up demand for recorded entertainment, there is little likelihood that the supply of records can keep pace with that demand in 1946 or for several years that lie immediately ahead. Based on the industry's known manufacturing capacity at present and a study of Decca's own production schedules. I should say that unit manufacture ought to approximate 225 million this year.

What this means in increased production can be appreciated best perhaps by a comparison with other years. In the depression year 1933, production had declined to about 10 million units. In 1941, the total was approximately 100 million, and in 1945, the fourth war year, it amounted to about 150 million.

There was a time not so long ago when the making of records was regarded merely as an adjunct—a very necessary adjunct, to be sure—of the phonograph industry. Today the situation is reversed at least to this extent: instead of buying records in order to play phonographs, most people now buy phonographs in order to play records.

Not only has the popularity of purely musical records increased, but the public has been encouraged to expect a great variety of diversified recorded presentation. This includes stories and dramas in which the mood is created by superb background music; Broadway shows and Hollywood movies, with their original casts; historic speeches interpreted by stars of the entertainment world; children's records that educate as they entertain; interpretations of literary classics by outstanding actors; grouping of leading artists on the same record, and other significant innovations that constitute a radical departure from the limits which the industry once set for itself.

Music, however, remains the basic medium of recorded entertainment. The younger generation is learning about style changes in music; the presentation of their favorite bands and singers through album sets, prepared by experts, containing descriptive booklets giving the background and history of the records and the artists. One of the most important functions of a progressive record company is not to be caught napping when emphasis on styles change in popular trends.

Of utmost significance is the fact that most of the new radios will be equipped with phonographs. In 1938, only about 60,000 combination radio-phonograph sets were sold; in 1941, the last year in which their manufacture was permitted, total sales approximated 1,750,000. The makers of these sets expect that this year's production will be far in excess of the 1941 total. The production plans of coin machine manufacturers also call for extensive expansion—a proof of the great increase in the demand for records and also a means of further increasing that demand.

These various factors add up to this: the No. 1 problem of the phonograph record industry in 1946 will be not to increase but to meet the demand for its products.

MAXWELL C. KING

President, Pacific Finance Corporation of California

In connection with the present position and prospects in the field of time sales financing, our company is looking forward to a greatly increased volume of finance business accompanied by a sharp reduction in unit profit margins. To maintain a reasonable ratio of net earnings to sales is the real challenge confronting managements in the consumer goods and allied lines during the present year.

Maxwell C. King

The tremendous replacement demand for goods built up during the war years and additional demand created by larger national income and a higher standard of living for the average family assure new high levels for sales of automobiles, houses, radios, home furnishings and other items involving installment financing. Even with greatly increased competition, most units operating in the field would seem likely, in time, to equal or surpass the prewar average annual volume of loans.

From the viewpoint of earnings, however, the volume of loans made is not as important as the average balance outstanding during the year. Most of the retail paper acquired at present is subject to "Regulation W" of the Federal Reserve Board which requires a minimum down payment of one-third and limits the term to a maximum of 15 months. If this regulation is continued in force and applied to loans on new automobiles, a much greater volume of loans would be needed to attain the pre-war level of outstandings. This is but one of the many government regulations, subject to revision, that will have an unpredictable influence on future operations.

Finance companies, facing the most severe competitive pressure, already have announced substantially reduced rate structures. The annual per cent of interest and discount charges to net receivables promises to be much lower than in pre-war years. This lowered income on service rendered cannot be offset by cost reductions; rather, costs per retail note handled have steadily gained in line with increased wage payments and advances in other operating costs. Expenses are additionally affected, in the early post-war period, by the necessity of expanding office and field personnel to handle properly the anticipated increase in installment business. Loss ratios are expected to remain low in view of the generally favorable business conditions that should prevail in the early post-war years.

In summary, while the volume of time sales financing may reach record heights during the early post-war period, it cannot be assumed that net earnings necessarily will equal or exceed pre-war levels.

FRANK F. KOLBE

President, The United Electric Coal Companies

The three largest customers for the coal industry are the steel, railroad and electric power industries. The outlook for all these is good for the next year and consequently the demand for coal will be very high. Strikes in our major industries now are slowing production but these will eventually be straightened out. The demand will have the effect of maintaining prices that will give the industry a good return on its investment.

Frank F. Kolbe

Until recent years, the United States has not enjoyed a very large proportion of the foreign markets on coal. The war has changed this and an extremely heavy demand for export coal is now here, most of which is being supplied under directives from the Solid Fuels Administration for War. English mines are extremely short of production and with their very high costs will not be a factor in foreign markets in competition with us for some time. Other coal producing areas in Europe are slowly getting back into production but cannot hope to supply their local demands and participate in any export tonnage for at least the next 12 months. This means a considerably heavier export demand for the United States mines.

O. J. LACY

President, California-Western States Life Insurance Co.

Investing problems of life insurance companies are becoming steadily more acute. Continuing low yields on bonds, coupled with the end of the big Government war loan drives, will force more life insurance money into mortgage loans and industrial financing, where the competition is already keen. A corollary to steadily declining interest yields is the lowering of reserve requirements and raising of the price at which life insurance can be sold.

O. J. Lacy

On the other hand, the prospects for new business never were as bright as they are now. To me it appears to be The-Year-Of-Opportunity. For instance, in the 11 western states in which we operate, we have calculated that the difference between income and normally priced goods and services available wil be $7 billion. It is a stupendous inflationary sum. It will be absorbed in Savings Banks, Government Bonds, Life Insprance, or plain darn fool inflationary spending, for which there will be no adequate return. How much of this we divert to the purchase of life insurance will depend upon the vision and industry of life insurance field men and women. I sincerely hope they win the Battle of Inflationary Gap.

MILTON S. LENNARD

Vice-President National Magnesium Corporation

During the war we were engaged in the production of magnesium powder.Our investigation has shown that the magnesium industry should be one of the most important of the American industries developed during 1946. Our enthusiasm for the possibilities of metallic magnesium is reflected in our willingness to undertake an extensive program of plant expansion which will enable us to extrude, die cast, permanent mold cast and possibly roll, and forge magnesium.

Milton S. Lennard

Magnesium has a definite place on the list of engineering materials. The fact that it is the lightest structural metal known indicates its use wherever the saving of weight is important.

The huge backlog of transportation equipment, high speed reciprocating machinery and household appliances is bound to have a positive effect on the increased consumption of magnesium metal.

It is our hope to play a part in the development for the use of magnesium.

F. L. LIPMAN

Chairman of Board of Wells Fargo Bank and Union Trust Co., San Francisco **(see page 570).**

SIDNEY MAESTRE

President, Mississippi Valley Trust Co.

1946 will probably be the first of a series of years in which business, industry and finance will strive to adjust to the new world growing out of the changes brought about by the war. Not only will business be confronted by new international organizations which will influence international trade and commerce but it will also have to adjust to many new domestic conditions. Likewise, the technical and scientific discoveries produced by the war will have to be adapted to peacetime uses. Some of these adjustments will require more time than others but ultimately a substantial part of the American economy will feel the impact of these new forces.

Sidney Maestre

International financial relationships will be influenced during the coming year by the organization of the Monetary Fund, and international capital investment will be encouraged by the International Bank. The British loan will serve to relax somewhat world trade restrictions and the World Trade Conference to be held later in the year may make further contributions in this direction.

Domestically, finance and banking will be confronted by an expanding volume of consumer credit. The actual amount will depend, of course, on the rapidity with which products are manufactured. Some expansion in loans to business is in prospect but the reserves of cash and marketable securities built up by business enterprises during the war will probably be utilized rather than resorting to borrowed funds. Housing loans will unquestionably increase, and new business enterprises will probably require a larger volume of funds. This will be especially true of loans made to veterans under

(Continued on page 570)

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

Gov't-Guaranteed Loans to British Industry

(Continued from first page)

be delayed. Now that all controversial points are settled, the Bill was introduced on Jan. 23. Many of its provisions have been a matter of general knowledge for some time. It is known that the proposed National Investment Council will assume the role played by the Capital Issues Committee which, during the last ten years or so, has advised the Treasury on the granting or refusing authorization to new issues. The new Council, as its predecessor, will play a purely advisory role, and will have no authority to take decisions.

As the control of capital issues is already practically watertight, the new law is not expected to do more in this sphere than place the existing practice on a regular and permanent legal footing. It has been understood for some time, however, that the planning of investment under the new Act is not meant to be purely negative. Doubtless, one of the main objects of the Act will be to prevent the flow of capital in unwanted directions. It is the Government's intention to discourage the development of luxury trades working mainly for home consumption, at least until Britain's foreign trade has been balanced, and to prevent a boom in the promotion of "socially useless" companies. At the same time, the Government allowed it to be understood that its control of the flow of investment will not be purely negative. Official or officially inspired remarks to that effect gave rise to the impression that the Treasury will seek powers to compel investors to invest their money in certain directions. This may be the case as far as banks are concerned, judging by Mr. Dalton's statement during the debate on the Bank of England Bill, that the banks are intended to be induced to assist agriculture. There is, however, no question of compelling private investors, or even companies, to invest their money against their wish.

What the Government envisages is to encourage the investment of capital in approved directions by enabling certain industrial firms to issue loans under Government guarantee. It is expected that it would be impossible for many industries to raise all the capital they needed for reconstruction, or at any rate the terms on which the money could be raised would be prohibitive, unless the Government intervened. This is believed to be particularly the case of the cotton industry which is in bad need of a thorough re-equipment.

Government Guarantees

Under the new law, such instances will be considered by the National Investment Council, and if that body is satisfied that it is in accordance with the public interest to grant a Government guarantee, it will make recommendation to that effect to the Treasury. The final decision rests with the Chancellor of the Exchequer.

It is understood that Government guarantees will be granted mainly for the purpose of encouraging export trade. In the absence of the proposed arrangement, it is feared that British exporting industries would be gravely handicapped during the early post-war years by lack of adequate financial resources that are indispensable in order to enable them to convert their plant for present-day requirements.

The principle involved constitutes an entirely new departure. In the past, export trade was facilitated by Government guarantees to individual export transactions. This was done between the two wars under the Trade Facilities Act and by the Export Credits Guarantee Department. The present scheme means the granting of guarantees for the erection, extension or conversion of industrial plants for the purpose of increasing export trade.

The capital will actually be provided by the Finance for Industry Corporation and the Industrial and Commercial Finance Corporation. Both corporations were created last year, the former for granting large loans, the latter for granting medium-sized loans in instances where the existing private facilities are not adequate. They are privately owned, their share capital having been subscribed by the banks, insurance companies and other financial interests. The Bank of England has only a minority participation in their capital. Nevertheless, its board of directors and executive is appointed by the Bank of England. Their own financial resources are limited, but the Government provides all the funds required for approved purposes.

It is expected that the proposed guarantee scheme will go a long way towards reconciling business interests with the Control of Investment Bill. It is the impression of some industrial circles that the Labour Government is likely to prove more liberal in the provision of capital required by industries than a Conservative Government would have been. While there is strong resentment against nationalization and other forms of Government interference with business, the feeling is somewhat mitigated by the hopes that Mr. Dalton will ensure for industries plentiful capital at low interest rates.

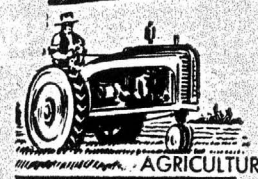
Democrats to Celebrate Jackson Day March 23

A nation-wide chain of Jackson Day dinners on March 23 will signalize the opening of the Democratic campaign for Congressional seats in the fall election, and President Truman will be heard by all groups, over the radio, from the dinner being arranged by the Democratic National Committee in Washington. The dinners are to commemorate the anniversary of the 178th birthday of Andrew Jackson, seventh President of the United States. Proceeds from the dinners will be earmarked for campaign purposes, the dispatch to the New York "Times" from Washington stated on Jan. 13.

Redfield in Spokane

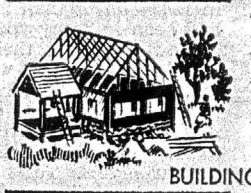
SPOKANE, WASH.—Ben Redfield will open offices in Spokane shortly to engage in the investment business. In the past he was associated with E. J. Gibson & Co. for many years as an officer.

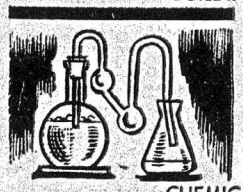
ALL THESE EXPANDING AMERICAN INDUSTRIES
SERVED BY ST. REGIS PAPER COMPANY


AGRICULTURE

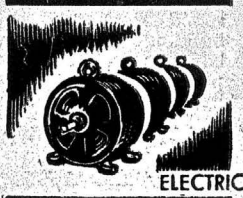
AUTOMOTIVE

AVIATION


BUILDING


CHEMICAL

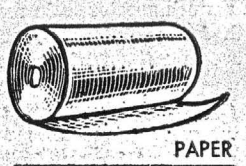
COMMUNICATIONS


ELECTRICAL

FOOD

FERTILIZER

PAINT


PAPER

. . . with St. Regis Printing and Publication Papers, Multiwall Paper Bags, Packaging Systems, Woodpulp, Structural Plastics

★

These major industries . . .
and their manifold subdivisions . . .
use various St. Regis products manufactured at its nineteen mills and factories, located from coast to coast throughout the United States.

With integrated operation from forest to the finished product, St. Regis makes available to American business:—

Lightweight Printing and Publication Papers . . . for Magazines, Catalogs, Directories, and many other Printing purposes . . . ideal printing qualities . . . low printing costs.

Packaging Systems . . . Multiwall Paper Bags for Construction Materials, Fertilizers, Food Products, Chemicals . . . and efficient Automatic Bag Filling Machines.

Woodpulp . . . Bleached and Unbleached Sulphate (kraft) for conversion at St. Regis and other paper mills throughout the country . . . Sulphite and Groundwood Pulps for the manufacture of St. Regis Printing, and Publication papers.

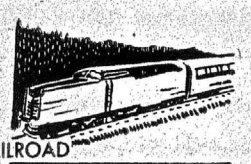
Panelyte . . . the leading laminated structural plastic . . . serving Automotive, Electrical, Radio, Refrigeration, and many other industries.

St. Regis congratulates the basic industries of America on their efforts to solve the problems of the quick change-over from wartime to peace-time production. The expansion projects which the Company already has under way are designed to keep the output of all its divisions in step with the increasing tempo of American business in the postwar era.

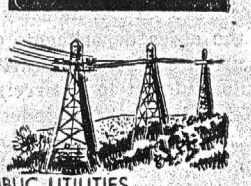
ST. REGIS PAPER COMPANY
TAGGART CORPORATION
New York 17: 230 Park Avenue
Baltimore 2: 2601 O'Sullivan Bldg.
★
Chicago 1: 230 N. Michigan Ave.
San Francisco 4: 1 Montgomery St.

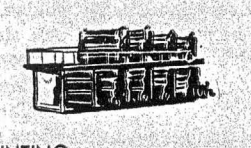
ROCK PRODUCTS

REFRIGERATION

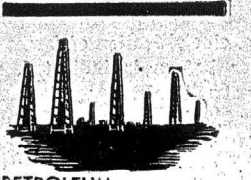

RAILROAD

PUBLISHING


PUBLIC UTILITIES


PRINTING

PLASTICS


PETROLEUM

gitized for FRASER
tp://fraser.stlouisfed.org/

Business and Finance Speaks After the Turn of the Year

(Continued from page 568)

the GI Bill of Rights to start new businesses of their own.

The volume of bank deposits will continue at the present high level throughout most of the year since there is little likelihood that any substantial part of the Government debt will be redeemed in 1946. Some shifting in its distribution may come about as a result of the declining importance of certain areas following the curtailment of war production.

Banking will be greatly influenced by the trend of business activity in the coming year. Some delays in production may result from shortages of critical raw materials, price controls, and labor difficulties. Although many raw materials are now scarce, they probably will become more plentiful as the year progresses. This is especially true of building materials. Price controls will probably be relaxed somewhat although Government control over prices of strategic commodities will be maintained. Current decisions by the Government to permit increases in prices in order to permit increases in wages presage a retreat to a new—and higher—"price line" but spiralling inflation is less probable. Labor troubles will continue throughout the year although settlement of the present strikes will undoubtedly establish a pattern for the settlement of future ones.

In summary, it is likely that a fairly high level of business activity will prevail throughout the year although certain industries may not operate at capacity. This means that national income in 1946 will be at the highest level ever achieved in peacetime.

F. L. LIPMAN

Chairman of the Board, Wells Fargo Bank & Union Trust Co., San Francisco

It is not merely hard to predict what is ahead of us: it is impossible.

F. L. Lipman

Postwar San Francisco is sharing with the Nation in the effects of strikes and our citizens probably feel as warmly on one or the other side of the controversies as do people in other parts of the country. In trade, the dominant fact is scarcity of merchandise. Retailers continue to handle shoddy goods, when they cannot get better, and inform us that the public is beginning to show resistance to substandard quality, but yet all the goods still being received are being distributed without much difficulty. What is true in retailing is naturally true of other operations and channels of distribution. In manufacturing the same thing applies to the materials to be processed. The general opinion seems to be that these conditions will improve in spite of government interference, however well meant.

F. W. MAGIN

President, Square D Company

Because their products are capital goods, the demand for which serves as a gauge of building and tooling in almost every other industry in the nation, what happens in the order departments of the firms manufacturing electrical control and distribution equipment is of particular interest to observers.

There is hardly an industry or field using electrical controls, with the exception of the aviation and ammunition industries, for which the immediate activity and employment outlook are not extremely favorable, as interpreted from the demand for electrical supplies.

Every industry, of course, is hampered today by labor problems— either work stoppages or actual shortages of labor. Materials, too, continue to be in short supply. Excepting delays from these causes, industrial America is poised to expand its facilities and to increase personnel rosters to meet tremendous demands from the public for all types of merchandise. Machine tools used in every type of industry employ products of the electrical control and distribution manufacturers. Control equipment is vital to the process industries. Once under way, reports indicate, new building, in which various control and distribution apparatus is now in great demand, will go forward in every community in the nation to an extent never known before. Both commercial and domestic building, large and small, awaits only the availability of labor and materials. The plans are drawn. In rural areas, too, electrification of farms on a much greater scale than ever before is indicated, with farmers planning new construction now while they are in a financial position to afford improvements.

Backlogs of orders already scheduled for production, plus the reports from field representatives who are called in to specify electrical equipment for new buildings and plant layouts, lead us to believe the nation is truly on the threshold of extraordinary business and industrial activity that will bring about a most favorable situation in employment and maintenance of the nation's purchasing power.

The effect of general strikes within any one key industry must be considered, however, because our industrial economy is so intermeshed that a stoppage of one strategic industry, or the largest unit within that industry, can be extremely far reaching.

The activities of all the concerns themselves which supply industry in general with electrical equipment are tangible indications of confidence in the future, and merely reflect the attitude of the thousands of employers the industry serves.

Manufacturers of electrical distribution and control apparatus are expanding plant facilities, establishing new plants, and hiring additional workers in substantially larger numbers than were employed in the industry either during the war, or in any time previous.

ROYCE G. MARTIN

President and Chairman of Board, The Electric Auto-Lite Co.

The Electric Auto-Lite Company, manufacturer of automotive electrical equipment, is looking forward to one of its greatest years in history, according to Royce G. Martin, President and Chairman of the Board of Directors.

Royce G. Martin

"Despite the unsettled labor conditions of the entire automotive industry," Mr. Martin said, "we are looking forward to a gratifying expansion in both the original equipment and replacement fields during 1946. Already we are moving forward and are rapidly completing plans for increased operation. Auto-Lite's prospects at the present time are very bright.

"Generally speaking we are faced with the problems of the availability of manufacturing equipment, manpower in the areas in which we opperate and governmental control of prices.

"Inventories have been completed in all plants," Mr. Martin continued, "and production is gradually reaching normal figures. An exception to this, of course, is production in our battery plants where we are hampered by a number of contributing faetors.

"Two new plants, one at Sharonville, Ohio, and another, a battery plant at Vincennes, Ind., are now under construction and should be in operation in the very near future. Approximately 2,000 workers will be needed to man these two new plants.

"Pressing civilian needs at the end of the war prevented us from closing down for reconversion purposes. Reconversion, in the main, was done while production lines were kept in operation to manufacture vitally needed automotive equipment. In many instances, however, we were forced to abandon manufacturing equipment that had worn out during the hectic days of war production and are still awaiting new equipment in order to increase our production.

"As a whole," Mr. Martin concluded, "Auto-Lite is in an excellent position and intends to take full advantage of all opportunities afforded and created during 1946."

W. C. MacFARLANE

President and General Manager Minneapolis-Moline Power Implement Co.

Now that we are celebrating our first peaceful Holiday Season in four years, our employees all take pride in looking back to our contribution to help hasten the Allied victory. In addition to producing all the farm machinery which we were permitted to manufacture by the Government and for which materials could be obtained, our plants produced substantial quantities of war material covering some sixty different products including Bofors guns, amphibious tanks, various high-caliber shells, cargo hoists and winches, Welin davits, fire control mechanisms, and many other items aggregating about $100,000,000.

W. C. MacFarlane

We feel that because many of these products were of a nature quite foreign to our ordinary manufacturing methods that it has helped to broaden our manufacturing experience and to stimulate our organization to take advantage of the many innovations that were introduced into our shops during these troublous times. World War II has accelerated scientific research to an unbelievable degree, ushering in a new era very commonly referred to as the Atomic Age. The adaptation of many recent achievements of science has affected our manufacturing program, has been a great challenge to all of our personnel, and I am of the opinion that scientific processing in the years to come will revolutionize our methods.

Many manufacturers like ourselves are not only endeavoring to satisfy the national market's demands, but are laying plans for expanding greatly into international fields.

American industry has increased its productive manufacturing facilities from two to three times what they were before the war, and it will be necessary to sell more goods in the international market in order to maintain full employment at home.

I believe the year 1946 will present many problems for industrial management to solve; and, with the unrest of labor, the frozen prices, and inability to get sufficient materials, our company will, no doubt, have to be satisfied with a smaller volume of business than we experienced last year. However, I have great faith in American industry, and believe by next fall will begin a two-or-three-year era of good business.

The farm-machinery industry is one that is most essential to the welfare of the world for the immediate post-war years, because the feeding of the nations of the world will present a difficult problem, and one which will require the high mechanization of farming and a large production of food and forage. Until the war-torn nations are in a position to manufacture their own machinery, they will be dependent upon North America to provide the equipment necessary to prevent starvation in various parts of the earth.

JAMES A. McLAIN

President, The Guardian Life Insurance Company of America

Life insurance as a whole occupied an excellent position at the close of 1945 and the outlook for 1946 is good-to-excellent. However, the nature of the service it renders makes life insurance a long-range business and the outlook beyond 1946 must be considered in terms of (1) the over-all prospects of American business, and (2) the extent to which life insurance measures up to the responsibilities of a service business with 71 million customers and a direct stake in almost every phase of our national economy.

James A. McLain

Reaching all-time highs in almost every operating category except that of interest income from investments, total life insurance owned in the United States had climbed during the war years from $114 billions in 1939 to $154.6 billions in 1945—up 35%. Reserves to guarantee the payment of policy benefits totalled $38.5 billions, an increase of 49% over 1939. During the six years, American families received payments under their life insurance policies amounting to more than $15 billions—$2.68 billions in 1945 alone. Of those 1945 payments, death benefits totalled $1.3 billions, a new peak due, in the main, to war deaths.

The ownership of life insurance protection went up almost $1,000 per family from 1939 to 1945, bringing the family average in the United States to $4,500.

The death-rate among civilian policyholders was low in 1945—lower than in 1944 and more favorable than it had been in many prewar years. Relatively few people borrowed against their policies during 1945, and substantial repayments were made against loans outstanding. Early lapses and surrenders of policies (which tend to increase operating costs) were favorably low in 1945. Although cash surrender value payments increased materially after V-J Day, they were at a rate far below prewar levels. Total surrender values paid to policyholders in 1945 were $240 millions, against $732 millions in 1939.

With more people buying and more holding on to their policies, the life insurance business has built up a momentum that can scarcely help but make 1946 a good year—may make it outstanding.

But to the life insurance business—as to all Americans—the coming of peace brought greater rather than smaller obligations and opportunities. On top of its No. 1 duty of providing financial protection for policyholders and their families, the life insurance business has at least five distinct responsibilities.

1. It must continue to help finance victory with the purchase of Government bonds ($20 billions of U. S. Government securities, over 45% of the total assets of all U. S. companies, are in life insurance portfolios).

2. It must push with renewed vigor the fight against runaway inflation (life insurance premium money goes to work and stays at work to help keep prices down and living standards up).

3. It must do its part toward postwar progress by the sound financing of industry, business and home-building (legislation will be necessary in some states before a fully effective job can be done, but life companies held mortgages to the value of $6.65 billions and had $10.8 billions invested in the securities of business and industry at the close of 1945).

4. It must raise its personnel to a new peak of efficiency, in home offices and in the field, to meet the inevitable public demand for a maximum of service for each dollar of administrative overhead and to hold its own against goods and services so long absent from the American market (it is estimated that the number of full-time life insurance fieldmen has shrunk at least 30% since 1940, and this reduced organization cannot be expected to contribute the selling effort that will be required in the years immediately ahead).

5. It must give special attention, advice and counsel to the policyholders who are war veterans—and to its own employees who have contributed directly to the war

(Continued on page 572)

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

President Urges 5 Billion Cutback

President Truman recommended on Jan. 14 that Congress repeal $5,021,887,483 in appropriations and contract authorizations, over and above the $50,345,409,169 in decisions approved near the end of the last Congressional session, the Associated Press reported from Washington. The President's statement explained that the actual reduction in authority to obligate the government in his recommendations amounts to $5,021,887,483, because $1,149,620,000 of the appropriations not needed during the current fiscal year and now recommended for repeal "will have to be appropriated in subsequent years to liquidate contract authority still on the books."

(The gross amount of the President's recommendations was the repeal of $5,751,428,483 in appropriations and $420,079,000 in contract authorizations.)

Recommended for repeal, according to the Associated Press, were:

$1,503,971,475 set aside for civilian agencies, $1,420,576,472 of War Department finds and $2,826,880,536 earmarked for the Navy.

As disclosed by the White House the major proposed reductions include:

1. Cutbacks of $1,420,576,472 in appropriations for the military establishment "made posible by further reductions in war production requirements."

2. A reduction of $2,826,880,536 in appropriations for the Navy, $1,677,260,536 of which is mainly the result of cutbacks in procurement and shipbuilding and $1,149,620,000 representing appropriations not needed this fiscal year "but which will have to be restored in subsequent years to liquidate contract authorizations."

3. A reduction of $383,766,000 in War Shipping Administration appropriations "due to revision of military shipping expenses and of claims against the war risk insurance fund."

4. A reduction of $260,068,000 in Maritime Commission appropriations and repeal of contract authorizations of the commission amounting to $420,079,000, both made possible by revisions of the maritime program.

5. A reduction of $850,000,000 in lend-lease appropriations which the statement said were made possible "by Congress in liquidation of the program."

6. A reduction of $3,100,000 in Federal Works Agency appropriations for community facilities in addition to small items for guarding public buildings and constructions of flight strips.

7. A reduction of $2,500,000 in Department of Agriculture appropriations "for emergency supplies for use by island possessions in case of enemy isolation."

8. A reduction of $1,391,143 in Interior Department funds made available to provide for civilian defense in the Hawaiian Islands.

9. A reduction of $1,600,000 in Department of Labor appropriations for the old War Labor Board.

Besides the other recomendations, the President also proposed return to the Treasury of $346,890 in corporate funds, which, according to the statement, would be from three corporations which are now being liquidated and "which were part of the Office of Inter-American Affairs."

Godwin Director of Research Service

Morris S. Shipley, Vice-President of the Inter-American Research Service, announced on Jan. 16 the appointment, as Director, of Dr. Francis Godwin, Latin American research expert and formerly Associate Director of the Armour Research Foundation. Dr. Godwin, who recently completed a 15-month technological and economic survey of Mexican industry for the Foundation, was one of the organizers of the Mexican-American Conference on Industrial Research which, last October, brought together in Chicago leading bankers, industrialist and Government officials of both countries to promote the interchange of technology, particularly in the field of industrial relations.

Mr. Shipley also stated that Dr. Godwin would leave for both Cuba and Mexico to confer with some of the organization's field representatives and to institute a field study for one of its clients.

Dr. Godwin has lived in both the U. S. and Latin America, traveled extensively throughout both continents, and lectured in the United States on Latin American topics. His writings on Latin American industrial and technical subjects have appeared in publications in both the Americas.

Prior to the Mexican field investigations Dr. Godwin headed the A.R.F. (Armour Research Foundation) technological and economic survey of Argentine industries, which occupied the entire year 1942.

STATEMENT OF CONDITION

THIRD NATIONAL BANK

NASHVILLE, TENNESSEE

As of December 31, 1945

ASSETS

Cash and Due From Banks	$ 28,564,723.79
United States Government Bonds	38,942,559.48
State, County and Municipal Bonds	9,241,196.33
Corporate Bonds and Securities	3,662,088.22
Loans and Discounts	25,063,946.75
Bank Building	670,000.00
Furniture and Fixtures	1.00
Other Real Estate	1.00
Income Earned—Not Collected	321,166.78
Customers Liability—Letters of Credit	20,564.00
Other Assets	91,941.26
Total	$106,578,188.61

LIABILITIES

Capital		$ 1,000,000.00
Surplus		3,000,000.00
Undivided Profits		159,623.97
Reserve for Taxes and Interest		327,196.52
Income Collected—Not Earned		112,740.89
Letters of Credit		20,564.00
Deposits—Demand	$72,970,099.26	
Time	14,015,295.22	
U. S. War Loan	14,972,668.75	101,958,063.23
Total		$106,578,188.61

Member Federal Deposit Insurance Corporation

PREFERENTIAL COMMISSION RATES

The San Francisco Stock Exchange extends a Preferential Rate of Commissions to banks, members of National Securities Exchanges and members of the National Association of Securities Dealers, upon application to and approval by the Exchange.

The preferential rate is seventy-five per cent of the public rate of commissions.

Complete information and forms will be promptly forwarded upon request.

SAN FRANCISCO STOCK EXCHANGE

ESTABLISHED 1882

155 SANSOME STREET
SAN FRANCISCO 4, CALIFORNIA

Telephone EXbrook 6533

STATEMENT AS OF DECEMBER 31, 1945

RESOURCES			LIABILITIES		
Cash & Due from Banks	$ 61,606,915.49		U. S. Government Deposits	$63,627,602.67	
U. S. Government Securities	185,374,805.69	$246,981,721.18	Other Deposits	234,731,262.34	
			Total Deposits		$298,358,865.01
State, County & Municipal Securities	475,689.16		Unearned Discount		189,095.96
Other Securities	12,113,809.85	12,589,499.01	Accrued Taxes, Interest, etc.		1,081,575.14
			Reserve for Dividend Payable Jan 2, 1946		142,187.50
Demand Loans	25,046,693.84		Acceptances Executed	2,809,543.05	
Time Collateral Loans	11,899,415.87		Less: Acceptances Held in Portfolio	2,751,973.48	57,569.57
Bills Discounted	19,433,479.63	56,379,589.34			
			Capital Stock (par value $20.00)	5,687,500.00	
Bank Buildings	2,523,341.18		Surplus	10,000,000.00	
Furniture and Fixtures	127,529.69	2,650,870.87	Undivided Profits	2,335,104.34	18,022,604.34
Customers' Liability under Acceptances		57,569.57	Reserve		1,407,246.72
Accrued Interest Receivable		525,727.46			
Other Resources		74,166.81			
		$319,259,144.24			$319,259,144.24

CORN EXCHANGE

NATIONAL BANK AND TRUST COMPANY

PHILADELPHIA

ESTABLISHED 1858

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

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

Business and Finance Speaks After the Turn of the Year

(Continued from page 570)

effort—for it has a measurable self-interest in assisting these servicemen and women as they re-establish themselves in civilian life (life insurance men and women are contributing a great deal of time and competent counsel to veterans in all parts of the country, notably in connection with National Service Life Insurance problems).

All are responsibilities that present problems. If solutions are found, there is little doubt that the growth of the life insurance business will continue—and that it will contribute substantially to the security and prosperity of all business and all Americans.

GEORGE V. McLAUGHLIN

President, Brooklyn Trust Co.

Barring unforeseen developments, I believe that commercial banking will enjoy a moderately prosperous year in 1946. I use the term "moderately" advisedly, because the commercial banking system of the country has never regained the earning power which it enjoyed in the five or six years preceding the stock market crisis in 1929, and I do not see any immediate prospect that it will. We may consider ourselves fortunate if we do as well in 1946 as we did in 1945, or even if the decline in earnings or profits is of small proportions.

Geo. V. McLaughlin

The outstanding fact about the commercial banking position at this time is that government securities comprise well over half the assets of the average commercial bank and produce about half of its gross income. The dollar value of government security holdings is, generally speaking, four or five times as great as the total amount of outstanding loans, and the interest received on these securities is about double the amount of interest received on loans.

Government securities, therefore, dominate the banking picture. With the end of the war and the large-scale government financing which accompanied it, the great expansion of government security holdings probably will come to an end, although there may be some slight increase due to sales by non-banking holders to the banks through the open market. Income from interest on government securities has not kept pace with the expansion in total holdings, because rates of yield on securities available for bank purchase have been reduced considerably—by government policy in the case of new securities and by the rapidly rising market in the case of older issues. It therefore appears that there may be a downward trend in banking income from holdings of government securities, which however may not become noticeable until after 1946. In any event, if there is an increase in such income due to switching from shorter to longer maturities, it will be relatively slight.

There has been a moderate increase in commercial and industrial loans since the end of hostilities with Japan, but it seems evident that the demand for bank credit to finance reconversion of industrial and commercial enterprises from wartime to peacetime operations has exceeded by only a slight margin the amount of credit released by the end of war production. Loans secured by government security collateral have increased, but these will be liquidated in large part during the coming months. Moreover, rates of interest received on such loans are quite low.

Most banks are planning to expand their activities in the field of consumer credit in 1946, but the effects of such expansion on banking earnings probably will not be felt very much until later years, as it takes time to develop a profitable volume of business. As bank service charges have generally been stabilized on a basis bearing a close relationship to the cost of rendering service, and are competitive in communities where there is more than one bank, any great increase in income from this source should not be expected.

As far as the possibilities of losses are concerned, the commercial banking system appears to be in a much better position than it was at the corresponding stage of any business cycle in the past. Lessons learned from the depression and the war have improved lending technique and policies of most banking institutions, so that losses on loans are likely to be very much smaller than those sustained in the depression period of 10 to 15 years ago. Losses through declining market values of government securities, which were quite a problem in the years immediately following World War I, do not seem to be probable at this time because of the announced policy of the United States Treasury to keep interest rates low through the open market operations of the Federal Reserve Banks or possibly in other ways. Since the bulk of bank holdings of government securities have been acquired at cost prices which are materially lower than today's market values, there is a considerable "cushion" to absorb minor declines in market values before the balance sheets of banks are affected.

Last, but not least, banks face a higher cost of doing business. Since banking is essentially a service business, the salary cost of personnel is the largest single item of expense and the level of salaries of bank personnel must necessarily follow the levels established by other types of business which employ the same kind of personnel. Supplies and services used by banks also cost as much or more than they did during the war and considerably more than before the war.

One might summarize by saying that the outlook for banking in 1946 is for generally steady earnings, with a possibility of slight increases or decreases, but with extremely small losses in comparison with many years that all bank officers can remember.

A. T. MERCIER

President, Southern Pacific Company

Notwithstanding the shortage of labor and materials and the record-breaking volume of traffic handled during the war, the rail carriers were able to maintain their properties in a generally good physical condition and are in excellent position to handle efficiently the large volume of traffic expected during the coming years. By their record-breaking performance during the war the railroads have proved that they are indispensable to our national safety and economy and will continue to dominate the field of mass transportation.

A. T. Mercier

The railroads have no reconversion problems such as confront many manufacturing industries, so will be able to concentrate on improving their service. The Southern Pacific, for example, since the end of the war has placed orders for more than $14,000,000 of new freight equipment (not including its one-half ownership in $12,000,000 of new refrigerator cars being ordered) and will re-establish fast over-night merchandise trains between metropolitan centers and other distributing areas. Typical of the improvements planned in passenger service is the inauguration of the through Diesel-powered streamlined Shasta Daylight between Portland and San Francisco.

As to 1946, the general outlook is encouraging for a volume of business considerably higher than the pre-war years, although a decline, compared with the all-time peak of the war, naturally can be expected as result of the falling off in military traffic. As soon as the wage questions have been settled, there should be a gradually increasing volume of many peace-time commodities, such as automobiles, trucks, construction materials, furniture, washing machines, refrigerators, radios, etc., for which there is a tremendous demand because of the curtailment or cessation of manufacture of these articles during the war. Here in the West we expect a substantial proportion of the new industries, which were located here during the war, will be retained; and a great many people who came west to engage in war work are remaining in this area.

The Southern Pacific, with other Western roads, however, still has a war job to finish in returning to their homes or camps and hospitals the thousands of veterans of the armed forces brought in daily to the Pacific Coast ports; and this military movement, greater since V-J Day than at any time during the war, continues to receive our first attention.

C. BEDELL MONRO

President, Pennsylvania-Central Airlines

Almost any day now we in aviation expect the public to stop using those bromidic aphorisms to the effect that aviation is in its infancy, that air transportation is a youth in industry. For aviation is growing up. Air transport came of age during the war years when it proved itself in the greatest test of all time. It comes of age in the commercial field in the postwar period.

C. Bedell Monro

Virtually every air line in the nation is expanding rapidly during this postwar period. PCA's expansion program is fairly typical.

PCA has in operation today a fleet of twin-engine Douglas passenger and cargo transports that is nearly twice the size of the fleet it had in operation at the beginning of 1945.

During this spring, PCA expects to have in operation a full fleet of 16 postwar air transports—56-passenger, four-engine planes which will materially reduce flying time between the nation's key cities and which will provide a much greater number of passenger seats that have ever before been available. PCA alone expects to have 8,000 passenger seats each day, more than three times the 2,500 we have been able to offer an air-travel-hungry-public during 1945.

The plan does not stop there. This airline already has on order, for 1947 delivery, the big, fast Martin "202"—the big postwar ship which will carry forty passengers and fly five miles per hour. With a fleet of 50 of these planes, PCA looks to a continually growing business.

This company is continuing to expand through all departments. We anticipate a clearly indicated growing popularity of air transportation for the products of many sections in our country, of increasing internation delivery of goods.

As our future develops, we will offer more jobs. Already we have doubled our employment rolls since V-E Day. With 4,000 now on the job, we are still growing and expect to have nearly 9,000 on our payroll by the end of 1947.

The history of civilization shows that progress is closely linked with the development of transportation. As we in the aviation industry look to the future, we see our nation facing its greatest opportunities. The new discoveries of science have brought us to the threshold of advancement which is the nearest approach thus far to the "millenium." Indispensable to this progress, of course, is a properly developed and thriving air transport industry.

Many glowing word pictures have been painted of this day ahead, and of what it will mean to the public. Many farseeing eyes have envisioned huge fleets of commercial planes which will quicken trade, open up vast new trade areas, and reduce by many times every day travel and communication time.

The aviation industry is preparing itself for that day. It is, by and large, controlled and operated by men who have grown with it. Other airlines, like PCA, are being built and directed by men who saw a vision when planes began to fly, and who through the past tough, twenty years have kept their faith, have never faltered in believing in aviation's destiny.

There is no reason today to be less believing, less optimistic. Aviation shall make our world of tomorrow.

There are obstacles of course. Every new development in the progress of the world has come into being over opposition, much of it bitter and determined. The aviation industry recognizes that many problems face it. There is a lack of support for continued research and development during peacetime; there is opposition to the Federal airports program, without which aviation comes to the end of progress; there is the fight for "integration," the scheme sponsored by American railroads to enter the air transport field which they scorned years ago.

We believe that aviation's record of public service, and the knowledge of this service in the heart of a majority of our fellow citizens, will see it past these obstacles. Through vigilance, unselfishness, and the American love of free enterprise, the aviation industry will survive; and once past its trials, aviation will progress to heights of usefulness which stagger the imagination.

ROBERT G. MERRICK

President, The Equitable Trust Co. of Baltimore

We enter 1946 with much uncertainty over the labor situation. At the same time, there is a tremendous demand for goods of nearly all kinds. Therefore, it seems logical to think there will be a compromise on the labor situation. This would probably mean higher prices for finished goods. This, in turn, means more inflation and it is then likely that we will have a period of so-called prosperity based on the above mentioned factors.

Robert G. Merrick

I believe that the War Loan Deposit Account of banks will go off sharply but that other deposits of banks will increase. Money should be plentiful and abundant. Of course, the above is all pure speculation and none of it may happen if certain imponderables come into the situation. However, I would be willing to steer my ship or ships based on the above assumption, keeping, however, a firm hand on the tiller and all crew on the alert to "come about" or change course if necessary.

ROY W. MOORE

President, Canada Dry Ginger Ale, Inc.

Sugar is the principal concern of the carbonated beverage manufacturers at the present time. The end of the war did not bring any immediate relief from the ration quota amounting to 51% of 1941 consumption. It is forecast that a gradual increase in sugar allotments can be anticipated by industrial users of sugar and an unlimited supply will be available at or near the end of 1946.

R. W. Moore

In spite of this restriction, carbonated beverage manufacturers have anticipated a continuation of the rapid increase in consumption which the industry experienced prior to the war. Plans for the expansion of production facilities represented by construction contracts and orders for bottling equipment are being carried forward as fast as construction conditions permit and as fast as bottling equipment is made available. The full use of existing equipment plus the capacity of equipment now being installed must wait upon unlimited sugar supplies before the industry can meet potential demand.

For 1946, the output of sugar-containing carbonated beverages should gradually increase. Companies manufacturing sugar-free carbonated beverages should show increased volume. Most of the soft drink manufacturing companies will benefit directly from the repeal of the excess profits tax as of Jan. 1, 1946. Soft drink manu-

(Continued on page 574)

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

Debt Management and Interest Rates

(Continued from first page)

While no comprehensive statement of debt management policy has been announced by the Treasury, it has become more and more apparent that the dominant objective is to keep interest costs at a minimum. In fact, that one objective seems to overshadow completely all other considerations, even the desirability of checking a further rise in our money supply. The Treasury continues to issue large amounts of short-term securities and, with the apparently reluctant acquiescence of the Federal Reserve System, to hold down short-term interest rates. It is generally rumored that the current policy of converting all maturing obligations into ⅞% certificates of indebtedness will be followed for the next several years. Instead of refunding the short debt into longer maturities, according to traditional concepts of sound debt management, the present policy is headed in the opposite direction, i.e., toward the gradual conversion of the debt into short maturities.

The Need for Short-Term Government Notes

There does exist a need in our money market for a substantial amount of short-term Government securities because of the virtual disappearance of commercial paper, trade bills, and other money market instrumentalities. With the tremendous growth in bank deposits and the possibility of substantial shifts from community to community and from one region to another, large amounts of short-term obligations are needed to provide banks with the liquidity necessary to facilitate these operations. However, the present volume of short-term securities has gone far beyond money market needs and there is no sound reason for further short-term issues. The floating debt (bills and certificates) aggregated $55 billion at the end of 1945. The total marketable debt maturing within one year was about $69 billion, and the amount due within five years, about $89 billion. In addition, the debt payable on demand (savings bonds and notes) aggregated over $56 billion.

Bill rates continue to be pegged by the Federal Reserve at ⅜% and certificate rates are held down by the Federal, partly by the preferential discount rate of ½% and partly through open-market operations. The Federal Reserve banks, in accordance with Treasury wishes, stand ready to support the market by taking from member banks any amount of short-term issues, thereby supplying the necessary Federal Reserve credit to support debt operations. This in effect guarantees a market for short-term securities regardless of the amount issued, and the Treasury depends less and less upon the investing public to absorb the Government debt.

The Tendency to Lower Interest Rates

Originally, this monetary policy was designed to stabilize the interest rate structure that was fixed soon after the beginning of the war. As it has worked out, however, this policy has resulted in a further lowering of rates. The downward influence on rates first affected the intermediated maturities, but gradually spread into the longer maturities eligible for commercial bank ownership. The yield on the longest 2% taxable bond ontstanding, for example, has declined to 1.26%, and on the bank eligible 2½'s of 67-72 to 1.99%. Since the close of the Victory Loan the yields on the long-term bonds not available to banks have also declined rapidly, due in part to the fear of investors that no more long-term bonds would be issued. Constant official assuarances of continued low interest rates have stimulated this downward trend. The yield on the 2½% bonds sold in the Victory Loan Drive has already declined to 2.28%; i.e., the price has risen over 3½ points within a few weeks after the end of the drive.

If the Treasury's present policies remain unchanged there is little doubt that the downward trend in interest rates will continue. The mechanism for creating credit and driving up bond prices works almost automatically. The banks are surfeited with short-term securities which they turn over to the Federal Reserve Banks whenever it is necessary or expedient to build up depleted reserves. This additional Federal Reserve credit spreads out over the system as member bank reserves and provides for multiple expansion of member bank credit. When member banks have surplus funds they compete with each other for the existing longer-term issues eligible for banks. Furthermore, they compete with the public for the existing outstanding issues, thereby driving the prices higher and higher. How long the Treasury will insist upon a policy which continues to inflate bond prices remains to be seen.

Effect of Lowering Rates on Industrial Securities

This pressure on rates is of course, not limited to Government securities because the same influence affects all types of securities. It permits corporations to borrow at lower and lower rates. Furthermore, the declining level of rates and expanding volume of credit causes surplus funds to flow over into equities, real estate, or anything else which promises a better return, thereby extending the inflationary pressure to those other fields. Low rates exert a strong upward influence on stock prices because there is a tendency for yields on stocks and bonds to move in the same general direction.

Continuously declining interest rates and rising bond prices cannot be brushed aside lightly by the monetary authorities or by the banking community. The possible long-run consequences on our financial structure and on the general economy should be weighed with great care. It has never been possible to inflate commodity prices or stock prices, or real estate prices, indefinitely, because sooner or later economic forces have called a turn. How far can we inflate bond prices without having these economic forces call the turn? Holding down debt costs is a commendable objective but when excessive zeal in this direction causes further needless expansion of bank credit and accelerates existing inflationary influences, it is false economy and will defeat its own ends in the long run.

Fiscal Policy Hampers Federal Reserve Functions

Apparently the Treasury contemplates the continued domination of monetary policies for purely fiscal purposes. So long as this situation prevails, the Federal Reserve System is not free to direct monetary policies toward the traditional objectives of trying to prevent inflation and unsound credit developments. Their hands are tied and in the long run the country may pay a very high price for this policy of excessively easy money rates. A continuation of present policies will lead to increasing reliance on the banking system to support the debt structure. Instead of encouraging the distribution to the public of the excessive amount of debt held by banks, such policies may cause a growing proportion of the debt to be concentrated in the commercial banks, thereby further increasing the country's already inflated money supply.

Furthermore, when the banking system supplies the Treasury with unlimited funds at excessively low rates, the Government is relieved from all normal restraints on spending, and its resistance to pressure groups is weakened. With none of the usual tests of the market applied to its financing, the Government finds it hard to resist the easy course of borrowing and spending. Pleas for balancing the budget and following a sound fiscal course are easily brushed aside. Although the damage done is not always immediately evident, there should be no illusions about the long-run implications of such policies.

Deterioration of Bank Portfolios

Another possible consequence of the present policy, if long continued, may be the gradual deterioration of the quality of commercial bank portfolios, especially of the smaller institutions which find it difficult to operate successfully on these declining rates. First they are driven into longer-term Government eligible for banks and then, as these rates decline, into corporate securities. As the high-grade rates decline,

(Continued on page 575)

Five Convenient Offices
IN NEW YORK

26 Cortlandt Street, *at Church Street, N. Y. 7*
291 Broadway, *north of City Hall, N. Y. 7*
60 Spring Street, *at Lafayette Street, N. Y. 12*
41 Rockefeller Plaza, *at 50th Street, N. Y. 20*
743 Amsterdam Avenue, *at 96th Street, N. Y. 25*

Established 1848

More Office Buildings Sound Condition with

ACOUSTI-CELOTEX
REG. U. S. PAT. OFF.

Than with All Other Types Combined!

THIS LEADERSHIP stems from the Celotex *rigid quality control* in manufacture . . . plus *painstaking installation control* by professionally trained distributors.

That's why the majority of office buildings insist on Acousti-Celotex*—the *original* perforated fibre tile—when they sound condition. They know Acousti-Celotex assures them of—

1. Guaranteed Efficiency. *Every* Acousti-Celotex distributor guarantees workmanship and results.

2. Permanency. The sound absorbing properties of Acousti-Celotex are *not* affected by repeated painting or enameling.

3. Exclusive Ferox Process. This special, integral treatment protects every Acousti-Celotex tile against dry rot, fungus and termite attack.

4. Outstanding Leadership. Acousti-Celotex is the best known name in sound conditioning. Such success is proof of product superiority!

Remember, too, the same care taken to maintain the high quality of Acousti-Celotex is exercised in selecting and training Acousti-Celotex distributors.

So consult your local Acousti-Celotex distributor with confidence. He has the know-how to reduce nerve-fraying office noise to a pleasant hush that increases office efficiency and keeps tenants happy. His cooperation and advice is yours *without obligation.* Or drop a note to *The Celotex Corp., Dept. CF-146, Chicago 3, Illinois.* It will bring a trained Sound Conditioning Expert to your desk.

Sound Conditioning with
ACOUSTI-CELOTEX
REG. U. S. PAT. OFF.
Perforated *Fibre Tile* SINCE 1923

Sold by Acousti-Celotex Distributors Everywhere. • In Canada: Dominion Sound Equipments, Ltd.

gitized for FRASER
tp://fraser.stlouisfed.org/

Business and Finance Speaks After the Turn of the Year

(Continued from page 572)

facturing companies having fiscal years will benefit on a proportionate basis.

The outlook for the industry is most favorable, but the key to near future prospects is sugar and the rate at which volume increases depends upon the availability of sugar.

WILLIAM J. MURRAY, Jr.

President, McKesson & Robbins, Inc.

Sales of pharmaceuticals and preventive medicines, always the backbone of the wholesale drug industry, should show a steady growth in 1946 as the result of an increase in public "health consciousness" gained through emphasis laid on this subject during the war years.

Wm. J. Murray, Jr.

In this connection some of the so-called "war drugs," such as penicillin and streptomycin, will be available to the general public in greater quantities on medical prescription through drug stores as wartime restrictions are lifted and production is stepped up.

The outlook for increasing distribution of animal and plant health products through drug outlets appears promising. The year 1946 should bring into sharper focus the future sales potentials in this important and comparatively new field as the result of intensive market research and development.

Removal of wartime restrictions on labor and materials may be expected to stimulate capital expenditures for physical improvements in drug store operations including modernized store fronts and interior displays, better lighting and air conditioning to meet the keener competition of other types of outlets.

The shortage of trained pharmacists continues to be a serious problem to both the wholesaler and retailer. Despite the return of some war workers to this field, however, the supply of trained personnel is still insufficient to meet the increasing demands from all branches of the drug industry and will continue so until registrations in pharmacy schools are increased materially.

Following a period of continued scarcity during the early months of the new year, people may expect an accelerating return of popular lines of sundry merchandise to the shelves of the country's drug stores from which they have been conspicuously absent since 1942. This will include items traditionally associated with the drug store such as cameras and films, flashlights, batteries, pen and pencil sets, razors, heating pads and alarm clocks.

While production of this "come back" merchandise is at present hampered by the uncertainties of price ceilings and trained labor shortage, supplies should begin to catch up with the public demand by late spring.

A. G. NEAL

President, Potomac Electric Power Co.

With the most significant changes at hand, resulting from the War's end, the Electric Utilities are now in a position to appraise the prospects for 1946 with some degree of certainty.

A. G. Neal

The utilities are in the fortunate position of having a wide diversity in business, whereby the increasing commercial and residential revenue has an offsetting effect against reduction in industrial business. It is interesting to note that a drop of 25% in general business activity, as indicated by a published index, produced a 16% decrease in industrial sales of electric energy, an 8% decrease in total sales, but had no appreciable effect on the total operating revenue of the large privately owned public utilities. From this, we can see that the utilities should maintain the operating revenue level of around $3,160,000,000, in 1945, compared with $2,271,000,000, in 1939, a 40% increase. Against this major increase in business, we find increases in operating expenses and taxes, which have more than wiped out the gain when reflected in net income.

During the War period, many lessons were learned, regarding economies in operation through more efficient use of personnel, interconnections, use of generating station capacity and electric system design, which along with reduction in fixed interest charges and taxes, may provide the basis for overcoming the inflationary factors immediately ahead.

The outlook for 1946 shows many conflicting trends, which makes prediction difficult. The industry is estimating a net loss in sales of around 5%, compared with 1945, and a slight increase in system peak loads. With the expected growth in residential and commercial business, a 3% to 5% increase in operating revenue is probable. With prospects for such a small increase in revenue, the answer to 1946 net income obviously lies in the trend in operating and maintenance expenses (that is, fuel, labor and material) and taxes. With approximately three-fourths of the total electricity generated by fuel burning plants, and 25% of other operating expenses directly affected by labor costs, the effects of inflation will be substantial and immediate. It now appears that the increase in fuel, labor and material costs, and the absorption of returning service men, will completely offset the effects of reduced taxes, and a possible small increase in operating revenues, in most companies.

One of the important factors in the near term labor picture, is the need for increases in personnel to provide for promotional activities and research in a period when increased business cannot provide sufficient revenue to offset this expense.

It must also be borne in mind, that some utilities serve industries that have produced principally consumers' goods, while others are affected materially by reduction in the products of war, creating a widely divergent situation among the various component companies.

The shortages in materials for construction and maintenance work, will continue to be a problem. Skilled labor requirements for construction may exceed supply, due to accumulation of projects held up during the war emergency.

Many of these problems are of a temporary nature, so the industry should be in a strong position by the end of 1946. In the background, however, we have the problems of securing rate increases which may be made necessary by inflationary factors and the continued competition of tax exempt public power. If these problems are satisfactorily disposed of, we can be reasonably certain of incomes keeping in line with the substantial growth to which the industry looks forward.

M. B. NELSON

President, The Long-Bell Lumber Company

The outlook for the lumber industry is good as a result of the tremendous backlog of delayed building construction, which during the war, or for approximately three and one-half years, was restricted and could not be expanded to meet normal needs.

The urgent housing needs will require several years of active building operation, and, in addition, commercial and industrial replacements and expansion will tax the capacity of the lumber industry for some time ahead.

The present position of the lumber industry is one of slowly recovering from the sudden ending of the war. Shortage of labor, and strikes since the close of the war, have greatly reduced production of lumber. The present price structure and regulations have not been revised sufficiently to encourage production of the items necessary to help meet the shortage of building materials.

The prospects for increase in production will depend upon improvement in the labor situation, price ceilings and logging conditions. The labor strike has been settled; experienced men are returning from the service, and as favorable logging conditions develop between now and spring, we should see production schedules on the upgrade by spring.

Mill and distributors' inventories were completely exhausted in the war effort, leaving substantial cash balances available for replacement of inventories, and this, together with the large cash reserve set aside for construction, should result in a gradual increasing activity in the lumber industry as material and construction crews are available.

GEORGE S. NOLLEN

President, Bankers Life Company

In a collective sense, our American John Q. Citizen sallied forth into this new year with about $156 billion of highly liquid assets—$64 billion in Government bonds and $92 billion in currency and bank deposits immediately spendable. During this year, John Q. is likely to have his purchasing power augmented by an income of $120 to $130 billion, provided progress is not impeded by extensive and extended strikes, or other damaging artificial restraints.

Gerard S. Nollen

Like our collective American citizen, our collective American business other than banking has accumulated unprecedented reserves in money and Federal securities. Business holds about $35 billion in cash and bank deposits, and about $40 billion in Federal bonds, or a total of $75 billion. The total of liquid assets held by all non-bank investors now is $296 billion.

With this outline picture of American purchasing power before us, let us consider its significance to the business of Life Insurance.

Traditionally, life insurance sales, like commodity sales, follow the ebb and flow of national purchasing power. The accelerated growth of life insurance during recent inflated war years gives late evidence of that fact.

There is too much uncertainty involved in the present situation to justify predictions about the magnitude of our national income for the current year. However, the extensive existing purchasing power in currency and bank deposits held by business and individuals should, in itself, go a long way toward preserving a high state of business activity. Accordingly, life insurance sales are likely to continue at a high level during the current year.

Our picture presents other aspects of less favor to life insurance. During recent depression and war years, Congress and the Federal administration collaborated in a cheap money program for the investment market. Now the inflated investment demands of individuals and business, plus those of our inflated banking structure, are producing excessively low interest yields. This is of concern to the 75 million American life insurance policyholders, because the cost of their life insurance is increased by every reduction in the interest earnings on their life insurance savings, called the policy reserves.

The present situation is of such serious consequence to our entire economy that both Congress and the administration should take warning. Their efforts must now be directed toward stabilizing our economy which is already seriously out of balance with low investment yields and high living costs.

The thrifty soul who lives in harmony with the democratic American tenets of self-reliance and individual independence is being ground between the millstones of cheap money and high living costs. There is a limit to the thrifty soul's endurance. If that limit should be reached, he will throw caution to the winds and, in desperation, cast his lot with the spendthrift in the commodity market and the gambler in the stock market. That is the road we will travel if Washington gives way to political expediency and selfish group pressure.

ERNEST E. NORRIS

President, Southern Railway System

What's ahead for the railroads in 1946, with the wheels of industry grinding to a stop because of strikes, is particularly difficult to forecast at this moment.

Ernest E. Norris

This is true because a railroad is not a producer; it is a public service institution whose services are employed only after processes of production and manufacture have been completed by others. Thus, the volume of freight traffic rises and falls with the amount of industrial production and, with production slowed down because of strikes, it is difficult to make an accurate prediction as to railroad traffic and earnings without knowing how long production will be retarded.

Assuming, however, that the present unrest will soon be intelligently and satisfactorily resolved, and that the wheels of industry soon will begin turning out the things we all want and need, I venture the opinion that 1946 will mark the beginning of the brighest era in the history of business in this country.

I am particularly optimistic concerning the outlook for the territory served by the Southern Railway System. Everything I can see and hear convinces me that the South has entered an era of industrial growth and commercial expansion that will far outstrip anything that has gone before. This belief is bolstered by the fact that, prior to the war, the South was growing faster industrially than any other section of the United States, and the war only accelerated this growth. During last year, for example, 148 new industries were established in Southern Railway territory and 53 existing plants were expanded. Great as our previous growth has been, industrially, I firmly believe that, as yet, the surface has just been scratched.

Southern agriculture, too, is assuming even greater importance, with contour farming, mechanization, diversification of crops, and improved methods of all kinds beginning to make themselves felt. Moreover, the new industrial uses that are being made of Southern agricultural products are adding strength to our agricultural economy.

Another factor deserving of consideration in any forecast of the South's future is the greatly increased management "know-how" and industrial skills that have been acquired during the war, both in the factories and in the armed forces of the nation. Thus, there's a vast reservoir of such ability and skills for Southern industries to draw upon in the future.

Lending emphasis to my belief that the South is the up-and-coming section of the country is the recent estimate of the Shippers' Advisory Boards that freight car loadings in the Southeast, for the first quarter in 1946, are expected to be 0.8% above the same period in 1945. And only five of the estimates for the thirteen regions throughout the nation forecast an increase in the first quarter.

In support of its faith in the future of the territory it serves, the Southern Railway is readying itself, through the purchase of new equipment, the inauguration of new and faster freight train schedules, yard and track improvements, and the like, to keep pace with any transportation demand which this new era in the South may produce.

(Continued from page 576)

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

Debt Management and Interest Rates

(Continued from page 573)

the tendency is to switch into second-grade and then into third-grade securities. While these securities may qualify under the "rating" regulations, it does not take a prophet to foresee what will happen to them in the next financial crisis or business depression, or what the effects on the banking system will be. Furthermore, any debt management policy based upon the assumption that we will never again go through a financial crisis or depression is short-sighted indeed.

By all the tests of experience, one prime objective of debt management should be to get as much of the debt as possible into the hands of the public and out of the commercial banks, thereby reducing the present inflated level of bank deposits. That means refunding maturing obligations into the types of securities that will be taken by the investing public. Substantial amounts of investment funds are accumulated each year by life insurance companies, savings banks, trust accounts, and other institutional investors. A sound refunding policy on the part of the Treasury would make use of these savings in order to distribute the debt. This, however, would require a substantial change in existing policies. The distribution of the debt cannot be effected if monetary policies cause banks to compete in the market for outstanding issues, thus driving interest rates lower and lower.

Treasury offerings of medium and long-term issues sufficient to absorb accumulations of savings would contribute much toward checking the decline in interest rates. It is equally necessary, however, to restrain the expansion of bank credit which is used to compete for outstanding market issues. This would mean some check on the ease with which banks acquire reserves from the Federal Reserve Banks.

The removal of the ½% preferential discount rate on short-term Governments would be one step in this direction. Another would be for the Federal to supply reserves a little less freely, even if this meant some firming of short-term rates.

These changes would remove the unsound features of monetary policy, result in a better distribution of the debt, and create a better debt structure. The gradual reduction in the debt held by the commercial banks would lead to a corresponding decline in deposits and help to combat a serious threat of inflation. Such a result would more than justify any small increase that might occur in the interest cost of the public debt.

The Merits of Low Interest Rates

While there is general recognition of certain benefits from low interest rates, there is a growing conviction among objective students of monetary matters that the doctrine of easy money is being overstressed and its benefits greatly exaggerated. Treasury officials whose policies continue to drive interest rates lower and lower reiterate the benefits of low interest rates but appear to give no consideration to the adverse side of the question. In an address on November 27, 1945, before the State Chamber of Commerce and the Indiana War Finance Committee at Indianapolis, Secretary Vinson said:

"A policy of low interest rates clearly benefits the taxpayer by making possible a lower level of Government expenditures and, consequently, a lower level of taxation than would otherwise be possible. More important, low interest rates will be a stimulating force in the economy generally, as they will make it possible for the home-buyer to get more house value for each dollar of monthly payment; for State and local taxpayers to get more schools and more hospitals for their tax dollars; and for industrial concerns and public utility companies to get more plant for every dollar of their fixed charges."

The theory that low interest rates promote, ipso facto, economic progress and employment is open to serious challenge. The claim is altogether meaningless at a time when we are faced with a demand for goods unrivaled in our history and when liquid assets are more than sufficient to support this demand. Compared with other costs, interest charges are usually so negligible that they do not exercise a major influence on business decisions. Certainly interest costs are not among the factors which are now retarding building activity and slowing up the production of needed goods.

The easy money advocates in their public statements give no recognition to the importance of the saver and investor, nor any consideration to the possible long-run consequences of penalizing the thrifty. Thrift has built America and made it great in productive power. It is a virtue which the country can ill afford to discard if we expect to continue to expand our productive power and increase the standard of living of the people. Some countries today, including England, are suffering severe economic pains because of old and out-dated productive equipment which makes it difficult to expand production and compete with more modern equipment elsewhere. Harrassing the thrifty and discouraging capital accumulation, if continued, may at a future date put us in the same unenviable position of stagnating while more vigorous nations move ahead. It is one thing for rates to decline as a result of genuine savings and capital accumulation, but quite another to depress rates artificially by expanding bank credit.

It is somewhat disquieting to find the Government so economical and even niggardly in paying interest to those who saved and furnished the funds for financing the war, and at the same time so generous in its other expenditures. These other expenditures must also be borne by the taxpayers.

The savings to the Treasury that can be effected by depressing interest rates are only a small fraction of what could be saved by practicing economy in other directions. Economy in other Government expenditures and loans, furthermore, would help to check existing inflationary influences instead of accentuating them. Rising prices may cost the taxpayer many times the amount of any possible savings through lower interest rates. The same is true of the home-buyer and other economic groups mentioned by the Secretary. Even a small rise in the cost of labor and materials greatly outweighs any possible saving in interest cost to the home-buyer. If artificially cheapening money also mean artificially increasing the prices of food, clothing, land, houses, and rents, it does not benefit the poor man.

Somebody Pays the Price for Artificially Low Interest

Somehow the impression has been created that low interest rates are a clear gain to the general public without any offsetting disadvantages. This is erroneous. Somebody must pay the price for these low rates, and it is a question whether the advantages to taxpayers are not more than outweighed by the disadvantages to savers and investors, and for that matter, to the general public, if the policy generates a rising price spiral. In some measure, of course, taxpayers, savers, and investors are the same and the payment of interest by the Government simply results in taking funds out of one pocket and putting them into another. On the other hand, there are many taxpayers who are not recipients of interest.

If all taxes were paid by the poor and the interest paid by the Government was all received by the rich, the argument for lower and lower interest rates would have some validity. That, however, is not the situation. Our Federal tax laws certainly have been designed to favor the poor and to secure as much as possible from corporations and from middle and upper income groups. On the other hand, millions of people in the lower income groups are savers and investors. They all have their incomes cut by declining rates. The cost of every life insurance policy is increased, and the income of every savings depositor is reduced. The incomes of investors in all types of securities, whether Government or private, are reduced. All endowed educational and charitable institutions have suffered substantial losses of income and many of them are now in severe financial straits.

The whole philosophy of low interest rates seems to favor the borrower and to penalize the saver and investor. Any analysis of these economic classes makes it difficult to understand why the one group should always be favored at the expense of the other. Business corporations, for example, are the greatest borrowers while savings depositors and life insurance policy holders are among our most important investment groups. When the Secretary says that industrial concerns and public utility companies benefit from lower rates he should add in all fairness that they benefit at the expense of investors, including life insurance policy holders and savings depositors. The fact is that the public is paying a high price for the alleged benefits of these low and declining rates of interest.

Underwriters and Distributors of Capital Issues

Dealers in

United States Government

State and Municipal Bonds

Public Utility, Railroad, Industrial

and other investment securities

Canadian Government

Provincial and Municipal Bonds.

Harriman Ripley & Co.

Incorporated

63 Wall Street, New York 5, N. Y.

BOSTON • PHILADELPHIA • CHICAGO

Representatives in other Cities

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

Business and Finance Speaks After the Turn of the Year

(Continued from page 574)

S. M. NORWOOD

Vice-President, Electro Metallurgical Company

The ferro-alloy industry depends so much on the steel industry for the bulk of its business that any analysis of the prospects for the ferro-alloy industry in 1946 must be based on probable steel production. An estimate of steel production for 1946 is obviously difficult to make at this time. There is an immense pent-up demand for automobiles, refrigerators, railway cars and many other types of equipment and supplies made of steel. It has been estimated that if reconversion proceeds in an orderly manner, the steel industry might well be called upon to deliver from 75 to 85% as much steel as it did in the peak war year, 1943, when almost 90,000,000 net tons of ingots and castings were produced.

Consumption of ferro-alloys depends largely upon the production of alloy steels, and since the output of these steels is expected to exceed pre-war figures, it is believed that requirements for alloying elements will follow the same pattern. During the war when there was at times a critical shortage of some of the alloying elements, a number of plans were adopted to conserve them. Government regulations restricted their use to the production of war equipment, and alloy steels with less than the usual or standard alloy content were developed and adopted for many uses.

All controls and restrictions on the use of alloys were revoked before the end of 1945, so that consumption during 1946 may be expected to follow with some minor changes the pre-war pattern. As a result of wartime experience and in line with the pre-war trend, the production of alloy steels is expected to be a somewhat higher percentage of the total steel production in 1946 than it was in pre-war years.

One of the outstanding features of alloy steel production is the steady increase in the output of the high chromium-nickel steels commonly known as the stainless or heat and corrosion resistant steels. There was a fairly continuous and rapid rate of increase in the production of these steels for several years immediately preceding the war, and this trend is expected to continue. These steels, because of their resistance to corrosion, resistance to scaling at high temperatures, their high strength at both high and low temperature, their ease of fabrication, their attractive appearance when polished, and the ease with which polished surfaces can be kept clean and sanitary have resulted in a wide application in the chemical, food, beverage, transportation, and power industries, and for architectural uses. The development of new aircraft utilizing the rocket or jet principle of propulsion has led to a renewed interest in new power units of the gas turbine type which must operate at high temperatures to obtain good fuel efficiencies. The only alloys which can give adequate service under the conditions imposed in this type of service are of the high chromium-nickel-molybdenum type, probably modified by one or more other alloying metals. Because of the pent-up demand already existing for the high alloy steels of the stainless or heat and corrosion resistant type, and the possibilities for increasingly large use in the gas turbine and power fields, there is good reason to believe that the production of steels of this type will continue for some time at the highest wartime rate and may even exceed it.

As the ferro-alloy industry has no reconversion problems and was able to take care of the maximum wartime requirements, no difficulty is expected in filling all foreseeable demands.

LAWRENCE OTTINGER

President, United States Plywood Corp.

Plywood received its initial impetus in this country during World War I. The availability of the plastics as bonding agents in the intervening period presented to engineers of World War II a virtually new product, completely waterproof, which performed with distinction in all theaters, including the tropics. A few of its important uses included the manufacture of landing craft, PT boats, smokeless powder boxes lined with stainless steel, radio detector masts and packinging of all kinds, as well as shelter and an infinite variety of other uses. As a consequence of the demonstrated usefulness of plywood in many fields the demand today not only exceeds present production, but it is doubtful if plywood will be available in required quantities at any time in the foreseeable future. The reason for this lies in the fact that plywood must be manufactured from good logs and we have been notoriously wasteful of our forest reserves as a national habit, and the acceleration of lumber and plywood requirements during the war has further depleted our timber reserves. New manufacturing techniques and conservation methods are gradually being adopted, but their effect will not be felt for a number of years.

Lawrence Ottinger

The OPA policy is having a serious effect upon production and cost to the consumer since their refusal to grant increases commensurate with the higher prices of raw materials and labor is forcing the industry to concentrate on selective types as to size and quality in an attempt to stay out of the red, and this is particularly unfortunate since the lower grades are required for housing and prefabrication and these grades can only be manufactured at a substantial loss, and therefore are not being produced in any quantity.

Since our products go into so many fields we have had the opportunity to make a number of observations. First, every business, large or small, with whom we come in contact has an ambitious expansion program. Second, many companies, especially those which expanded to large proportions during the war, desire to re-attain their wartime volume, many of them going into fields with which they are not familiar. Aircraft plants are going into the manufacture of deep freeze units and refrigerators and this field seems to have attracted manufacturers in many other lines. One aircraft manufacturer is making cigarette lighters, and it appears to me as if the pent up demand, large as it is, is likely to be satisfied in many fields much sooner than anticipated. Manufacturers in almost any line are almost certain of immediate success if they are at all skillful, but it seems to me that the day of reckoning will come sooner than most anticipate and we may be in for serious trouble.

Contrary to the opinion of most executives, I do not believe that this country can consume the full production of which it is capable for any extended period of time. I realize that Social Security and Old Age Pensions will improve the standard of living of a large part of our underprivileged population, but it must be remembered that we built the largest Navy, the largest Merchant Marine, the largest Air Force, we supplied billions of dollars in Lend Lease merchandise, we supplied our Army and Navy and kept our home economy on a high basis with 12 million of our most productive young men out of the country. If our Government were under the management of a capable business executive, a survey would be made of each field of endeavor to achieve a qualified opinion by each industry of possible consumption over a period of time, as well as projected production, so that those contemplating the entrance into any field could be intelligently guided. That might tend to prolong the period of prosperity and level off the ultimate depression, whereas otherwise we will again develop a peak which is too high, only to swing into a valley of depression dangerous to our economy.

CHARLES E. OAKES

President, Pennsylvania Power & Light Co.

Even when most critically viewed, the prospects for the future of the electric industry for 1946, and especially through the next decade, appear exceedingly bright in central eastern Pennsylvania; and for the same reasons that lead to this encouraging attitude, here, a similar conclusion appears logical for the industry, nationally.

The Number One gauge to the future is the immediate market. The war-restricted years created a tremendous pent-up demand for equipment in the commercial, rural and residential fields where probably as much as three to five years will be required to satisfy even current demands for some types of equipment.

In the opinion of many utility men, the commercial field (with its new high levels of lighting and with other electrical modernization required by the competitive position of commercial establishments) will lead the upswing.

Just as voluble are the forecasts of others who predict the rural market as the field offering the most wide-open possibilities. This opinion, and it seems soundly based, evolves from the fact that farmers, generally, have learned from their war experiences the pressing need for more electric service in order to apply to agriculture the same progressive electrification used in other phases of American industry. The sound financial position of the American farmer is a contributing factor in this conclusion.

The residential field is the close-running third in market opportunities, and facts here are even better founded. Lending itself to actual survey better than the others, the residential market discloses very definite facts; and to our knowledge, surveys in other locations closely parallel our own findings. Our survey shows: A substantial demand for electric ranges over any other type of cooking equipment; a big interest in home freezers; 25% of customers saying "Yes" to the new sequence-type washer; 15% with an active interest in new home building with a sizable percentage listing remodeling and kitchen planning as "musts" in the five years following the war.

On the other hand, the survey reflects little reaction to questions on small appliances; indicating not a lack in intent to purchase, but rather a lack of interest in "planning" purchases of $10 and less. This confirms the principle that such appliances must constantly be exposed to customer-traffic to produce sales volume.

The Number Two indication of future accelerated business has much to do with the fact that the abundant electric power which helped so much to make American production of ships, planes, tanks and guns the world's greatest, is the same power that is now so readily available for placing American peacetime production in the same category. Another enhancing factor is that reconversion of industry has not developed the industrial load losses anticipated had the war been prolonged in the Pacific. Contributory to the minimizing of industrial load losses is that new and additional applications of electricity to production, with the resulting efficiencies developed under wartime practices, are being widely and wisely applied to peacetime production methods.

Also gratifying is the keen interest of so many industrials in new or enlarged production facilities; an interest which even current labor problems do not seem to have dampened. This interest by no means appears to be confined to central eastern Pennsylvania; although here we firmly believe that this area offers some of the greatest industrial advantages in the nation.

"Central eastern Pennsylvania has everything"—valuable natural resources; a wide diversity of industry and labor; adequate manpower for future developments; abundant electric power; a high level in transportation facilities; a sound balance between industry and agriculture; and a giant market for peacetime goods . . . for central eastern Pennsylvania is the "Heart of the Market" where, within a 200-mile radius, lives one-third of the nation's population.

The "Heart of the Market" is the theme of a current program actively pursued by the company's Industrial Development Department. The result: A number of new, nationally-known industries have already completed plans for new plants in the territory and other important negotiations are under way.

Clouding the electric industry picture is the unsettled condition on appliance manufacturing. Prolongation of present labor-management negotiations may result in comparatively few new appliances during 1946. This is hardly a good omen to appliance dealers, particularly new firms without established repair service and wartime-created sidelines. Many of these newcomers will be returned servicemen who certainly deserve better prospects than costly merchandise scarcities.

As during the war period, when residential uses increased in spite of the fact that no new appliances were available and countless thousands of existing ones were worn out, today again finds an upward trend in residential consumption though only the barest trickle of new appliances reaches the market.

Anticipating a substantial, nation-wide step-up in all electric demands over the next ten-year period, the electric companies generally are moving ahead on increases in generating capacity. Pennsylvania Power & Light Company, alone, has under way a $65 million construction program of which a major portion is new plant facilities.

As clearly as anything else that may be said, the clever, new rationalization by General Motors' keen-witted Charles Kettering summarizes utility thinking—"My big interest is in the future, for I am going to spend the rest of my life there." There is every reason to believe America is just at the threshold of a new era . . . the real beginning of the Electric Age as new uses of electricity, some already in production and countless others in the development or laboratory stage, become commonplace realities of every-day Americana.

CLIFFORD E. PAIGE

President & Chairman of the Board, The Brooklyn Union Gas Company

The manufactured gas industry, unlike many businesses, has a comparatively small reconversion problem. It experienced a minimum wartime "boom" and hence very few V-J Day cutbacks. Its product and service, essential in peace, were even more so in war. Hence, the war brought only an increased demand for gas and gas service. Now that peace has returned, the industry's enhanced reputation for dependable service and its newly-won friends assure continued healthy growth.

Clifford E. Paige

In more than 20 million homes, factories and commercial establishments, gas today is valued as never before for its dependability, economy, adaptability and cleanliness.

The outlook is for a continuing growth, in number of customers, in purposes for which gas is used, in total volume of sales. Our financial position has never been sounder as attested by the excellent market that has existed in recent months for gas company securities.

The rapid expansion of our domestic business is delayed only by the time lag in getting equipment and appliances. In the industrial market, it is interesting to note that in the Brooklyn Union Gas Company as a case in point, industrial gas sales have increased about 50% when comparing November, 1940, with post-war November, 1945. In anticipation of the tremendous increase in domestic gas usage by average families when equipment is available, our company, for example, is even now putting in manufacturing apparatus to enlarge volume of production, increasing its pumping capacity and its distribution system, an investment altogether of $5,500,000—an indication of our confidence in the stability and earning power of our industry.

A broad research and promotional program sponsored by the American Gas Association is directed toward developing new markets and expanding present ones. The Institute of Gas Technology and other investigators are working on improvements in making gas at reduced cost. Gas appliances are being constantly improved,

(Continued from page 578)

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

A Building Program Under Private Enterprise

(Continued from page 521)

and colleges of the country. The educational programs of hundreds of thousands of young men and women who were in the armed service were interrupted. As a matter of right they are entitled to the opportunity to make up that which they have lost. The welfare of our country is in no small degree dependent upon the proper training of those who are to assume leadership in the days hence. Our universities, their administrations and boards of trustees can never be forgiven and should not, unless they do everything within their power to provide the facilities to make possible the best educational program for the returning veterans. Housing is essential to such a program.

We should also be mindful of the fact that when an individual builds his own home, either directly or through private contractor, he builds something more than a place to live. Something of his personality, his individuality, his aims and ambitions in life enter into the structure. It ties him more closely to his home, to the community and to the nation of which he is a part. That factor must not be forgotten in determining public policy.

American life has been built around the individual, his family, his home. His individual rights are paramount. The individual citizen of America is not one of a mass of Americans. For him, his rights, his opportunities, his enjoyment, the American government was organized and must continue to be his servant, subject to his guiding will. The lure of a good family life and of a home —and yet a better home—is one of the noblest motives of our American community life. That ambition to own one's home America dare not injure, for government cannot regenerate it. It is something inherent in the American heart and soul and conscience and upon it we must build public policy.

The local problems of housing require different approaches. There are some fundamental principles that must guide the public housing program at this time if it is to ultimately effectuate the good that we desire.

I am excluding in this consideration today the problem of housing for the needy and those who are dependent upon their government for the necessaries of life. Let us consider a few of the fundamentals that must be regarded in the immediate housing program for the American family.

1. The building program in every possible way should be carried out by private business.

There are over thirty-seven million homes in America. Approximately thirty millions of these meet high standards of living conditions. Electricity, gas, refrigeration, adequate water facilities are the rule rather than the exception in the American home. Practically all of these homes have been built by private enterprise. Government standards locally fixed have protected the public interest. Approximately nineteen million of these units are occupied by the owners. It is most encouraging that the percentage of homes occupied by the owners has increased in a marked way during the war years. A million housing units have been erected during war years. A great part of this construction has been under private ownership and private construction. We have an example here in Columbus that private ownership has proven speedier, more efficient and able to produce in greater quantities than any government agency. In 1940 in a city of three hundred thousand people, private builders built seventeen hundred building units. In 1941—fourteen hundred, and since 1940—four thousand two hundred fifty-four home units have been built and sold for a figure of six thousand each or under. In the Spring of 1943, Defense Housing Incorporated, a government agency, undertook to build two hundred units in the seventy-five hundred dollar class. These were completed nearly two years later. I think that those figures generally mark the relative efficiency of political operation as contrasted with private operation. This contrast is more marked when there is a scarcity of materials as there is today.

2. There must be less government regulation and more government encouragement if the housing problem is to be solved.

There are already too many czars, directors, regulators in Washington for the good of the housing program. There is adequate legislative authority for government encouragement to building houses. Each house that is built means a home for someone and in most cases—a veteran. There is not enough ability in all the bureaucratic organizations of the Federal Government to mesh the various detailed needs of the communities of America into a uniform policy that will be in the public interest. Control and regulation should be brought to the local communities. The banks and building and loans are bulging with money—ready to be used. Owners and builders are ready to proceed and will proceed as soon as released from the red-tape of Washington. OPA recently, in a bulletin, boasted of increased production in certain fields of building materials because of price increases permitted.

A housing czar has now been appointed. The very name is repulsive to the American public and yet it is typical of the bureaucratic attitude toward the people of America—that they must be pushed around, directed, restricted and regulated. We have just fought a horrible war and gloriously won it to do away with that kind of thing and permit our people to live their lives rather than grope about from day to day trying to find out what their government will permit them to do or furnish them.

Through the power-mad bungling of OPA, we now have a shortage of butter and a surplus of milk and butter fat. This is just the most recent mistake of this political institution of government, which has so greatly handicapped Americans' effort to move forward and is now interfering with the housing program.

It has been so inept in its work, so politically vicious in its administration that the American people have completely lost confidence in not only the law, but in the political manipulation and administration of the law.

I note in the Washington Daily News of Friday, Dec. 14, that enough lumber has been shipped to foreign countries during 1945 to build some seventy-five thousand to one hundred thousand homes in America. The article further says that higher prices could be secured in the foreign market than OPA would permit here at home. With the crying need for more and more material in America, no one can justify a program that permits a situation like that to come about. I am advised that the export of lumber is increasing the first quarter of this year over that which went out of the country last year. A public building administrator, such as has been appointed, can have but one function to perform, and that is to break the bottleneck in supplies. It will take the fearless courage, the ability and driving energy of a man like William Jeffers in the rubber program, because that which is needed today to solve the housing problem in America is first—material and second—labor. A step has been made in releasing the army and navy supplies for the building program. Temporary housing facilities have been made available for immediate needs. This is commendable, but it is only a temporary expedient. The material for building homes must flow from the mills and factories of America and until the wheels of industry start to turn that supply will not be available.

The greatest handicap that production has today are the restrictions and government regulation which prevents the free flow of materials and rapid reconversion and promotion in production. Those are the bottlenecks first to be opened. There is, of course, a shortage of labor which will be taken care of in my judgment with the release of materials and with the returning of the veterans. Here is a field in which the virtues of the Republic ought to reassert themselves. Housing calls for private initiative and private enterprise. Opportunity with government encouragement must be established. There is sufficient government power today to direct the flow of the available mate-

(Continued on page 579)

For Banks—Brokers—Dealers Only

Trading Markets in

A. S. Campbell Co. Inc.*

Metal & Thermit Corporation*

International Cellucotton Products Co.*

Automatic Canteen Company of America

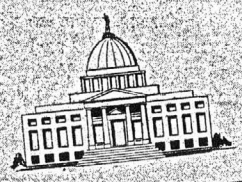
*Analysis on request

NEW YORK HANSEATIC CORPORATION

120 Broadway, New York 5, New York
Telephone: BArclay 7 5660
Teletype: NY 1 584

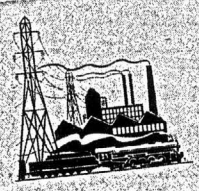
Corporate and Public Financing

Underwriter and Distributor



Securities of the United States Government and its instrumentalities

State and Municipal Bonds



Public Utility
Railroad and Industrial
Bonds and Stocks

Canadian and Foreign Dollar Bonds
Short Term Notes and Bonds
Bank and Insurance Stocks

The FIRST BOSTON CORPORATION

NEW YORK • *Executive Offices* • BOSTON

BOSTON • BUFFALO • CHICAGO • CLEVELAND • HARTFORD
NEW YORK • PHILADELPHIA • PROVIDENCE • SAN FRANCISCO • SPRINGFIELD

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

Business and Finance Speaks After the Turn of the Year

(Continued on page 576)

both in performance and appearance, still retaining their rugged trouble-free characteristics.

Gas for house heating—once the luxury of a few—is now within reach of the majority of those who own their own homes. This is not only true in the new home market but thousands of existing homes are being converted to gas heat through its easy adaptability to almost any heating system. Even with Governmental restrictions covering the sale of gas heating equipment during the war years, installations have increased 37% since Jan. 1, 1941.

The New Freedom Gas Kitchen—being introduced by the gas industry through national advertising—already has struck a responsive chord with millions of women. The popularity of gas for cooking, refrigeration, and water heating appears to be greatly enhanced.

We view the future of the gas business with confidence and optimism. Our product and our service are in demand. Their value is continually more widely recognized. There are large backlogs of orders for gas house heating equipment, for gas ranges, gas refrigerators, and gas water heaters. The rapid expansion of our business waits only for the appliances to become available which customers want and which will be put into use as soon as manufacturers can supply them.

COLA G. PARKER

President, Kimberly-Clark Corporation

The Paper Industry will find a ready market for all that it can produce in 1946.

The forces and influences that will make for this result are many and varied and will not operate with complete uniformity on all of the myriad of grades, sizes, weights and qualities of product produced by the industry. However, what is said here is true of substantially all major products and also of most special products. Furthermore, the flexibility of the industry is such that a drop in demand for one grade quickly leads to a shift of production to another grade in greater demand.

For almost four years the production and use of paper have been controlled. Due to tremendous war needs much of the industry's production was diverted from peacetime customers to the Government and war industries. Inasmuch as permissible use in many instances exceeded production remaining after satisfying Government and war industries' needs, inventories have been materially reduced both in the hands of producers and consumers.

Shutting off of foreign pulp sources and shortages of manpower both here and in Canada resulted in shortages of raw materials further limiting the producers' ability to supply permissible demands.

Obviously, last year's news and advertising will not now be printed; nor will goods sold without wrapping be recalled to be wrapped. A backlog of demand exists but not of the same order as that in automobiles, radios, kitchen equipment, etc., production of which was wholly lacking during the war. But the demand is nevertheless very real.

All industries must use paper even during their shutdown or reconversion periods. Newspapers and magazines have had to control their usage rigidly—by controlling circulation and advertising space. Household papers of all kinds have been in short supply.

Not only must the pipelines be filled—mill stocks merchant stocks, and consumers stocks rebuilt—but the myriad daily uses must be supplied at the same time.

Since the shortages of paper and board of all kinds have been even greater throughout the rest of the world than in the United States and Canada we cannot look to imports to fill all the void here immediately.

Expansion plans have been announced by many producers and undoubtedly there will be more such announcements. But it takes time to build mills and equipment and they must be supplied with raw materials before they can produce.

Manpower is still short in the woods and reports indicate that foreign producers, even when mills are intact, are also short of wood. The time lag between cutting of wood and production of pulp and paper is a further drag on increased production.

An analysis of all these forces convinces me that barring a complete and general industrial breakdown of sustained duration the demand for paper and its products will be sufficient to absorb all that can be produced during the coming year.

JAMES W. PARKER

President and General Manager, The Detroit Edison Co.

The trend locally has been, prior to recent shutdowns, to a sharp increase in the use of electricity. The electrical industry is young, growing and nothing now in sight can challenge its place, atmoic energy included. For when this becomes available we now assume it will be used as a source of heat in a special type of boiler in much the way in which we now use coal. However, we will still rely on the initiative of private management and the good cooperation of employes to lower costs as deserved by the greater customer use of electricity, Present investment in turbo-generators, transmission and distribution equipment, motors and other customer appliances would not be changed by the use of atomic energy, as we now see it. We hope when its peace-time applications are available our Company will be among the first to use it.

James W. Parker

The Detroit Edison Company plans to spend about $12,000,000 during 1946 for improving and increasing facilities for serving its customers. This money will bring electric and steam service to new customers, and in the Port Huron area, to gas customers. It will build needed additions to our substations and transmission lines, add equipment to our power plants and, in general, keep our whole system in condition to give what we have always considered to be good Edison service.

The largest single construction project in the 1946 budget is the installation of a 75,000 kilowatt turbo-generator and one boiler at the Marysville Power Plant, south of Port Huron. This will complete the extension to the Marysville Power Plant started before the war.

The Company expects to build about 175 miles of farm lines during 1946 and a large program is underway to modernize some obsolete street lighting systems in many communities served by the Company.

During 1945 the Company was able to retire a $19,000,000 portion of its mortgage bonds which generally improves its financial condition.

End of the Federal excess profits tax and the end of rate litigation is both a relief and a benefit to our business. While war-time industry demands have of course decreased, the decline has not been serious and the continued growth and demand of residential, farm and commercial customers helps to offset a decline in industrial use of electricity. Gross sales of electricity for 1945 were only 12% less than in 1944.

Detroit and its environs are a great and important part of industrial America. In common with the rest of the country we are not without our problems, but our intimate acquaintance with them gives us no cause for fear and we face the future with confidence.

W. A. PATTERSON

President, United Air Lines

A wholly understandable enthusiasm over the extremely bright prospects for air transportation in this new year must be tempered somewhat by an understanding of the tremendous development tasks which face the industry and of the costs involved.

W. A. Patterson

Every airline, feeling the thrill of operating under steadily relaxing war-time restrictions, is preparing feverishly for the immense expansion of peace-time air commerce. By the same taken, every airline management is confronted with the immediate necessity for large expenditures to make that expansion possible.

The picture of airline transition from a war-time to a peace-time economy is an absorbing one.

On the one hand, there are such promising factors as: (1) The greatly increased acceptance of air transportation by the public; (2) The acquisition of new, much faster, more comfortable and more efficient aircraft; (3) The availability of revolutionary new electronic and other aids which will make possible significan advances in the regularity and efficiency of airline schedules; (4) The rapid development of our domestic and international airway system; (5) The pulling power of lower air passenger fares and shipping rates; (6) The approaching ability of the airlines to provide more than adequate space for their patrons; and (7) The return from military service of experienced personnel.

On the other hand, there are such counter factors with which airline managements and stockholders must be concerned as reduced per ton-mile and passenger-mile revenues due to the already referred-to cuts in mail pay and passenger fares; the declining load factors which will become the order as plane capacities increase; the extremely large investments required for new aircraft and for the development of ground facilities; the cost of training many thousands of new personnel, and the substantially increased sales, promotion and advertising expenses which will be called for as the airlines move into a highly-competitive "selling" era.

During the war years, airlines could not help but make money. The problem was not that of obtaining passenger-cargo traffic; it was one of attempting to accommodate the most essential part of that commerce and of endeavoring to maintain a reputation for courtesy and service while turning other business away. Load factors literally "hit the ceiling," often running close to 100% over sections of the busiest transcontinental air routes. Meanwhile, costs did not rise to the same extent. The airlines, which turned over approximately half their fleets to the government for military use, had to learn new tricks of attaining maximum utilization of the planes left to them. Many peace-time frills of airline service were dispensed with; "selling" costs were eliminated, and operating expenses were held down, despite war-time increases in the cost of virtually everything, by the reduced size of airplane fleets.

The change-over to peace-time airline operating conditions, while still in process, is abrupt in view of the many major projects to be carried out. It is gratifying, however, to know that the public will be treated to a rapidly unfolding picture of airline developments, with all the benefits which those will bring.

Right now, airline cruising speeds are being increased from 180 to 220 miles an hour and planes are going up in size from 21-passenger to 44-passenger versions. By this summer, cruising speeds will go up again to 300 miles an hour, with planes carrying from 52 to 70 passengers plus cargo. Coast-to-coast airline travel and shipping times will be reduced to 9½ hours or less. Passengers will ride in pressurized cabins which will provide low level comfort at upper altitudes. Use of the airlines for both business and pleasure travel will be in

(Continued on page 580)

UNDERWRITERS — DISTRIBUTORS — DEALERS

Net markets to institutions and dealers on

RAILROAD BONDS • UTILITY BONDS • REORGANIZATION SECURITIES
BRITISH and OTHER FOREIGNS

Quotations Furnished — Inquiries Invited

HIRSCH & CO.

Successors to HIRSCH, LILIENTHAL & CO.

Members New York Stock Exchange and Other Exchanges

CLEVELAND 14, O.
1010 Euclid Avenue
Main 2933 — Teletype CV 190

NEW YORK 4, N. Y.
25 BROAD STREET
HAnover 2-0600
TELETYPE NY 1-210

CHICAGO 3, ILL.
135 South La Salle St.
State 8770 — Teletype CG 1219

LONDON, ENGLAND — GENEVA (Representative)

Direct Wire to Chicago and Cleveland

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

Officers Named for St. Louis Reserve Bank

At its meeting on Jan. 10, the board of directors of the Federal Reserve Bank of St. Louis selected James H. Penick, President of W. B. Worthen Co., bankers, Little Rock, Ark., to represent the Eighth District on the Federal Advisory Council during 1946. He succeeds Ralph C. Gifford of Louisville, Ky., who has served three years.

The directors also appointed officers for the parent bank and branches. They are as follows:

Parent Bank: Chester C. Davis, President; F. Guy Hitt, First Vice-President; Olin M. Attebery, Vice-President; Clarence M. Stewart, Vice-President and Secretary; Henry H. Edmiston, Wm. E. Peterson, A. F. Bailey, C. A. Schacht, and W. B. Pollard, Vice-Presidents; S. F. Gilmore, Frank N. Hal, G. O. Hollocher, Howard H. Weigel, J. H. Gales, and L. K. Arthur, Assistant Vice-Presidents; Lewis H. Carstarphen, General Counsel, and Jos. C. Wotawa General Auditor.

Little Rock Branch: A. F. Bailey, Manager; Clifford Wood and Clay Childers, Assistant Managers.

Louisville Branch: Chas. A. Schacht, Manager; Fred Burton, Stanley B. Jenks, and Lee S. Moore, Assistant Managers, and Earl R. Billen, Acting Assistant Manager.

Memphis Branch: W. B. Pollard, Manager; S. K. Belcher, C. E. Martin, and H. C. Anderson, Assistant Managers.

Jos. C. Wotawa was elected General Auditor to succeed L. H. Bailey, who retired December 31 after 27 years' service. Laurie T. Walker has been appointed Acting General Auditor until the return of Mr. Wotawa, who has been serving as a Major in the U. S. Army.

Effective Jan. 1, 1946, the bylaws of each branch were amended to provide for the designation of a Vice-President of the bank as Manager of the branch, instead of a Managing Director.

To fill remaining vacancies, the St. Louis board appointed the following as directors of the branches:

Little Rock Branch: Lloyd Spencer, President, First National Bank, Hope, Ark.

Louisville Branch: H. Lee Cooper, President, Ohio Valley National Bank, Henderson, Ky., and A. C. Voris, President, Citizens National Bank, Bedford, Ind.

Memphis Branch: H. W. Hicks, President, First National Bank, Jackson, Tenn.

Action Suspended

The Securities and Exchange Commission has announced that effective Jan. 24, it has suspended for fourteen days its broker-dealer revocation order issued against Norris & Hirshberg, Inc., Atlanta, Ga. The Commission stated that it had been informed the company, charged with creating an internally controlled market in which it sold securities, bought them back and resold them at rising prices, would seek a stay of the order pending review before a Circuit Court of Appeals.

Laird Bissell to Admit

Laird, Bissell & Meeds, 120 Broadway, New York City, members of the New York Stock Exchange, will admit Fred D. Wildhack to partnership on Feb. 6.

Elder & Co. Again Active Reopens Chattanooga Br.

Elder & Company, 61 Broadway, New York City, members of the New York Stock Exchange, which was inactive for the duration of the war, is resuming its brokerage business.

It has opened a branch in the James Building, Chattanooga, Tennessee, under the direction of Eugene M. Thomasson, who was recently manager of Carl M. Loeb, Rhoades & Co.'s office in that city.

A Building Program Under Private Enterprise

(Continued from page 577)

rials into the proper channels. There are enough home builders in America to do the job. There is sufficient local authority to protect the public interest. There is a desire here among all those needing homes to establish their families, to own their homes. Home owning has continued and will continue to be the very hearthstone of the Republic. We must drive from government all those in every bureau and commission at once, who look upon the American people as a mass—who would regiment them, shift them about, use them according to political whims of personal desires.

We must again encourage pride of production and release the full force of competition. In no other way can we secure full employment, retain individual freedom and foster the home owning and home loving instincts, the undergirders of the Republic.

We are interested in offerings of

High Grade

Public Utility and Industrial

PREFERRED STOCKS

SPENCER TRASK & CO.

Members New York Stock Exchange
Members New York Curb Exchange

25 BROAD STREET, NEW YORK 4 — Telephone HAnover 2-4300
135 SO. LA SALLE STREET, CHICAGO 3 — Telephone Andover 4690

Bell System Teletype—NY 1-5

Albany - Boston - Glens Falls - Schenectady - Worcester

Stocks · Bonds · Commodities

DEALERS AND BROKERS IN
U. S. GOVERNMENTS AND MUNICIPALS
FOREIGN AND CORPORATE BONDS
Special and Secondary Offerings

Private Wires to Branch Offices and Correspondents in Principal Cities in the United States. Foreign connections in Europe.

E. F. HUTTON & COMPANY
ESTABLISHED 1904
MEMBERS NEW YORK STOCK EXCHANGE AND OTHER PRINCIPAL SECURITY AND COMMODITY EXCHANGES
61 BROADWAY, NEW YORK 6 — WHITEHALL 4-2100
BELL SYSTEM TELETYPE NY 1-1675 — CABLE ADDRESS: TONHUTEF
LOS ANGELES — SAN FRANCISCO
Albuquerque · Beverly Hills · El Paso · Hollywood · Long Beach · Oakland
Pasadena · Phoenix · San Diego · San Jose · Santa Barbara · Santa Monica · Tucson

LISTED and UNLISTED SECURITIES

Reorganization and When Issued Bonds and Stocks

Complete Arbitrage Facilities

SUTRO BROS. & CO.
Members New York Stock Exchange
120 BROADWAY, NEW YORK 5, N. Y.
Telephone REctor 2-7340 — Bell System Teletype NY 1-67

FRANCIS I. DU PONT & CO.

Stocks * Bonds * Commodities

Underwriters, Distributors, Dealers in
CORPORATE AND MUNICIPAL SECURITIES

Christiana Securities Company, Common and Preferred

MEMBERS
New York Stock Exchange · New York Curb Exchange
Chicago Board of Trade · New York Produce Exchange
New York Cocoa Exchange · New York Cotton Exchange
New York Coffee & Sugar Exchange · New Orleans Cotton Exchange

ONE WALL STREET — NEW YORK 5, N. Y.
Tel. BOwling Green 9-6000 Cable: RHetpont Teletype: NY 1-1181

Wilmington, Del. Newark, N. J. Philadelphia, Pa.
Rochester, N. Y. White Plains, N. Y. Charleston, S. C.

gitized for FRASER
tp://fraser.stlouisfed.org/

Business and Finance Speaks After the Turn of the Year

(Continued from page 578)

full swing. Also, new air freight developments in equipment, schedules and rates will spell hitherto undreamed-of possibilities for shippers.

Meanwhile, the airlines already are hard at work developing and adapting to their operations numerous technological aids born of the war—aids which will make possible such things as routine automatic instrument operations over the airways and into airports.

Many more cities are being added to the domestic air routes. And international airlines are gearing up for what may be a chaotic race for traffic, but which, in any event, will mean new opportunities for people to go places and see things in a hurry.

The airlines have entered that much-heralded Age of Flight with characteristic energy and ingenuity. Airline stockholders probably cannot look too hopefully for soaring profits and airline managements may experience some headaches. But the public at large will be given an air transportation system so vastly improved that it will bear little resemblance to what has gone before.

J. HOWARD PEW

President, Sun Oil Company

The year 1946 can be one of great opportunities for the petrloeum industry, or it can become one of disastrous consequences, depending in large part on decisions to be made in Washington.

J. Howard Pew

Prospects are bright for ample crude supplies and steadily expanding markets. Moreover, the oil industry is ready to provide consumers with the best products ever manufactured at prices which they are both willing and able to pay.

But overhanging this favorable outlook is the continued reluctance of Washington officialdom to relinquish wartime powers, particularly in the field of prices, and a newly-evidenced desire in that quarter to subject all industry to controls which, if effectuated, would amount to collectivism. Unless overcome—and overcome quickly—these trends will create an unemployment problem in the next few months that will strangle in its infancy a period of post-war prosperity and well-being for the American people.

If the petroleum industry—and all industry—cannot get OPA off its back, it will destroy us as an industrial instrument in maintaining a rising standard of living. There is no compromise with this problem. OPA was created as a war agency at a time when all production was dedicated to winning the war. Supplies were grossly inadequate for civilian demand and thus OPA served a necessary purpose. But today the war is over and the oil industry is amply able to produce all the requirements of our civilian population as well as those of the Government.

Consequently, there no longer exists any reason for price ceilings on petroleum and its products. There are no problems attendant on oil supplies that a freely-functioning market will not promptly solve. Continuation of OPA controls will only intensify old problems and create new ones. Already we have witnessed the dislocation of kerosene and fuel oil supplies as a result of price control relationships between fuel oil and coal.

If continued price control were necessary—and emphatically it is not—the OPA hierarchy has gone about its work in a wholly unrealistic manner. Ceilings have been set, for the most part, on the basis of our 1941 economy—an economy that has little relation to the conditions which exist today.

We have heard much talk on the part of OPA and its propaganda supporter, the Office of War Information, to the effect that high prices *cause* inflation. This is double talk, designed to deceive and confuse the public. It is a specious effort to put the cart before the horse. Actually, price increases are one of the many disastrous *results* that follow in the wake of inflation and have nothing whatsoever to do with the *cause* of inflation. The germs of the inflation which threatens us were hatched in the unsound and imprudent national policies of the last 15 years. There is nothing OPA through price control can do to prevent that inflation.

The oil industry became one of America's great institutions for service to the public because of its competitive nature. If this industry is to advance it must be released from the OPA economic strait-jacket. This is the No. 1 problem for all of us. In the face of that problem, all of our other difficulties pale into insignificance, for no industry can prosper when any governmental body exercises the power of life and death over all or any of its units.

ALVA W. PHELPS

President, The Oliver Corporation

The farm implement industry has awaiting it in 1946, a volume limited only by its own ability to produce.

The industry was among the first to complete conversion from war to peacetime product manufacture, and is marking time in the hope that badly needed raw materials and parts will become available in larger quantities and permit full-scale production activities.

Alva W. Phelps

A large user of ball bearings, the industry has suffered a setback as a result of the strikes in many of the more important bearing producing plants. Bearings have been short for several years and indications are that the shortage will continue for many months to come and handicap us in our effort to turn out more implements faster to meet the demands of our customers.

Various types of steel used widely by the industry have not been overly plentiful and virtually no stockpiling has been possible. A steel strike would seriously affect our activities forcing complete shutdowns of plants in many instances and forcing widespread unemployment in many mid-western cities.

Implements and tractors available to purchasers in quantity in 1946 will be substantially the same models produced before the war, with some minor improvements. Improved products are under test and small-scale manufacture has been started in a number of instances, but the industry has concentrated its effort toward producing as many units as possible to meet the emergency needs of farmers, whose equipment rather generally is over-age and practically worn out because of the lack of replacement units and parts in any substantial quantities since 1941.

Most farm equipment manufacturers already have begun large scale modernization programs within their own plants. The rehabilitation and re-equipping of plants will move forward rapidly in 1946 and the industry will be a large customer of the electrical, machine tool, and other capital goods industries. The modernization of plants should bring production efficiencies to offset the lower labor efficiency with which all industries are faced today and thus help to safeguard the narrow margin of profit on which we have been forced to operate for many years.

Sales and service organizations have not been overlooked in preparation for the future, with the result users of farm equipment will have available to them the strongest distribution and maintenance facilities in the history of the industry.

The future of the industry as a whole and its component companies such as Oliver appears to be a bright one for the years immediately ahead, if work stoppages are held to a minimum and if supplier industries are able to operate regularly so that a steady flow of materials and parts will be available to us.

LOUIS PETRI

President, The Petri Wine Company

The ratio of inventory to demand creates a most favorable position for California's wine industry.

While the wartime wine shortage apparently has passed its acute stage, and 1945 marked one of the largest grape crushes in history, the demand for wine promises a steady increase.

Louis Petri

Favorable inventories, therefore, must be measured against higher demands and the return from the armed forces of millions of consumers.

In the face of these factors, it is impossible to foresee today the definite end of the shortage which appeared during the war.

As in the past, the wine industry's great goals in America are to increase consumption and to create an appreciation of the uses of various wine types.

Steady progress was made before the war toward these objectives. In 1934, the national consumption of wine was .26 gallons per capita. This rose to .85 gallons in 1942. A projected consumption curve would pass the gallon-per-capita mark by 1948, and spell an increase of 400% since the end of Prohibition.

Petri Wine Company this spring is launching a new type of advertising campaign which it hopes will aid in popularizing various types of wine. This campaign has for its theme, "Don't Buy One, Buy Two!" and stresses the fact that guests and family members have different tastes in wine.

Two wartime changes in consumer buying habits have revolutionary import for wine producers. During the war, price became less of a factor and consumers began to demand quality.

At the same time, the sale of producer's own brands skyrocketed. Producers thus were able, with this new demand for quality, to bottle their own wine in Californit under their own supervision, and to assume responbility.

These new factors augur well for the future of the industry, because they mean better wines, and modern, nation-wide merchandising of the product.

W. T. PIPER

President, Piper Aircraft Corp.

During the year ahead we look for a continued gradual increase in the production of light aircraft. At the moment, of course, demand far exceeds the supply but it is only a question of time until the leading manufacturers will be able to reach the optimum production capacity.

W. T. Piper

We at Piper recently manufactured and delivered in Miami the 1,000th Piper Cub since V-J Day. That in itself was no mean feat and I salute our indefatigable workers who threw themselves into our peacetime operation with the same zest that helped to establish our enviable war record.

I would like to say that the 1,000 Cubs manufactured during the past several months represented 1,000 profitable packages. However, such is not the case. The production of airplanes on a mass scale requires mass methods. Mass methods require mass training in assembly line manufacture. Again new jigs, heavy machinery and most of all learning through experience to maintain a constant flow means lots of money in the beginning. Once however our methods have been per-

(Continued on page 582)

We specialize in all

Insurance and Bank Stocks **Industrial Issues**
Investment Trust Issues **Public Utility Stocks and Bonds**
TEXTILE SECURITIES
Securities with a New England Market

FREDERICK C. ADAMS & CO.
Specialists in New England Unlisted Securities
24 FEDERAL STREET, BOSTON 10
ESTABLISHED IN 1922
Telephone HANcock 8715 **Teletype BOston 22**

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

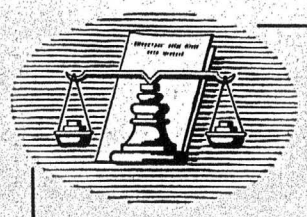
Annual Meeting of N. Y. Fed. Home Loan Bank

Representatives of over 300 member institutions in the States of New Jersey and New York attented the Thirteenth Annual Meeting of the Stockholders of the Federal Home Loan Bank of New York at the Waldorf-Astoria Hotel on Jan. 24. Nugent Fallon, President of the Bank, announced that the Bank enjoyed its most profitable year in 1945, with gross income of $1,007,904 against $751,586 in 1944, and net income of $691,679 against $479,198 in 1944. Operating expenses for the year were 11.4% of gross income against 14.4% in 1944, according to Mr. Fallon's report. The Bank's resources now total $42,406,293.54.

Referring to the record of the Federal Home Loan Bank of New York for 1945, Mr. Fallon stated that "in a difficult period the members have managed their institutions with skill and ability." He added, "practically all member institutions now enjoy greatly increased liquidity and managements have displayed a high degree of conservative sound judgement in making mortgage loans. While congragulating ourselves on the fine showing of 1945, we must recognize that 1946 and the following few years will test management to a point seldom before approached. There is, however, every indication that our member institutions are qualified to successfully meet all problems, including a varying value for our dollar, the rapidly accumulating effects of our progressive income tax, extensive social programs, shifting of savings, decreasing mortgage interest rates, increasing overhead and intense competition for first-class home mortgages."

The Federal Home Loan Bank of New York is one of 12 regional banks making up the Federal Home Loan Bank System. The twelve banks serve 48 States, the District of Columbia, the Territories and our Island Possessions. The banks provide a source of reserve credit for nearly 4,000 member institutions whose assets aggregate over $9,000,000,000. The bank system's members are savings and loan associations, savings banks and insurance companies.

The 364 members of the Federal Home Loan Bank of New York, which includes in its District New York, New Jersey, Puerto Rico and the Virgin Islands, had assets totaling $911,884,466 Dec. 31, 1945.



Equity Financing in 1946

an opportunity for balancing capital structures

Ninety-five percent of 1945 financing has been in the form of senior securities and only eighteen percent of the total was for new money. This trend toward senior securities was stimulated by high wartime tax rates.

Lower taxes in 1946 and the present level of stock prices should stimulate equity financing for new money requirements. Thus an unusual opportunity exists to finance with bonds, preferreds or equities for the purpose of balancing capital structures and keeping the ratio of working capital to gross sales healthy.

In *no other period*, to our knowledge, has there existed side by side a 2.75% yield basis for high grade bonds, a 3.50% basis for better grade preferred stocks, and a 3% basis for many leading common stocks.

A discussion of your future capital requirements with our partners involves no obligation and may prove timely.

KIDDER, PEABODY & CO.
FOUNDED 1865
Members of the New York Stock and New York Curb Exchanges
NEW YORK BOSTON PHILADELPHIA CHICAGO

EASTMAN, DILLON & CO.
15 Broad Street, New York 5, N. Y.

PHILADELPHIA • CHICAGO • LOS ANGELES • HARTFORD
PATERSON • READING • EASTON

Private Wires to Correspondents in
CHICAGO • LOS ANGELES • ST. LOUIS • SAN FRANCISCO

U. S. Government Municipal
Public Utility Industrial Railroad
Canadian Government Securities

SALOMON BROS. & HUTZLER
Members New York Stock Exchange
SIXTY WALL STREET
NEW YORK 5, N. Y.

Private wires to
BOSTON PHILADELPHIA CHICAGO CLEVELAND

MUNICIPAL BONDS

Boland, Saffin & Co.
Established 1920
52 WILLIAM ST. TELEPHONE
NEW YORK 5, N. Y. WHITEHALL 3-3414
Bell System Teletype—NY 1-535

Dick & Merle-Smith
Investment Securities
30 Pine Street, New York 5, N. Y.
30 State Street, Boston 9, Mass.

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

Business and Finance Speaks After the Turn of the Year

(Continued from page 580)

fected, we can operate profitably. It is this that we hope to achieve in 1946.

I have spoken above for Piper Aircraft Company which, of course, I know best. However, I believe the principles apply to every light plane manufacturer of any importance.

1946 will be a year of experiment in production methods. I do not refer here to experiment in design or engineering techniques. I believe that kind of testing was done before and during the war. This is not to say I believe we have reached the stage of perfection. The day we believe that will be the day before we all go out of business. However, I am convinced that our present models proved themselves during the war and until we have at least met the demand, we at Piper will stand by them.

The recent air maneuvers at Miami proved two things to me. First, it demonstrated the tremendous interest in private light aircraft. Second, they showed that at the moment the light aircraft industry has nothing new under the sun. The stars of the show were the same airplanes we have seen over the course of five years. They proved once more, as if they had to, their dependability and their safety.

Mike Murphy put on a show in the 1,000th Cub which demonstrated better than volumes that the Piper is a forgiving airplane. He put that ship through the most trying maneuvers, actually bouncing it off the runway on several occasions and subjected it to more punishment than it would ever receive at the hands of a private owner. Implicity, Mike was telling the crowd that the good old Piper could take it and that anyone could fly it safely.

Approximately 2,000 light airplane owners flocked to Miami from all over the country in their own equipment. The weather on the way was fierce but none turned back in spite of the tremendous difficulties incurred. It is those people multiplied by their friends and their families who will continue to make the light plane market.

One more point: In evaluating the future of the light plane industry, we manufacturers along with our distributors and our dealers should recognize the fact that the most effective sales agent we had in the years 1941 through 1945 was World War II.

The exploits of our Air Forces were proclaimed throughout the world and the tremendous publicity value cannot be estimated in terms of dollars and cents.

All of us in the aviation industry should subscribe forever to the theory of the ill wind blowing good.

In summary, we at Piper believe 1946 will be a healthy one for the light aircraft industry. We do not expect to make a fortune during the year but we do expect to lay the groundwork for a sound, permanent enterprise in the years ahead.

JAMES H. POLHEMUS

President, Portland General Electric Company

Created by shortages during the war years, the pent-up demand of the general public for current-consuming household appliances of all sorts offers the electric utility its most helpful backlog of business during the reconversion period. Barring unforeseen developments which might upset the trend of utility revenues that has taken place since V-J Day, this backlog gives every indication of being sufficient in size to offset in large measure the effects of the sharp cut-off in wartime industrial enterprises.

James H. Polhemus

General commercial and small industrial users of electricity also have displayed an encouraging stability since the war's end—a further help to the utility which, were its economy based entirely on large industrial users, might be hard put to overcome the effects of a rapid switch from war to peace.

The experience of Portland General Electric Company has been that the combined revenue for all classes of business, while not showing the percentage of increase it did during the war period, has nevertheless more than held its own since the war ended. It is our view that the momentum of general commercial business and the spurt of new consumption in the home and on farms will continue throughout 1946 at least, and is more likely to continue for several years. By the time normal conditions are again reached in these fields, reconversion in some of the larger industries should be sufficiently progressed to permit a substantial recapture of industrial energy sales.

The interjection of uncertainties into the appliance market by industrial unrest which has slowed production of peacetime goods in many plants, although a factor in considering immediate prospects, is not as serious to the utility as it might appear at first glance. A meager supply of new appliances is reaching the market, and certainly the situation is not worse than it was during the war years when, by some means or another, the Company's residential and farm customers succeeded in obtaining current-consuming appliances and equipment despite their extremely limited manufacture—a fact evidenced by a steady rise in domestic energy consumption.

Another encouraging sign is seen in indications that substantial blocks of the new population transplanted here during the war have taken root, and that the departure of some war workers to their former homes is being balanced by the return of discharged veterans. Housing shortages remain critical in the area, and increases in the net total of residential and general commercial customers have continued steady in every single month since the war's end.

Biggest problem of the Company is "catching-up" with war-deferred improvements and new construction. Transmission and distribution system betterments costing $2,500,000 in each of the next three years are scheduled.

C. M. PRESTON

Chairman of the Board, Hamilton National Bank of Knoxville, Tennessee

There has never been a year in our history in which we could look forward to a greater demand for goods and services than the year 1946. But with management and labor unable to agree, the outlook is uncertain. However, if management and labor will compose their differences on a basis that is fair to each other and to the consumer, with labor willing to give value received for its pay and management willing to do likewise, we will soon be supplying the enormous demand for goods. Only in this way can we avoid drifting into dangerous inflation which would cost us much more than the war which we have just fought.

Chas. Miller Preston

To have any long-continued prosperity, it will be necessary for the Government to religiously carry out its plan to reduce its expenses and proceed on a course of balancing its budget without too much delay, and to also reduce the tax burden on both individuals and corporations.

FRANK C. RATHJE

President, The American Bankers Association

The turn of the year brings the American people face to face with many opportunities and problems. This seems to be our annual lot. However, unlike the last year's end, we are now freed of the terrible scourge of war waged on a global basis in which we expended men, money and natural resources.

Frank C. Rathje

In the list of opportunities that face us, the ability to maintain world peace will get its greatest impetus from the success of the current meeting in London of the United Nations Organization. That this enterprise may start successfully is the fervent wish of the peace loving peoples of the world. Our nation is contributing leadership in this supreme effort.

World peace today seems to have a better chance of accomplishment, since at the moment no major power is involved in war. The greatest hope for the maintenance of this condition lies in the apparent improvement and solution of the perplexing national problems within the Chinese nation.

The assimiliation of well over 10 million veterans into our peacetime economy and into our national life, offers great hope for the future. These are men and women who have seen the world and who realize the advantages that lie in America. It is my firm belief that they will want to maintain the way of life that is made possible here, with the highest standard of living the world has ever known. They will want to continue the freedoms we enjoy to a greater degree than any other people. These veterans will also constitute a challenge to us to give them every assistance in readjusting themselves to peacetime, civilian pursuits. However, it must be borne in mind that veterans are not a problem, but that veterans do have problems. Our ability to help solve them will determine the success with which we are able to assimiliate this most important segment of our population. They will be the leaders for years to come.

Reconversion has gone forward faster than we had any right to expect. There are bottlenecks in materials that have delayed some programs, but the most serious threat to our immediate economy lies not in these shortages, but in the inability of labor and management to arbitrate their differences. Our current industrial shutdowns, together with the threat of many more to come, constitute one of the greatest menaces to our future safety. Inherent in this basic problem of wages is the ever present threat of inflation, should wages be raised and commodities still continue scarce.

On the financial front, the greatest encouragement comes from the fact that for the first time in 16 years there seems to be a likelihood that our national budget may be balanced. While it is apparent to everyone that our expenditures will be many times larger than they have been in normal times, due to the need for returning soldiers from foreign areas and the general disassembly of our gigantic military strength to a peacetime basis, it is possible if we make the effort to keep our expenditures within our income.

1946 has prospects of being a good year if the American people approach their problems and opportunities in an understanding and co-operative manner.

RALPH T. REED

President, American Express Co.

The export dollar and the tourist dollar step into the 1946 picture with an emphasis that will forecast the years to come. The American Express Travel Service has expanded its operations to cope with the demand for travel on the part of Americans during the coming year which may break all tourist records in the Western Hemisphere. Travel to Europe and other parts of the world, other than commercial and Governmental travel, will not enter into the 1946 picture on a pre-war scale whereas tourist movements between North and South America will utilize all existing carrier service.

Ralph T. Reed

Prior to the outbreak of the war, 44% of the gross export tourist dollars—$651,000,000 at its peak—was spent in Canada and Mexico, according to the Bureau of Foreign and Domestic Commerce. A greater percentage will be recorded at the end of the current year inasmuch as travel to other sections of the world is limited. Consequently every tourist facility in the United States will herald a banner year. All rail lines, air lines, bus lines as well as highways will be crowded as summer, the most popular of the tourist seasons, approaches.

In the export field a marked increase in foreign shipping is anticipated by the foreign traffic division of the American Express Company. The world will look to the United States to furnish the majority of the items needed for reconstruction and as production gets back to peacetime normalcy the quantity of exports will increase.

The American Express Field Warehousing Corporation also anticipates a greater demand for its services as the reconversion program develops. The economic necessity for inventory financing is apparent.

As Americans travel they carry with them American Express Travelers Cheques. The protection to funds these cheques provide gained in poularity and use during the war years and now that travel, commercial as well as pleasure, is on the up-swing, the company expects a wider use of its international "blue paper."

As communications continue to be re-established for the transmission of funds to relatives and friends after the wartime interruptions, the foreign remittance department is constantly expanding its facilities for sending money abroad.

As the American businessman and the pleasure traveler return to the international scene the company will continue its policy of expanding operations to meet all requirements for its services. Already the American Express has re-opened twenty-eight of its foreign offices, circling the globe.

CHAS. F. ROBBINS

President, A. G. Spalding & Bros., Inc.

It is proverbial and historically true that wars have the effect of stimulating the interest and participation in athletic games. Our national game of baseball swept the country after the Civil War. It was actively played in the Army camps during the conflict and was spread over the country as the soldiers were demobilized and returned to their homes.

Charles F. Robbins

Our military training always has and of necessity must place emphasis on athletic games and contests, which provide one of the best methods for physical conditioning and at the same time one of the best and most wholesome means of relaxation and recreation.

In World War II, the United States mobilized the largest Army and Navy and Air Force in its history—a total of some 11,000,000 men. As a consequence, the Armed Forces, during the conflict, purchased for the use of their men, very large quantities of athletic goods. There is every reason to believe that history will follow the proverbial pattern and that the country will see the largest and most active interest and participation in athletic games and sports in its experience.

The enrollment of every school and college in the country is at a peak heretofore never reached, with the prospect that this condition will continue for a period of several years. It is also significant that in the schools and colleges more and more emphasis is being placed on the importance and benefits of intramural athletics which have the effect of broadening the influence of this field.

In the past several years and particularly during the war years there has been steadily growing the realization on the part of large sections of our population that physical condition is a prime requisite for the individual and the welfare of our country. Athletics and sports

(Continued on page 584)

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

The Elusive Dream Of Full Production

(Continued from first page)

70% higher than they were in the late '30's, while the cost of living has risen by only 30 to 40%. Why, then, the urgency and uncompromising bitterness with which labor's demands are set forth?

What is, or should be, even more disturbing is the public's apathy toward higher prices. There is no energetic clamor that they should fall, nor even serious resistance against further boosts, not the slightest sign of a "buyers' strike" (with the biggest Christmas market on record), nor realization that tolerating wage raises now means to perpetuate the war-time high level of prices and to open doors and windows for further increases.

In other words, labor has no inhibitions in asking for higher wages; employers are willing to grant them in part at once, with more to be granted if ceilings are taken off; and the public does not seem to mind if it has to pay "a little" more. It all adds up to the typical picture of inflation psychology. To be precise: the attitudes of labor and business merely reflect the inflated pocketbook of the consumer and his expectation that he will not run short of cash. Uncle Sam's printing press will take care of that.

Rampant Inflation Psychology

Inflation psychology is rampant already, as indicated by every sign. People are willing to spend more than "normally"—to buy more things at higher prices, and to buy the more expensive qualities. They pay fantasy-prices for luxury goods which are not under ceilings, and resort to subterfuge methods to circumvent the regulations (such as by renting an apartment with the provision that often worthless furnishings are purchased, as an indirect way of raising the rent). It is the public, too, that patronizes the illegal black markets which harass the OPA in its futile attempts to control everything from second-hand cars to liquors and cotton goods.

Accordingly, optimism is the keynote to all forecasts. "Confidence in demand . . . influences all buyers," says the comparatively restrained National City Bank January report. But why this buoyancy of demand? The favorite answer is: there is an accumulation of "want," due to the war-time neglect of its satisfaction, and the consequent intensity of demand is being greatly sharpened by the persistence of current shortages.

Inflation Produces Shortages

"Shortages" are the popular battlecry in every inflation, whether German, French or American, until it reaches the run-away stage. In reality, it is not "shortage" that causes inflation, but **inflation brings about shortages,** and creates, incidentally, the conditions under which full production cannot be realized. There are exceptions, of course, especially in countries which have suffered large-scale physical destruction. But which of life's necessities is actually "short" in this country? By and large, and with few exceptions, the prevailing and threatening "shortages" are sequels to one or the other of the inflationary factors, or to a combination of several of them.

Could it be, e.g., that we have less housing and rail transport facilities than we had four or five years ago? Or that the country's population has increased in such an inordinate fashion as to multiply fourfold (!) the passenger rail mileage—with gasoline plentiful and almost the same number time record of 100%? Is the over-flow of visitors to Florida due to the decline of visitors in California or at Hot Springs? Of course, the element of literal "shortage" scarcely enters into the picture. People travel and spend more because their purchasing power has increased inordinately: they have much more money and earn more, or expect to do so, while most prices have not increased as yet in proportion. If an economic system is geared to produce a certain quantity, say, of beverages, and the demand for them doubles suddenly due to a windfall-increase in the nation's purchasing power—is whiskey shortage to be blamed or an excessive volume of money?

Excess money creates shortages, by generating excessive demand, as illustrated in the case of travel facilities, hotel accommodations, all kinds of luxuries, and of housing in general. If farm and stock equities skyrocket, too, it is not because of a "static volume" of stocks, as the "Wall Street Journal" intimated, or of farm land. Consuming more and better qualities, not because more of them are produced, but because the demand is being bolstered, is the very essence of the inflationary process that owes its popularity to this appearance of rising living

(Continued on page 585)

Reynolds & Co.

Underwriters — Distributors

Members

New York Stock Exchange — New York Curb Exchange
Philadelphia Stock Exchange — Chicago Stock Exchange
Chicago Board of Trade — Commodity Exchange, Inc.

120 Broadway
Empire State Building — The Sherry-Netherland
NEW YORK CITY

BRANCH OFFICES

PHILADELPHIA, PA. — ALLENTOWN, PA. — LANCASTER, PA.
SCRANTON, PA. — POTTSVILLE, PA. — YORK, PA.
EAST ORANGE, N. J. — MORRISTOWN, N. J. — BRIDGETON, N. J.
SYRACUSE, N. Y.

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
Telephone DIgby 4-7800 — Teletype NY 1-733

PERSHING & Co.

MEMBERS
NEW YORK STOCK & CURB EXCHANGES
CHICAGO BOARD OF TRADE

Brokers in
STOCKS ❖ BONDS

120 BROADWAY, NEW YORK 5, N. Y.
REctor 2-3500

PRIVATE WIRES TO CORRESPONDENTS

BOSTON, MASS — CHICAGO, ILL. — FRANKLIN, PA.
PROVIDENCE, R. I. — SAN FRANCISCO, CALIF — SHARON, PA.
MANCHESTER, N. H. — HAVERHILL, MASS — YOUNGSTOWN, OHIO
WARREN, OHIO
PITTSBURGH, PA.

BOND and STOCK BROKERS

Publishers of

"GUIDE TO RAILROAD REORGANIZATION SECURITIES"

PFLUGFELDER, BAMPTON & RUST

Members New York Stock Exchange

61 BROADWAY — NEW YORK 6, N. Y.
Telephone—DIgby 4-4933 — *Bell System Teletype—NY 1-310*

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

Business and Finance Speaks After the Turn of the Year

(Continued from page 582)

play an important part in any program of this nature. It is greatly to be hoped that this "Keep Fit" philosophy will not only continue to spread, but will be translated into action—and there is every indication today that it will.

This brief mention of some of the more important factors in the situation will indicate the reasons for the belief that there is very sure to be a strong and active market for all sporting goods for several years.

E. A. ROBERTS

President, The Fidelity Mutual Life Insurance Co.

We have come through the war in far better shape than most dared to hope in 1941. The mortality savings have been favorable pretty generally and the security of most companies has been greatly enhanced by careful attention to the weeding out of doubtful assets and the strengthening of policy and other reserves. The greatest single problem is the matter of keeping reserves employed and putting new money to work at rates consistent with contractual interest assumptions and guarantees.

E. A. Roberts

In a program of deficit financing the Government has been met with the absolute necessity of keeping earlier issues at par if it was to float further bonds at the same interest rate and, accordingly, we have been living in a controlled credit market. As a direct result of this control and the tremendous plethora of capital, the income which can be derived from corporate bonds has slid down to an all-time low and, at certain times in some unusual cases, has broken through Government rates. Retirement and refunding of debt have been accomplished on an unprecedented scale and by means of private sale and bank loans institutions have lost many of their old bond issues. State, municipal and corporate debts are less than they were a year ago, but private savings alone have increased during that period by at least $40,000,000,000.

While I never have been a pessimist on the subject of all-out inflation, a degree of inflation is with us and more of it is to come and all of this causes concern to both policyholders and the management, though it is not regarded fearfully.

There are some who feel that interest rates will stiffen. I can see no basis for this in the foreseeable future if the Government's financial program is to be maintained.

Some students of the situation are of the opinion that the repeal of the excess profits tax would lessen the number of refunding operations that we might otherwise expect to see in 1946. Personally, I feel that if a high volume of business is done, a strong velocity of credit will be attained and the refunding of outstanding debt will continue. All of this impels me to the belief that a wider latitude in permitted investments should be granted such businesses as our own unless the cost to the policyholders is to be greatly increased, and almost immediately.

There is very little emphasis on the payment of the national debt and some of those charged with this responsibility feel that the size of the debt is unimportant as long as its debt service can be supported. The debt service is to date budgeted at the level of $5,500,000,000 and while this is sizable it is workable if a high national income is maintained. Because of the magnitude of the debt there is every need for keeping the debt service as low as possible and the Treasury now puts the overall figure at 1.9% and intimates that it is probably less because of some tax impositions.

I am hopeful that the Insurance Commissioners will adopt some variation of the plan presented by the Joint Investment Committee of the Life Insurance Association and the American Life Convention having to do with a new valuation for preferred stocks. Competing as we do with others with funds to invest, including certain agencies of the Government itself and lately the banks, who have been looking for new outlets for their swollen funds, a relief of the sort suggested by this Joint Committee and something beyond that is necessary. I am confident that the Insurance Commissioners and the legislatures of the several States where legislative relief is needed have an equal awareness of these necessities. Dr. Williams, President of the Federal Reserve Bank of Philadelphia, referred to this in his address to the American Life Convention in the fall of 1944 as a need for a new legal concept having to do with the classes of permitted investments for Life companies.

The foregoing is not intended as pessimism, but rather a real appraisal of the things we are living with and the things that we face, as I see it. On the whole the companies are financially stronger than they ever were. They have a fine acceptance at the hands of the public and they are discharging their responsibilities. In the economy that lies just ahead it would seem that unless there is a marked change, some of which may be brought about by the relief I have suggested, two things seem inexorable in the picture to me. The first is that Life Insurance will cost more money and the second is that the proceeds to policyholders and beneficiaries will buy less in our markets.

These problems are not insurmountable, nor is a failure to solve them to be cataclysmic. It will necessitate a changed emphasis on the product we sell, more on insurance protection and less in the investment feature. In many other ways it will sharpen our business acumen, preserving, at the same time, even healthier competitive exercises as between companies in the business.

W. S. ROBERTSON

President, American and Foreign Power Company, Inc.

The past year has been one of continued economic and social progress for most of the "good neighbor" republics. Despite shortages of materials and equipment, commerce and industry were unusually active. Locally-produced commodities and light manufactured products found ready markets although, with the end of the war, there was a noticeable slackening in United States demand for certain strategic materials. However, exportable surpluses of Latin American commodities and minerals were not unduly burdensome.

W. S. Robertson

The industrialization of Latin America has continued to gain momentum. New iron and steel mills, woodworking establishments, cement plants, food processing, chemical and textile factories have contributed to a mounting demand for electric power. The growth of local industry during the war and generally prosperous conditions in agriculture and mining, together with notable advances achieved in education, sanitation and housing have raised the living standards of millions of our fellow Americans south of the Rio Grande. This has been reflected in steady gains in sales of electricity to residential and commercial users paralleling, and at times exceeding, increases in the industrial power category.

The public utility industry has been making every effort, consistent with economic realities, to keep pace with the increasing demand for electric power. With the greatest installed generating capacity in its history, capacity operations have been the rule, rather than the exception. Further expansion has been held in check by war-time difficulties in obtaining equipment and, in certain situations, by nationalistic government policies and mounting costs which have made operations unprofitable. The problem of increasing costs, quite general in Latin American industry, is a manifestation of a broad inflationary trend. Behind the rise in the price level are tremendous increases in government note issues and in bank deposits, resulting from the acquisition by national treasuries and central banks of foreign exchange and gold arising from a succession of favorable trade balances. The inflationary effect of the increased supply of money has been magnified by an insufficieny of imported goods. At the same time, heavy governmental expenditures have resulted in unbalanced budgets and increased internal debts, despite the imposition of higher taxes. Fuel costs for the public utility industry have, in many cases, increased more than 100% since 1939 and wages have been raised repeatedly. In some countries, the regulatory bodies have recently shown an increasing disposition to recognize increased costs with rate adjustments but, generally speaking, public utilities have been unable to pass these higher costs on to the consumer as have other industries.

That the public utility industry has been able to survive in the face of rapidly rising costs and inadequate rates is largely because of a constantly increasing volume of sales. In some instances, however, earnings have been maintained only by the enforced deferment of maintenance expense, due to inability to secure materials and equipment. Unfortunately, there has been a tendency toward extreme nationalism in certain countries, resulting in agitation against foreign-owned enterprises, enforced rate cuts and, in some cases, confiscation of property. On the favorable side, have been the stability of exchange rates and the freedom from remittance problems which, in the past, have plagued foreign investment interests.

Although most utilities are still faced with the difficult problem of adjusting service rates to the higher price level, there are some favorable factors in the outlook for the industry. Materials and equipment are again becoming available, and many companies are now able to embark upon extensive programs for the expansion and improvement of their facilities. New capital, both local and foreign, is available and is finding employment in new industrial and commercial establishments. As was previously noted, power rates are being adjusted in some countries to correct long-standing inequities, and there is no apparent let-up in the persistent demand for electric power.

Unfortunately, there seems to be little hope for early abatement of inflationary pressures on prices, taxes and living costs. Most Latin American countries possess large reserves of foreign exchange and although some have recently been losing exchange on balance, the decline has been less than was anticipated in many quarters. Dollar exchange should be adequate for the service of foreign public utility investments during 1946. Exchange rates should be steady, with the International Monetary Fund a new stablizing factor. Public relations should improve, and extreme nationalistic tendencies be countered, by the expansion programs of many foreign-owned public utility companies, and by the additional opportunities these companies are providing for the participation of local capital.

North American public utility interests in Latin America, while surmounting the many difficult problems which have arisen during the past fifteen years of depression and war, have contributed much to the economic development of our southern neighbors and to the well-being of their people. The industry has every confidence in its continued ability to improve and expand its services to the mutual benefit of its local customers and partners, and its foreign investors.

WALTER F. ROCKWELL

President, The Timken-Detroit Axle Company

It seems clear that our industry, the Automotive Parts Industry, can expect a large volume of business during the coming year, but the problem of getting back to full volume production while hampered by strikes at our vendors' plants and at our customers' plants makes the results of operations difficult to forecast. There is no question but what the transportation industry of the country is in dire need of new equipment. Ample proof of this is evidenced by the large volume of orders that have been placed with the truck, bus and trailer builders of this country. Difficulties in addition to those mentioned above are largely due to Government regulations. For example, the OPA has issued rulings that are diametrically opposite in principle. As an example, they give relief to some portion of the Parts Builders who are making original equipment for passenger cars, and yet give no relief to those Parts Makers, in many cases the same firm and the same parts, who are making original equipment parts for the truck industry. The uncertainty that such a situation creates is making many Parts Makers doubtful of their wisdom in proceeding with their original plans which call for increasing their productive capacity unless they have some definite knowledge as to whether or not the increased operation will be at a profit. Further Government regulations affect the ultimate user of our product since the tariffs that the common carriers are permitted to charge are not permitted to be raised in line with the increased cost that have faced the truck operator over the past several years, and which seem to be increasing rather than decreasing. It is doubtful that the truck operator can afford to pay higher prices for his equipment when he is faced with higher prices for the material and labor necessary for the operation of the vehicles without getting an increase in his revenue.

Walter F. Rockwell

The Timken Silent Automatic Division of our company have plans for greatly increased production of all of the units they manufacture for home heating. A new plant has been purchased for this operation, and these improvements along with others we are making in our three major plants will cost in excess of $5 million. In spite of the difficulties facing us, we are confident that the advancements of the past decade in motor transportation will be far surpassed in the next decade, and we are, therefore, making every effort to keep the cost of our product to a minimum in an effort to increase the market.

A. S. RODGERS

President, White Sewing Machine Corporation

The future outlook for the household sewing machine industry is indeed bright and promising. Independent surveys indicate something like 3½ million prospective buyers, and these figures are based on releases by the Civilian Requirement Division of the War Production Board as of April, 1945, which is several times the largest annual production the industry ever enjoyed. Even discounted 50% it would still be a very large potential market.

A. S. Rodgers

In support of this potential market it appears, based on reliable information, that some 14 million women spend approximately 2¾ millions of dollars each month to read about clothes in magazines for women, and one must not lose sight of the fact that the women of America control about 80% of the purchasing power.

The substitute of a mechanical device for hand sewing occurred many many years ago; in fact, so far back that manufacturing in those early years did not have available the marvelous modern tools, materials, technique, engineering and equipment such as has been introduced in more recent years. But despite this fact, according to historical information, there were something over a hundred thousand sewing machines for household use built in the period from 1846 to 1856, which is an indicaton of public acceptance even at that early date.

It is generally estimated that there are some 25 million household sewing machines in the field, of which approximately 50% are of the treadle or foot power type, and a substantial proportion of the electrically driven models are ten years old or older.

A survey by a Wage and Earner Forum indicates approximately 24% of the families interviewed expect to buy sewing machines. Then one cannot overlook the

(Continued on page 586)

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

The Elusive Dream Of Full Production

(Continued from page 583)

standards. (That is one reason why it is so difficult to stop the process once it gets under way.)

Also, "shortages" are being artificially fomented through OPA regulations and similar interferences. Ceilings which attempt to keep prices on a level incompatible with the supply - demand situation, invite hoarding that depletes the markets, and bring about reduced production that keeps them from being refilled.

The most important indirect source of "shortages" is labor trouble, which is essentially a consequence of the monetary inflation, too. Swollen pocketbooks, due to the war-time inflation, strengthen the self-confidence, bargaining power, and fighting will of the working men and of the unions, the more so since labor is aware of the vast accumulation of pent-up demand backed by ability to pay (the consequence of inflation) and wants to insure its share in the pie. The distortion of "relative" wages—disproportionate rise in one category as against the other—adds to the smoldering dissatisfaction and sharpens the class-consciousness. All of which leads to industrial strife, fanned by irresponsible political factors, which in turn reduces production and causes more shortages.

Will-o'-the-wisp of Full Production

That brings up the question of **prospective shortages.** If the present ones are largely a consequence of monetary inflation, the forthcoming disproportion between supply and demand will be almost entirely due to the fateful fact that **inflation expands the demand and simultaneously checks the expansion of supplies.** Government and industry experts who preach that full production will end inflation are pursuing a will-o'-the-wisp that will not materialize in the foreseeable future—not unless the money flood is stopped and is actually reversed.

The American people are being told that as soon as industry reaches capacity production and goods are available in quantities, prices will tend to level off automatically. The prevalent idea is that inflation is caused by shortages and will disappear when the latter is overcome by production. In reality, inflation creates conditions under which full production cannot be realized.

1. The wave of strikes will be followed by more waves of strikes. The probability that new wage contracts will be negotiated in the next few months will not inhibit more strikes or slowdowns to follow because the working man, faced with a progressively lower purchasing power of his wage dollar, will be quick to realize that he is not getting what he really bargained for. Labor will not be satisfied with any fixed wage as long as price inflation continues, even at a slow pace.

2. American business will tend to become an El Dorado of speculation. The entrepreneur, harassed by distortions of the price structure, unable to predict costs of wages, materials and other factors of production, will tend to avoid long-term commitments and seek, instead, quick capital turnovers. In place of operating complete industrial processes, there will be an inclination to limit activity to single phases of production, such as quick buying and selling of materials or speculative operations by middlemen. We will see an era of chiselers and fly-by-nights, all very busy making money, and producing everything but production.

3. Because of the necessity of softening the repercussions of inflation on the masses, government will be forced to continue the imposition of OPA regulations. This will contribute further to the stresses and shortages which cause labor strife and inhibit management in the pursuance of full production.

There never has been a time when a democracy at peace has been able to achieve full production in the face of inflation. There is nothing to indicate that the current paper prosperity will be an exception.

The Illusion of Buyers' Strike

The further the war recedes, the more shortages increase, which goes to show that the decisive cause is not the war-time mal-allocation of national resources **per se.** Decisive is the monetary factor that makes full production evade us like an illusion the more we chase it. To complete our disappointments, we will find also that the one effective check on inflationary excesses, the "buyers' strike," is inoperative under these circumstances—for a long time to come.

"Buyers' strike" means that the elasticity of demand is restored when prices have risen sufficiently so as to exhaust the purchasing power of the consumer. Under the gold standard, as a rule, no inflation (of gold in circulation or of credit) can go very far; that indeed is the essence of the gold standard, that it does not permit expansion except within narrow limits. It stops expansion by compelling the monetary authorities to hold the "credit base," to restrain from issuing more legal tender or (what amounts to the same) more balances at the central bank. That stops the rise of the national income, or reverses it, and commodity prices have to adjust themselves accordingly.

But we are not on the gold standard, not by a long shot. Nominally, the convertibility in gold is maintained, but actually it does not exist except for specific purposes, permitted from time to time, and the dollar sells at a discount against gold on the open markets of the world. At home, there is no convertibility at all. Consequently, the central bank is free to print money **ad libitum** since it cannot be called upon to pay out in gold, and as Mr. Eccles told a Congressional committee: the volume of money has no relation whatsoever any more to the gold reserves. (The reserve ratio of gold to Federal Reserve liabilities has been reduced lately to 20%; it might be reduced to zero as well.)

History Doesn't Repeat Itself

History will repeat itself, people like to believe: should the rapidly growing output of goods (which they take for granted) not turn the price trend automatically, then a buyers' strike will develop, as it did in 1920, and in due course the price inflation will be checked. The trouble is, however, that a buyers' strike occurs only under the gold standard, as in 1920, when the budget is being balanced, when the accumulated cash

(Continued on page 587)

We Offer a
COMPREHENSIVE INVESTMENT
AND
DEALER SERVICE
in
ALL CLASSES OF BONDS AND STOCKS
including
PUBLIC UTILITY—RAILROAD—INDUSTRIAL
FOREIGN—MUNICIPAL
We Are Particularly Adapted to Service Firms With Retail Distribution
Your Inquiries Solicited
P. F. FOX & CO.
120 BROADWAY, NEW YORK 5, N. Y.
Telephone REctor 2-7760 Teletypes NY 1-944 & NY 1-945

Primary CONNECTICUT MARKETS for Dealers everywhere
Industrial - Utility
Insurance - Bank
State & Municipal
Securities
We particularly invite your inquiries in:
AETNA LIFE
BILLINGS & SPENCER
AM. HARDWARE
LANDERS F. & C.
CONN. LT. & POW.
NEW BRITAIN MACH.
RUSSELL MFG. CO.
SCOVILL MFG.
TORRINGTON CO.
COBURN & MIDDLEBROOK
37 Lewis Street, Hartford 1
Hartford Tel. 7-3261 N. Y. Tel. HAnover 2-5537*
Teletype HF 464
One Wall St., New York 5
N Y. Tel. WHitehall 3-4794 Hartford Tel. HAnover 2-5537*
New Haven 7-1288 New London 2-1135 Norwich 303 Portland, Me. 4-2693
*Direct Hartford-New York 'Phone

MUNICIPAL BONDS
MUNICIPAL BONDS IN-ODD-LOTS LEBENTHAL & CO.
LEBENTHAL & CO.
135 BROADWAY, NEW YORK 6, N.Y. • REctor 2-1737
Oldest House in America Specializing in
ODD LOT MUNICIPAL BONDS
Bell System Teletype NY 1-2272
MUNICIPAL BONDS IN-ODD-LOTS LEBENTHAL & CO.

BOND and STOCK BROKERS
Specializing In
RAILROAD SECURITIES
★
VILAS & HICKEY
Members New York Stock Exchange
Members New York Curb Exchange
49 Wall Street New York 5, N. Y.
Telephone: HAnover 2-7900
Teletype: NY 1-911

ADLER, COLEMAN & Co.
Members New York Stock Exchange
Members New York Curb Exchange
15 Broad Street, New York 5
HAnover 2-9780
★
Trading Department
MURRAY LERNER, *Managing Partner*

TRIPP & CO.
INC.
40 WALL ST. NEW YORK 5
Dealers in
NEW YORK CITY BONDS
NEW YORK STATE MUNICIPALS
GENERAL MARKET MUNICIPALS
PUBLIC REVENUE BONDS
Complete Service
TELEPHONE: WHITEHALL 3-6742
TELETYPE: N Y 1-2030

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

Business and Finance Speaks After the Turn of the Year

(Continued from page 584)

fact that over 2 million young girls enroll in Home Economics classes each year, and that there are more than a million and a quarter new families added each year.

Pattern sales should be a very definite indication, not only of the interest shown in home sewing, but in the actual use of a sewing machine, and information released indicates that sales of patterns in the year 1930 amounted to some 59 million patterns and in 1944 amounted to over 100 million patterns. So, all in all, it would appear that the potential prospects of the household sewing machine industry are very rosy.

It is well to consider the fact that the electrical household sewing machines should be viewed largely from an economic standpoint as contributing greatly to the necessities of life which are commonly referred to as food, clothing and shelter. Further than this, the electrical household sewing machine occupies almost exclusively the unique position of being an article that begins to produce almost from the moment it enters the home, and if used often enough, the production of the sewing machine, can be translated into a considerable number of dollars annually.

The household sewing machine industry it would appear has facilities that can and will be quickly expanded to a point where the industry's production will catch up with the potential demand. It would also appear from all indications involved that for at least a number of years in the future the general annual level of production should be considerably higher than it has been in the past.

DEXTER P. RUMSEY

President, Erie County Savings Bank

The year 1945 was a notable one for the mutual savings banks throughout the nation. Both the number of depositors and volume of deposits reached new record high levels, continuing a trend originating in the Spring of 1942 when the national income began to reflect the country's rapidly expanding war production program. Unfortunately, figures for the nation as a whole are not available at this time but here in the State of New York, where we had on Jan. 1, 1945, 131 mutual savings banks with 46.3% of the total number of depositors and 53.4% of the dollar volume of deposits, depositors as of the first of this year had increased 276,000 to 6,672,732 and deposits (exclusive of dividends) $1,052,000,000 to $8,282,988,494—gains of 4.3% and 14.5% respectively for 1945. In the absence of exact figures this may be assumed to be illustrative of the national experience. In addition the mutual savings banks, aside from their own heavy investments in United States Treasury bonds, played a leading role throughout the war in the sale of War Bonds to the public. In New York these bond sales ran well over $1,000,000,000 during the course of the war years of which approximately $228,000,000 was disposed of in 1945. Our own Erie County Savings Bank, we are proud to report, was in the vanguard in this undertaking, having issued almost 900,000 individual bonds with a maturity value of $39,500,000 from May 1941 to the end of 1945.

Prospects for 1946 would seem to indicate a further growth in the number of depositors and a continued net gain in deposits, conditioned largely by the extent to which the current earnings and accumulated savings of the nation's industrial workers are affected by the present labor-management difficulties and the ensuing time lag which must inevitably follow before production is resumed and the level of employment increased. Some sizable withdrawals are anticipated during this period of economic dislocation and adjustment and again when consumer goods are available in quantity.

This year, generally, is expected to be one in which the savings banks will further consolidate and strengthen their already vastly improved asset and capital positions. Real estate acquired during the depression era has been liquidated to the point where it represents a relatively insignificant proportion of the total asset structure, mortgage delinquencies have been reduced to the lowest level in fifteen years and mortgage loan portfolios carefully screened to eliminate the weaker items.

The investment problem promises to remain acute as the critical shortage of building materials and the lack of skilled craftsmen continues to retard private housing construction and thus deprive the savings banks of their normal mortgage investment outlet. Government financing on a war-time scale, which provided the major source of investment for savings banks funds during the past several years, will no longer be available, a re-financing of existing mortgage loans is a limited field, lending for home modernization is hampered by the same obstacles hamstringing home construction, and GI home loan applications, while increasing daily, have not yet materialized in appreciable volume. Because of these factors and the restricted field for savings bank investment in other directions we must look forward to treading water for the present until new mortgage financing becomes resurgent.

The tremendous national debt will undoubtedly exert a controlling influence over interest rates generally for an indeterminate period and, coupled with the related problems of diversification of security investments as to type and maturities and the maintenance of adequate cash positions, forecasts a continuance of low interest dividends to depositors for some time to come.

Despite these handicaps we in the savings banks are heartened by the manner in which the public has manifested its confidence in our institutions during the critical years just passed. A sharp increase in the number of branch banking offices, the augmentation of our traditional services by such new facilities as payroll savings plans, life insurance, the safekeeping and redemption of Treasury savings bonds, promotion of home exhibits, etc., and an increasing community-minded attitude on the part of savings bank management can be counted upon to enlist mounting public favor in the communities which we serve.

FRANCIS P. SEARS

President, The Columbian National Life Insurance Co.

Wage earners are prosperous with the highest pay in history, and they have learned the desirability of savings through the teaching in the War Bond Campaigns and the instruction given in the Army camps on the many advantages of saving through Life Insurance, which provides the surest and easiest way known to man to build up an estate.

Francis P. Sears

A sum unbelivably small compared with the estate desired will at once establish such an estate, which can be maintained by annual premiums. An estate of $20,000 payable at death can be started by a man twenty-one years of age through the payment of less than $300, and the estate can be continuously maintained by the payment of a similiar amount annually. In these days of low interest rates and heavy taxation, it would be hard indeed to create such an estate in any other way.

If present low interest rates continue for a long period, no doubt it will be necessary for the life insurance companies to raise their premium rates and thus increase the cost of life insurance, but this cannot affect those who have the foresight to acquire their low cost life insurance in 1946, since the premium once agreed upon cannot be increased by the companies.

Offsetting the current low interest rates in some degree is the good mortality experience that life insurance companies have been having for several years now. There is expectation for even better mortality experience with the termination of the war and the introduction of the marvelous new sulpha drugs and penicillin. Heart troubles are the worst enemies of longevity and account for nearly half the deaths among insured lives, but there is ground for hope of improvement here through the investigations of the Life Insurance Medical Research Fund which the life insurance companies have voluntarily established with an income of some $600,000 per annum for the purpose of studying the causes of these outstanding disabilities and to discover prevention and cure.

Life Insurance experienced its greatest growth in the decade following the First World War, and I am confident it will develop even greater usefulness and service to the people of this country in the coming years.

HENRY R. SANGER

Chairman of the Board, The Manufacturers National Bank of Detroit

Any survey of business for the year 1945 must take cognizance of the most important event, the end of World War II. This long-hoped-for close of the war has brought with it the problems of reconversion and the winning of the peace.

Henry H. Sanger

The records will disclose that the banks have discharged in a creditable manner their wartime role of financing the requirements of both Government and industry. The millions of dollars of Government securities in the hands of banks and the war production financed stand as evidence of the part played. The annual reports of banking institutions for 1945 show a very healthy condition, indicate good earnings and reflect liquidity, which should confirm confidence in the ability of banks to meet the peacetime needs of the nation. Our banks are eager and willing to take care of the legitimate demands of American industry for credit to be used in the all-important part of financing its peacetime volume. The knowledge gained during the war in solving many very unusual financing problems is being employed in the making of revolving and term loans to provide funds for working capital, plant expansion, and other purposes. While the very nature of the relationship between depositors and banks calls for careful scrutiny and some caution in the making of longer term loans, an earnest effort has been and will be made to supply the funds necessary in this direction. There are many signs of banks generally seeking an opportunity to broaden their services, including the establishment of departments for the extension of credit both to purchasers of consumer goods directly and through financial assistance to dealers and wholesalers of these commodities. The obligation of banks to assist in supplying the American people with desperately needed housing, through mortgage financing, will be fulfilled and reflected by a growth in mortgage accounts.

The unusual features of the present period make dangerous any prophecies as to the future. However, it is obvious that United States Government securities will continue to represent a large part of banks' portfolios and this with some increase loan demand suggests a continuation of satisfactory earnings. The cessation of our war activities will cause, at least temporarily, some redistribution and possible decline in bank deposits, which are very naturally closely related to government financing and industrial activities. The liquidity reflected in the financial reports of banks indicates that they are in an excellent position to meet their requirements.

The present problems of reconversion certainly are no surprise. It has been recognized for some time that the adjustment from war to peace would involve a resetting of prices and wages, increase of unemployment, decline in production, and falling of national income. However, while these changes do not seem to be fundamentally unlike those accompanying the closing of other wars, the stoppages occasioned by the disagreements between labor and management, if allowed to continue too long, could accentuate them to the point of disaster. Therefore, the future welfare and happiness of the American people are dependent upon the ability of labor and management to reach a speedy settlement of their differences and the American people look no less to labor than to management for a solution of their problems.

The shelves of this country, and for that matter of the world, are almost bare of most things necessary to our well-being. Once we turn our energies to producing these goods, all will agree that great prosperity awaits us. We have the money, the ability to produce, and the demand.

A. D. SIMPSON

President, The National Bank of Commerce of Houston, Texas

As we convert from war industry to peacetime industry, I cannot help but feel that the Gulf Coast area and other parts of Texas can look forward with confidence to the brightest of prospects. During the war, Houston and other Texas bankers have done an outstanding job, taking the lead in eight War Bond Drives, and at all times urging their customers to spend less than they earn. They have made many unusual loans to industry to forward the war effort and have handled the War Bond program without cost to the Government. I am convinced that whatever the problems of peacetime banking and reconversion are, Houston and other Texas bankers will tackle them with the same spirit through which they made their war contributions. As we swing over to peacetime work, I believe that this area will have a minimum of unemployment and similar problems.

HERBERT E. SMITH

President, United States Rubber Company

The rubber industry is expected to produce goods in 1946 with a value of $1,500,000,000, an increase of 66% over the corresponding figure of $900,000,000 in 1939, the last wholly peacetime production year. Major part of this record production will be accounted for by tires. Operating at capacity, the industry is expected to produce more than 80,000,000 units, of which 66,000,000 will be passenger car tires. Previous largest passenger car tire output was 50,000000, in 1941. Achievement of the 66,000,000 goal of 1946, which is at the rate of more than two tires a second, will ease the tire shortage, but not noticeably until the latter half of the year.

Other goods, such as footwear, golf balls, and drug sundries, will also be scarce in the early part of the year, but with the industry geared for capacity output, supplies will greatly increase as the year progresses.

Total consumption of rubber by the United States in 1946 is estimated at 900,000 tons, which compares with the previous high of 780,000 tons in 1941, and an average of 540,000 tons in pre-war years. Of the 900,000 tons, approximately one-third may be natural rubber and the remainder various kinds of synthetic rubbers.

World consumption of all types of rubber for 1946 is placed at 1,400,000 tons. The year's potential world production of all such rubbers is estimated at 1,900,000 tons, of which 1,200,000 is synthetic capacity in the United States.

(Continued on page 588)

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

The Elusive Dream of Full Production

(Continued from page 585)

savings do not amount to much, in other words, when the income of the buying public cannot match rising prices. This is a different situation now. We have an unbalanced budget and are ready to keep it unbalanced for an indefinite period and in an indefinite magnitude. The more prices rise, the more public deficits will be pouring out, and the more of the $200 billions excess cash savings will be disbursed. And they may be disbursed over and over again.

Of course, it happens even in a run-away inflation that prices jump ahead of the printing press. The German inflation, e.g., witnessed such "crises" in its run-away phase, which had to be "corrected" by the printing press working over-time to overcome the temporary money shortage. In a slow inflationary process like ours, it will take quite some increase of prices, probably a doubling from the present level, before this kind of "deflation" can occur—provided that in the meantime the money-tide does not continue its ascendency.

To Sum Up

At the present, there is not audible even a murmur of public dissatisfaction with the onslaught of price inflation. To the contrary, the public is perfectly willing to condone a "compromise" solution of the current labor controversies and to swallow higher prices. This is what makes the labor trouble acute for the present, and chronic for the visible future. It will stay with us as long as the money flood—the policy of large scale deficit spending at home and abroad—continues. The wage earner simply tries to make the most of that. As a rule he does so in the primitive fashion of John L. Lewis, who drives a bargain with the employers at the expense of the consumer. The CIO tries to be a little more sophisticated, realizing that the laborer's gain is soon lost if prices rise. Which they do anyway, and each time new labor troubles will rise, causing in turn more price inflation. It is a vicious circle, if there ever was one. And every time, production will be interrupted, if indeed it ever gets fully underway, with no prospect for a "consumers' strike" until prices have run up very much further, but with good prospects in the meantime that the incessant industrial strife will offer unusual opportunities for communistic propaganda to foster more strife.

Roosevelt Dimes Released Jan. 30

Secretary of the Treasury Vinson announced on Jan. 17 that the United States Mint would begin striking the Franklin D. Roosevelt dime on Jan. 18, while Nellie Tayloe Ross, Director of the Mint, stated that on and after Feb. 5, the new coins would be released over the country through the Federal Reserve Banks and branches as well as through the cashier of the Treasury. It was later made known that the release date had been fixed at Jan. 30. The Treasury Department advices Jan. 17 said:

The 10-cent piece commemorating the late President and designed by John R. Sinnock, the Mint's chief engraver, is of exactly the same size and metallic content as the dime now circulating. The "head," or obverse side, bears a portrait of Mr. Roosevelt facing left, the word Liberty around the left border, in the lower left field In God We Trust, and the date, 1946, in the lower right field.

Gain in N. Y. State Savings Bank Deposits

A net gain of $1,167,564,768 in savings deposits for the 131 mutual savings banks of New York State is reported for 1945 by Robert M. Catharine, President of the State Association. This brings savings bank deposits in New York State to an all-time peak of $8,283,462,494, an increase of 14.8% for the year. This is the largest gain in savings ever recorded. Mr. Catharine states that "even more remarkable than the gain in dollar deposits is the fact that these deposits are represented by 6,672,824 separate accounts, or the equivalent of a savings account for one out of every two people in the State. The net gain in the number of depositors for the year was 266,996." He likewise says:

"Furthermore, the gain was not entirely due to "wartime" savings, for even in December, when it might have been expected that people would spend all of their money for gifts to celebrate the first peacetime Christmas in five years, our savings deposits rose by $90,070,613 and the number of accounts increased by 25,926. Certainly nothing could indicate more clearly the will to save on the part of American people and the confidence they have in this fundamental savings system."

"Since Jan. 1, 1942," Mr. Catharine pointed out, "there has been an increase of approximately 628,000 in the number of savings bank depositors, while total deposits have risen by $2,734,000,000, a gain of nearly 50%. In addition to this, people have bought a total of $1,160,000,000 in War and Victory bonds through the savings banks since the Government program started in May, 1941. $56,808,000 of these purchases were made during the Victory Loan Drive which was 114% of the savings bank quota."

Cotton Merchants Dinner

A Victory Meeting and Dinner will be held by the Association of Cotton Textile Merchants of New York on Feb. 1 at the Ritz-Carlton Hotel, according to an announcement by its President, W. Ray Bell. Guest speakers for the occasion will be the Secretary of Agriculture, Clinton P. Anderson, John M. Hancock of Lehman Brothers and Hugh M. Comer, President of Avondale Mills and Chairman of the Cotton-Textile Institute.

Williams to Advise Reserve Council in Philadelphia

David E. Williams, President of Corn Exchange National Bank and Trust Company, Philadelphia, has been appointed to serve during 1946 on the Federal Advisory Council of the Federal Reserve System representing the Third (Phila.) Federal Reserve District. Mr. Williams is a director on the boards of numerous corporations, and is a Trustee of the University of Pensylvania.

EMANUEL & CO.
MEMBER
NEW YORK STOCK EXCHANGE
52 WILLIAM STREET
NEW YORK 5, N. Y.

INDUSTRIAL, RAILROAD, PUBLIC UTILITY
and FOREIGN SECURITIES
UNLISTED TRADING DEPARTMENT
WERTHEIM & CO.
MEMBERS
New York Stock Exchange
New York Curb Exchange N. Y. Cotton Exch. Chicago Board of Trade
N. Y. Coffee & Sugar Exch., Inc. N. Y. Cocoa Exch., Inc. Commodity Exch., Inc.
New York Produce Exchange Chicago Mercantile Exchange
120 BROADWAY
Teletype: NY 1-1693 NEW YORK 5 Cables: Wertma New York
Telehpone: REctor 2-2300

Dealers and Brokers in
Railroad, Public Utility & Industrial
Bonds & Stocks
INGALLS & SNYDER
Members New York Stock Exchange
Members New York Curb Exchange
100 BROADWAY NEW YORK 5, N. Y.
COrtlandt 7-6800

REORGANIZATION & "WHEN-ISSUED" SECURITIES
RIGHTS & SCRIP
Brokers and Dealers in General Unlisted Bonds and Stocks
Josephthal & Co.
MEMBERS
New York Stock Exchange New York Curb Exchange
Chicago Board of Trade Commodity Exchange, Inc.
120 Broadway, New York 5, N. Y.
REctor 2-5000 Bell System Teletype NY 1-319
19 Congress St., Boston 9, Mass.
Lafayette 4620 Bell System Teletype BS 360
Direct Telephone to Boston and Private Wire System
To Correspondents in Principal Cities

BRAND, GRUMET & ROSS
MEMBER NEW YORK STOCK EXCHANGE
MEMBER NEW YORK CURB EXCHANGE
120 Broadway, New York 5, N. Y.
Telephone: BArclay 7-2580

UNDERWRITERS WHOLESALE DISTRIBUTORS
DEALERS IN
Railroad • Public Utility • Industrial
Bonds and Stocks
CHAS. E. QUINCEY & CO.
ESTABLISHED 1887
MEMBERS
NEW YORK STOCK EXCHANGE NEW YORK CURB EXCHANGE
25 BROAD STREET
NEW YORK 4

Telephone HAnover 2-9300
J·G·WHITE & COMPANY
INCORPORATED
37 WALL STREET • NEW YORK 5
ESTABLISHED 1890
Bell System Teletype NY 1-1815
In association with
Kirchofer & Arnold, Inc.
RALEIGH, N. C. CHARLOTTE, N. C.

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

Business and Finance Speaks After the Turn of the Year

(Continued from page 586)

PAUL B. SOMMERS

President, The American Insurance Company

As we enter the New Year, the impact of the Supreme Court Decision in 1944, holding that insurance is commerce, continues to share the limelight with increased premium volume and higher burning ratios in the fire insurance business.

Paul B. Sommers

Most companies are taking stock of their manpower situations looking forward to a more aggressive marketing program through local agents and brokers during the year 1946. The return of many qualified men from the armed forces should stimulate this activity.

The laws in several states during the past years have been changed to permit fire insurance companies to write those classes of protection formerly the exclusive charter rights of casualty insurance companies. Aggressive management, no doubt, will survey the possibility of multiple line operations in the light of this trend looking toward the economies that could thus be obtained.

The investment phase of fire insurance companies' operations involving satisfactory return on invested capital, surplus and unearned premium reserves will continue to be a problem, particularly when striving for safety plus an adequate income from this source.

In general the outlook for 1946 is promising as to premium income for those companies which sell aggressively. A small margin of profit should be obtained through careful underwriting despite the trend towards higher losses unless inflation grips our land.

REUBEN E. SOMMER

President, Keystone Steel & Wire Company

The demand for wire products for industrial use, as well as agricultural, remains far greater than the supply and we are able to book orders as far ahead as we wish. The tremendous need for homes and equipment of all kinds would indicate prosperity for some time to come, particularly, in view of the great supply of money. We look for several years, at least, of high rate of production unless somebody in Washington throws a monkey wrench into the machinery. It will be a great day when labor leaders realize that wealth comes only from production.

R. E. Sommer

ROBERT C. STANLEY

Chairman and President, The International Nickel Company of Canada

"Deliveries of Canadian nickel to all markets in 1945 will be approximately 25% under the peak levels attained during the war years, but will be in excess of all but one peacetime year," Robert C. Stanley, Chairman and President, The International Nickel Company of Canada, Limited, announced in a 1945 year-end statement. "In recent months," he continued, "deliveries declined substantially from the corresponding period of 1944.

Robert C. Stanley

"Production was reduced at our Canadian plants by a shortage of labor during the first half of the year, reaching a high of 1,850 men in the spring, and by a sharp drop in nickel demand since August, caused by the sudden cutbacks in military requirements.

"Up to V-E Day practically all nickel went into war uses of the United Nations. Controls on the use of nickel and nickel alloys were removed by the Canadian and United States governments in late August and since then consumers have again been free to purchase their full requirements.

"In the six years beginning in September, 1939, the company produced and delivered to the United Nations about 1,500,000,000 pounds of nickel in all forms. Its capacity was materially increased in these years through expenditure of its own funds. The rate of our refined nickel production during the war years was about 50% greater than in prewar years.

"Present enlarged nickel capacity of Canadian producers is nearly 320,000,000 pounds annually. The largest annual prewar nickel consumption by the world was approximately 240,000,000 pounds in 1937. From this it would appear that Canada's nickel capacity is greater than the world's peacetime requirements.

"The war's end brought the nickel industry many of the same unsettled conditions that now confront other large industries. While the industry does not itself have the problems of reconversion, it must await the reconversion of its customers. It has no extensive plant alterations to make in this transition period from war to peace.

"Following the sharp decline in nickel consumption which occurred at the war's close, the fourth quarter of the year has witnessed betterment in the demand. This improvement would have been greater had it not been for labor troubles particularly in the steel and automotive industries in the United States.

"To provide for war contingencies, the output of nickel was maintained in excess of requirements for some months prior to the cessation of hostilities with Japan. Stocks on hand were rapidly accumulating. The drop in consumption which followed placed the production of nickel far above current demands and forced operating curtailments at International Nickel's Canadian plants.

"As has been the case in the past, the steel industry in the United States continued to be the greatest consumer of nickel in 1945. Approximately 60% of the total refined nickel delivered went into this field. During the years 1942 through 1945, International Nickel delivered nickel for war purposes to steel and other industries in the United States at an annual rate more than twice as great as any year prior to 1939. This was done in addition to supplying Canadian, United States and British nickel requirements at greatly increased wartime schedules.

"Four series of wartime engineering steels, which were developed by metallurgists of industry and government in the United States to conserve supplies of alloying elements, were adopted as standard by the American steel industry during 1945. These steels, which are known in the trade as 'triple-alloy steels,' contain nickel.

"Of the nickel consumed by the steel industry for wrought steels during the year, over 40% went into stainless steels. The tonnage of stainless steels during the past three war years has averaged the highest on record. Peacetime outlook for stainless steels is most encouraging. Some of the fields in which the uses of nickel-chromium stainless steels are expected to expand are the chemical, transportation and food processing industries.

"The company's rolling mills at Huntington, West Va., Birmingham, England, and Glasgow, Scotland, delivered substantially increased quantities of vitally needed Monel, Inconel and other nickel alloys for war requirements. During the conflict, the land, sea and air forces of the United Nations were the largest users of products of the Huntington Works, which was honored seven times by the Army and Navy of the United States.

"The end of the war saw an almost immediate resumption of nickel electroplating. All decorative applications of plating had been discontinued under war conservation measures. There was a substantial pent-up demand. Research and new developments in the past few years have furthered the adoption of specifications calling for thicker nickel coatings. Nickel is already flowing in sizable amounts into plating uses. The automotive industry in the United States is planning to use heavier nickel plating in its 1946 line of cars and trucks, which will result in a marked increase in the consumption of nickel in plating.

"The effectiveness during the war of cupro-nickel in condenser tubes on large ships and in piping in naval construction indicates broader use in peacetime applications. Much of this product will probably go into construction of new commercial vessels, coastal power stations, oil refineries and other equipment.

"Due to war restrictions the use of nickel silver for civilian purposes almost ceased. With the reawakening of this market, production of nickel silver for peacetime uses was resumed late in the third quarter. Since then a large demand has been noted and a continuation appears likely for its many applications, a few of which are silver-plated flatware, slide fasteners and hardware.

"Our company's stock of refined nickel at Port Colborne is now exceptionally high due to lack of demand, which is believed to be temporary. Many war uses of nickel were in industrial equipment converted to war services and these will now resume their place as peacetime applications. New uses for the metal have been developed during the war and manufacturers who never used nickel previously have discovered its beneficial qualities. Additional peacetime applications perfected during the war years promise to compensate for losses to competitive materials.

"Barring any unforeseen obstacles over which the industry has no control, our long range prospects are favorable. World War II has utilized more technically advanced equipment than ever before and nickel was employed in most of its construction. Since much of this equipment will be produced for peacetime applications, nickel's usage will be broadened.

"In meeting the wartime requirements of the governments in Ottawa, London and Washington the Canadian nickel producers have made a remarkable war record through increased production, the furnishing of technical service, the assistance in conservation of scrap, and aid in many other ways. It is hoped that these governments will soon terminate or relax obstacles to trade and thus again enable the Canadian nickel industry to serve world markets as formerly."

HERMAN W. STEINKRAUS

President, Bridgeport Brass Company

A brass and copper mill products industry enters the year 1946 with its books crowded with business, but at prices on which it is sustaining heavy losses.

H. W. Steinkraus

During the war the brass industry, making strip, rod, tube, pipe, wire, and similar products, was working 100% for war purposes. It was producing around 400% of its normal peacetime tonnages, and was showing reasonably good profits throughout.

When all war contracts were canceled on Aug. 16, 1945, the entire industry went into red figures because on its peacetime products it had to return to prices originally published on Dec. 26, 1940, and frozen by the OPA in March, 1942. Consistent efforts have been made over the period of the last two years by members of the industry to obtain relief, for they knew full well what would happen when war production had ceased. So far no price increases have been granted, although they are under consideration.

A matter which has put further pressure on the brass industry for quick delivery of products to the general public at this time is the fact that during the war the War Production Board created the Copper Recovery Corporation. This government corporation bought from every holder of brass or copper products any material on hand not for war purposes, and they were legally required to give it up—therefore all stocks in the United States had been completely depleted, except those actually being used for war purposes. It will take months before these stocks can be replenished.

While the industry finds it is in this position of losing money on current production, it is one of those industries in which the 30% wage demand is being made on every company in the industry, large or small, regardless of the present situation.

It is my belief that within the next three to six months we may expect to see both the wage question and the price question fully resolved, and also the remaining problems of reconversion from war to peace completed, and that beginning the second half of 1946 the industry will be exceedingly busy and reasonably profitable for a period of years ahead.

LAWRENCE F. STERN

President, American National Bank and Trust Company

While 1946 should be a satisfactory one for most business, management, in my opinion, faces the severest challenge since the outbreak of the war. Many industries, of course, have no special problem in converting to peace-time activities and most others have already made important progress, but the complexities of labor relations, higher wage costs, rising raw material prices, scarcities of materials and ceilings on selling prices will test the ability and ingenuity of employers of a large segment of our workers. It is apparent that the restoration of peace-time efficiency brings many problems.

Lawrence F. Stern

Despite this, it is reasonable to assume that business actually will be progressively better as the year goes on. The strikes which we have had and which we will have are no surprise to business leaders. They were anticipated last summer at the time that the war was drawing to a close. Strikes as such go along with good times and, on the whole, their effects are of a temporary nature so long as management is capable. As in other periods of prosperity, agreements between employers and employees will be worked out, and the general level of production this year should reach a reasonably good level.

If I were to make a guess, I would select the first quarter of this year as the one in which most strikes will occur and, at the same time, settlements will be reached. These settlements will act as the pattern for collective bargaining in other industries. If this proves to be true, earnings for the first three months will be the least satisfactory, and those of the second quarter will be somewhat better. The first six months, therefore, should be the most difficult for business as the full impact of raw material difficulties and labor problems will be felt. Management's ability to deal with these things and to recapture the higher production per man hour which was common to American business before the war will very largely determine profit possibilities in the final half of the year.

In mentioning first the unpleasant things business will face, I do not wish to minimize the many bright aspects of the business picture this year. We have emerged from the war with a heavy debt, but our wealth is still great and the average amount of spendable money is large. At this time, the available supply of goods is, on a relative basis, at an all-time low. This means, among other things, that the back-log of orders cannot be filled for a long time. In other words, business is in a sellers'

(Continued on page 590)

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

Price and Other Controls

(Continued from page 533)

tion. It was with this in view that the Congress provided price control.

Price controls at this moment are avoiding a repetition of the terrible disaster—the chain of disaster—that followed World War I.

It is a constant source of encouragement to President Harry Truman and to his Cabinet, and to all those who make up American Government, that the nation as a whole sees the wisdom of his program and supports it.

That, to me, is a heartening sign of a people alerted and educated to the problems of the hour.

Big Men of Labor and Big Men of Business came to Washington during the war to assist in the vastly complex administration of our war economy, and they learned the widsom of the controls which are now in force.

This group, newly educated in the processes of Government, gives strong support to all of the Administration's forward-looking measures.

However, while there are big-men-of-labor and big-men-of-business, there are also just big-labor-men and big-business-men. Big men of labor and big men of business are fighting the reactionary elments within the councils of labor and industry. They champion the cause of big-men-of-the-people in your Government. It is a struggle in which the economic future of our country is at stake.

In the matter of price control, for example, we have the facts of history to guide us. It was contended that price control would hamper war production. We know now, however, that America's productive capacity during this war reached astronomical proportions and remains the greatest industrial miracle of all time.

But what are the facts and figures?

In World War I, without price control, our production rose 25%. In World War II, with price control, our production jumped 116%. Instead of hampering production, price control promoted it!

World War I cost this nation thirty-two billion dollars. World War II cost this nation three hundred and one billion dollars.

These expenditures, financed in large part by borrowings, produced an enormous pool of liquid capital which hangs over the nation as an awesome, inflationary threat.

That, to me, would seem to indicate that runaway inflation after this war could be expected to be as much more disastrous than the events after World War I as, say, the atomic bomb is to a cap pistol.

The threat of inflation is being diligently attacked in spite of the powerful forces that would, overnight, remove the controls which stood as bulwarks to make us as victorious in our peace-economy as we were victories in our war-economy.

To appraise the success of the fight of your Government against inflation, let us consider these facts:

We fought the greatest war in our history with an increase in the cost of living of only 31%. At the time of the Armistice in World War I, however, the cost of living rose exactly twice this amount, or 62%, and what is worse, that spiral of inflation continued until the cost of living reached 108% a year and a half after the War.

Keep in mind that the inflationary pressures in World War I were only a fraction of those which the nation has contended with in this war, and, in spite of this, today—six months after the victory over Japan—the cost of living is at the same level as it was on V-J Day. It has not risen a penny since the War ended!

That is a victory for the people that should never be forgotten!

In the face of such an achievement, it is unbelievable that there are still those opponents of price control who would throw away these national safety measures before production has caught up with demand and the inflationary threat has been removed.

Must Have Full Production

As you know, the plan of your Government is to use all measures to encourage production to reach the level of demand, and thereafter to stimulate both production and demand. We all now recognize it as elementary that the answer to inflation is Production!

Let me repeat: We must have full production!

We must have it now.

Tomorrow may be too late.

Today we do not have it.

Today, instead, we have the spectacle of some of our largest and most vital factories standing idle, at a time when the demand for goods is greater than it has ever been in the history of our country.

It is time Big Men of Labor and Big Men of Business quit this tug-of-war for power. They each, as the President said yesterday, have too much power already. They must come forward in the interest of America and settle their differences, otherwise your Government will have to step in. Then there will be the same old cry of too much Government.

But it is not a question of too much Government.

It is a question of too much kicking around of the public; and you may be sure that your Government will put an end to that. Yes, put an end to that—for your President is determined to exercise every power of Government at his command to maintain production at its highest peak.

Last night I was privileged to attend a testimonial dinner for two great Americans, General Dwight Eisenhower and Admiral Chester Nimitz—both native sons of Texas by the way. General Eisenhower in a prophetic message, reminded us that the countries of the world are interdependent; and that they can no longer exist in peace unless this interdependence is recognized and appropriate steps taken to foster peaceful communication, trade and commerce. I wholeheartedly subscribe to that view.

The Loan to Britian

In order to maintain full-time production, we must create and maintain a sufficient demand for our products. One of the important factors in our peacetime economy is our export market. We export the largest volume of products of any country in the world. England is the largest importing country in the world. It seems clear to me that if the commerce of the world, including our own,

(Continued on page 591)

We extend the complete facilities of our

OVER-THE-COUNTER TRADING DEPARTMENT

to

Banks, Brokers and Dealers

Orders executed on a commission basis.

Our

"Special Situations"

Department

is maintained for the accumulation or placement of large blocks of Over-the-Counter Stocks and Bonds.

Greene and Company

Members New York Security Dealers Association

37 Wall St., New York 5, N. Y. Tel. HAnover 2-4850

Teletype Bids & Offerings at our expense

BELL SYSTEM TELETYPE—NY 1-1126 & 1127

LUCKHURST & Co.

Members N. Y. Security Dealers' Assn.

We are interested in block offerings of unlisted securities for distribution through our organization.

40 EXCHANGE PLACE NEW YORK 5, N. Y.

Inactive Unlisted Securities

INDUSTRIAL STOCKS

INSURANCE STOCKS

NEW ENGLAND BANK STOCKS

PAUL D. SHEELINE & CO.

31 MILK STREET, BOSTON 9, MASS.

HANcock 0170 Bell Teletype—BS 51

Western Union Teletype

INTER-CITY WIRE SERVICE

FAST AND EFFICIENT SERVICE MAINTAINED BETWEEN THESE CITIES

IN CLEVELAND
GOTTRON, RUSSELL & CO.
OHIO SECURITIES

IN ST. LOUIS
FUSZ-SCHMELZLE & CO.
MISSOURI SECURITIES

IN NEW YORK CITY
TROSTER, CURRIE & SUMMERS
OVER THE COUNTER SECURITIES

IN PITTSBURGH
YOUNG & CO., INC.
WESTERN PENNSYLVANIA SECURITIES

IN DETROIT
BAKER, SIMONDS & CO.
MICHIGAN SECURITIES

IN CHICAGO
LANGILL & CO.
ILLINOIS SECURITIES

IN YOUNGSTOWN
BUTLER, WICK & CO.
OHIO SECURITIES

Inquiries and orders invited

Mitchell & Company

Members Baltimore Stock Exchange

120 BROADWAY · NEW YORK 5, N. Y.

Tel. WOrth 2-4230 · Bell Teletype N.Y. 1-1227

OVER-THE-COUNTER SECURITIES

gitized for FRASER
tp://fraser.stlouisfed.org/

Business and Finance Speaks After the Turn of the Year

(Continued from page 588)

market, and its prospective customers are well able to buy its products.

Without proper handling, this could end in serious inflation. On the other hand, it probably will result in nothing worse than some increase in price levels. Certainly this will be true if the things which are interfering with production at the present time are substantially lessened and management can again resume production on the scale characteristic of American industry. We should not lose sight of the fact that, while strikes are head-line news, the bulk of our companies are at work, and the trickle of their products which are reaching our markets now can very well turn into a flood before the year is over. As business goes along the next few years, satisfying the enormous requirements of our own people and of those in other countries whose needs are even larger than our own, it is readily apparent that there is no lack of demand. In other years, when somewhat similar conditions existed, management has been able to meet this challenge and nothing has happened in recent years to justify any loss of faith in the native ability of our business leaders. A review of these various factors, therefore, leads me to the conclusion that, on an over-all basis, we are going to have a prosperity which will be beneficial not only to employees but also to the shareholders in American business.

JOHN A. STEVENSON

President, The Penn Mutual Life Insurance Company

In the transition from wartime to peacetime economy, life insurance companies face problems of long-range development rather than problems of immediate reconversion.

John A. Stevenson

At the end of 1945, in addition to the National Service Life Insurance purchased by those in the armed forces, the American people owned approximately $155,000,000,000 of life insurance—the highest total in the history of the business. Moreover if World War I history repeats itself, the Government insurance now owned by service men and women, by "raising sights" on the amount required for adequate coverage, will stimulate rather than discourage regular life insurance sales.

Nobody can foresee what economic changes may occur in the postwar period. But the backlog of purchasing power built up by wartime incomes; the thrift habits developed by wartime payroll savings plans; the more intensive cultivation of the market for life insurance among women and juveniles and the wider adoption of employee retirement plans; the effect of present tax rates on people's ability to build estates and to make real increases in high-bracket incomes by increasing investments; all these are among the important factors which would tend to support a rising life insurance sales curve. Moreover, this rising life insurance sales curve has a significance beyond the life insurance business, for at no time has the threat of inflation made it more important that dollars should be channeled into savings rather than allowed to compete for the available supply of consumer goods.

On Dec. 31, 1945 the U. S. Government Bond holdings of all U. S. legal reserve life insurance companies totaled over $20,000,000,000 but it is clear that financing by the United States Treasury in 1946 will be on a greatly reduced scale. It is true, also, that most corporations now are in strong financial positions and many are able to undertake their reconversion projects without resorting to new money financing. There are others, which may believe it advantageous to borrow at the current low level of interest rates but, in view of the large volume of money available for investment, there seems to be little prospect of an early upturn in the net interest returns of the life insurance companies.

The unfavorable effect on life insurance costs of declining interest yields has been offset, in part at least, by favorable mortality rates. The health record among life insurance policyholders during recent years has been excellent and even the war's effect on mortality was not as serious as anticipated at the outset, war claims between Pearl Harbor and V-J Day being only 6% of the total death benefits paid by the life insurance companies. Moreover, the medical advances made during the war and postwar reasearch projects, such as the cooperative research being undertaken by the life insurance companies on disease of the heart and arteries, are bound eventually to have a favorable effect on future life insurance costs.

During 1946 the attention of the life insurance companies will, naturally, be focused on questions directly affecting the business such as the authorization of new life insurance mortality tables which will come before several State Legislatures, including New York, and on problems occasioned by the Supreme Court's decision holding insurance to be interstate commerce. Obviously, however, satisfactory progress in the life insurance business must reflect satisfactory progress in solving the country's economic problems and the life insurance companies must shoulder their share of responsibility in arriving at these solutions.

JACK I. STRAUS

President, R. H. Macy & Co., Inc.

The year 1945 has established a new high record for department store sales. Contrary to expectations last summer, the end of World War II has not resulted in sharp declines of retail sales. While industrial production has declined sharply, income payments have not fallen off as rapidly. Purchasing has been sustained by the high level of activity in industries other than manufacturing, the continued large volume of Government disbursements, separation payments in industry and by unemployment benefits. It seems clear that relief from war tensions has also stimulated considerable consumer buying. To some extent, consumers have drawn on accumulated savings, but thus far this factor has been of minor importance. It is remarkable that civilian industries have done so well in meeting these heavy merchandise demands.

Jack I. Straus

In 1946, we may expect a further contraction of Government disbursements and perhaps some temporary declines in income payments until peace time industry gets into full swing to meet the large replacement demands that a long war has created. There are still acute shortages in many lines of merchandise and many months must elapse before a proper balance between civilian production and consumption is restored.

The present industrial conflict between labor and management and consequent strikes have produced a serious setbeck to the crying need of the country for a rapid resumption of all-out production of consumer and durable goods.

The retail industry faces important problems of readjustment. Rising expenses due to restored services and higher wage costs will characterize operations in 1946. Moreover, prevailing margins are likely to be squeezed severely by rising merchandise cost and continued price control during the first part of the year. A moderate decline in sales volume would increase operational difficulties. It is therefore most important for retail management to return promptly to those tested principles of good management which, for one reason or another, have been impossible under war conditions. These include better balance of stocks, reduction of outstanding orders as rapidly as conditions permit, better turnover, better utilization of facilities, improved mechanical aids where possible, revived sales and executive training programs and intensive preparation for a better all-around merchandising and selling performance. Sustained profits will result from these more efficient operations.

ROBERT STRICKLAND

President, Trust Company of Georgia, Atlanta, Georgia

Now that the war is over the South shares the national need for new construction — in homes, factories, and stores. When production of building materials is increased, and when mechanics are again available for work, this vacuum will quickly provide large employment, provided building costs stabilize.

Robert Strickland

At the first of the year it was estimated there were 80,000 unemployed in Georgia and a total of 296,000 in six Southeastern States. While there is a tendency for this number to level out, it is due for gradual increases up until May. Many eligibles are accepting unemployment benefits for the full period notwithstanding the fact that employment is available at higher wages and, in many instances, are declining proffered jobs.

As an illustration, construction mechanics are generally plentiful in this area. After the closing of war projects they very largely entered shipbuilding plants, which are now almost entirely closed. Notwithstanding the high wage scales in the construction industry many of these unemployed prefer to accept unemployment insurance or to live on existing savings.

Meanwhile, our great textile industry will be busy, and nearly all of our pre-war industry will likewise produce fully as rapidly as materials are available.

In the interim, accumulated savings of war workers and service men are keeping retail trade at high levels. Unemployment indices do not reflect fully those not gainfully employed as many not now working are not applicants for places through any of the employment services. They will not be until their savings run low.

The long term outlook for the growth of Industry in the Deep South States is good. We shall have to shift from a nearly 50% agricultural employment to vastly increase our approximately 7% industrial group. We must enlarge and expand, with our own capital and energies, much of our present manufacturing structure.

This is not to rule out the coming here of branch factories for national companies. They will be welcome, and if they expect to enlarge their sales in an improved Southern market, they must spend some of their payroll money here, but with war expanded facilities to be absorbed in their present locations, no early or general exodus is likely.

The South enjoys certain definite advantages that no legislative program, or other premature artificial wage equalization, can remove. They are in part physical, arising from the warmer climate, and in part moral, arising from a greater regard for spiritual values as expressed in religious attitudes, respect for law, and a love of individual freedom.

These advantages are translatable in the course of relatively short periods of time into increased production, better living standards, more stable government, and dependable industrial relations.

So it is my view that the Deep South States, not yet having shared proportionately in our national industrial life, will undergo many growing pains in the near future, but that it now possesses the capital, and will retain the "know how" it has heretofore in large measure exported from our colleges, to build in the next generation the nearest approach to industrial Utopia which has been seen in our nation.

W. B. STOKELY, JR.

President, Stokely-Van Camp, Inc.

We have a stake in both the canning and quick freezing industry. I think the prospects in each branch of our business are excellent.

There is a tremendous deficiency in dealers' shelves throughout the country on canned foods which has to be filled, and I do not believe it will be filled in the current calendar year. In other words, I expect a shortage for at least another 12 months on canned foods in general, although there might be particular items which would prove an exception to this rule.

As regards frozen foods, there is a tremendous market waiting there, which currently cannot be taken care of by anyone due to lack of production facilities. I believe it will take three or four years to catch up on this item.

We have another division to our business, the Tenderoni end, which is a special improved short cut macaroni, which is moving very well. We believe the market will continue on this, but there is not the scarcity situation on Tenderoni that prevails on both canned foods and frozen foods.

My best guess is that the shortage on macaroni products will be taken care of first, canned foods second, and frozen foods last.

L. A. VAN BOMEL

President, National Dairy Products Corporation

Through the efforts of farmers, the dairy industry, and certain branches of the Government, total milk production in the United States was increased very substantially during the war. Dairy Dairy products were included in the diet of the Armed Forces to a much greater degree than during any previous war. Because of their great energy value, milk, cheese and ice cream were also consumed in much larger quantities by workers in factories turning out war materials. Increased purchasing power stimulated a high civilian demand for dairy products. As a result, even the increased milk production fell short of the demand. Shortages for civilians developed in butter, cheese, cream and other dairy products, and rationing was necessary to spread the available supply as equitably as possible.

L. A. Van Bomel

The unprecendented demand for dairy products has continued since V-E and V-J Days. Milk production of approximately 123 billion pounds in 1945 set an all time high. Nevertheless, dairy products still fall far short of the demand, particularly in the case of butter and cheese. There are several reasons for this. First, consumers are more conscious than ever before of the nutritive value of dairy products in their various forms. Second, the cost of milk and other dairy products is very reasonable in comparison with that of other energy foods. Finally, high purchasing power has undoubtedly been a contributing factor.

There is every reason to believe that this situation will continue through 1946, and that the demand for dairy products will again exceed milk production. Consequently, some dairy items will remain difficult to obtain. While every effort is being made to stimulate an even greater milk production in 1946, it is not possible now to say how successful this effort will prove. Weather conditions during the Spring and early Summer always have an important bearing on milk production, as well as on the growth of feeds for use during the succeeding fall and winter. It is, of course, impossible to predict what the weather will be.

Looking forward to future years, an increasing per capita consumption of dairy foods seems likely. Millions of young men and women have formed a taste for them while in the Armed Forces, and public understanding of their important nutritive value is spreading rapidly.

The war and its food requirements provided an added stimulus to research in the dairy field, and a number of new by-products of milk have been developed. Penicillin, streptomycin and the amino acids are examples of

(Continued on page 592)

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

Price and Other Controls

(Continued from page 589)

is to become healthy again then much depends upon what England and the United States do in re-establishing their export and import trade.

A healthy foreign export trade in normal times means the difference between prosperity and depression to the United States and even in depression years, it is interesting to know that we exported some 8% of our entire agricultural and industrial production. For every two pounds of tobacco we consumed in peacetime, we sold one pound abroad, and for every bale of cotton, we sent one into foreign commerce.

Before the war, nearly 40% of all of our exports were sold to the British Empire. This is evidence to me that every section of this country and every American industry has a vital interest in the opening of British markets to our products on fair and non-discriminatory terms. You, in Indiana, have an important interest in these outlets for your production and thus you have an important interest in the proposed financial agreement heretofore signed by the United States and the United Kingdom, which is now before the Congress for approval.

What is this agreement? Is it a gift? No, definitely not. It is a loan that will enable the United Kingdom to eliminate wartime restrictions on trade and currency which it imposed for its self-protection. It cannot eliminate these restrictions without capital to finance the restoration of its production and commerce. Britain has little to sell now; in fact, the "blitz" reduced its export commerce to 30% of its 1938 level. If the United Kingdom is able to remove these restrictions, then the other nations of the world will be able to eliminate similar restrictions and the commerce of the world will be immeasurably benefited. The alternative leads to the disasters of economic warfare which are so vivid in our minds, and economic warfare, as we all know, is one step from war.

We have participated in establishing the United Nations Organization to end the scourge of war, but the ideals implicit in that organization will be meaningless unless the peoples of the earth can truly work together to end restrictions on trade and commerce, thereby establishing one of the foundations for international prosperity. Need I remind you that **our** prosperity depends upon the prosperity of the world?

It is good business for us to make this loan. We not only will be repaid the principal with interest, but we secure a guarantee from the United Kingdom to remove all of the restrictions I have heretofore mentioned. This commitment will protect our trade from discrimination and permit American products to go more freely over the world. In short, it affords us assurances of an expanding market for our products; it assures England of the means for the restoration of her commerce; and, in thus securing the international commerce of two important members of the United Nations, it thereby contributes to the health and growth of the trade and commerce of all the world.

There are abroad in the land prophets of fear and despair. There are those who, motivated by selfish interests or perhaps merely by impatience, cry for coercive laws. Some want coercive laws against one group—others against another group. It seems that the selection of the group depends only on the answer to the question of whose steer you want branded. Some, I am sorry to say, have hate in their hearts.

Wants No Labor Resraints

But we are lawyers trained in careful thinking, and we know there are some things on which you cannot legislate successfully any more than you can legislate away the rising of the sun or the movements of the tides. There is a homely expression for it: "You can lead a horse to water but you cannot make him drink." Let us not forget that coercion not only has its limitations, but also its dangers. Let us ask ourselves: Once coercion is used, are those who recommend it prepared to say that its use against one group will not be invoked against another?

Will not labor restraints lead to business restraints? And other restraints? History answers—it will.

For coercion, once you start it, is not a one-way street. Coercion begets coercion. Ours is not a system that is hospitable to ideas of force. Ours is a system that believes in letting off steam, that encourages negotiation and arbitration, and a meeting of the minds.

Sometimes progress is slow. Disputes can not be settled with a stroke of the pen because we have never given power like that to anyone's pen, and we never shall. Some price must be paid for the liberty we enjoy.

We live in an age in which we have seen—right under our very eyes and in our time—peoples of other lands toss away their freedom to grab at economic security. We have seen them lose both.

As your Attorney General, my advice is against any type of coercive legislation.

This is not the country for that! It is not justice! It is not the democratic way!

Price Controls Jealously Guarded

The Congress has jealously guarded, and properly so, its authority with reference to price control. It has placed every safeguard for the public in that Act. The Price Control Act has been a temporary one all during the war period. In fact, the grant of authority under the Act has never extended for over a year, and on June 30th it again expires.

Your President has recommened its extension, and I feel certain that as a thinking and articulate group you concur in this recommendation and will give him your full support. Similarly, in regard to the labor-management problem, the President has an intelligent and democratic proposal.

He has suggested, as you know, the strengthening of the Conciliation Service in the Labor Department. He has also proposed the granting of power to the President to appoint Fact Finding Boards for the prevention of stoppages of work in nation-wide industries, but only after collective bargaining and conciliation and voluntary arbitration have failed. These Boards, now operating under wartime emergency powers, would have the authority to secure the facts and publicize them.

The strong arm of public opinion—your opinion and mine—would then become a decisive factor in the fair settlement of labor-management disputes.

Cunningham Dept. Mgr. At Kidder, Peabody

Kidder, Peabody & Co., 17 Wall Street, New York City, members of the New York Stock Exchange, announce that Capt. Francis J. Cunningham, A.U.S., has returned to the organization and has been appointed manager of the firm's institutional trading department.

"Business Booms & Depressions"

Including All Wars from 1775 to 1946

A Graphic Picture of American Business And Financial Cycles

FREE CHART ON REQUEST

Security Adjustment Corporation

ESTABLISHED 1935

Members New York Security Dealers Association

16 Court St., B'klyn 2, N. Y. Tel.—TRiangle 5-5054

DEALERS and BROKERS in

Listed and Unlisted Securities

Industrial Reorganizations

Member Society for the Advancement of Management

KROMER & COMPANY

INCORPORATED

80 WALL STREET • NEW YORK 5, N. Y.

Telephone WHitehall 4-5461

R. H. Johnson & Co.

Established 1927

INVESTMENT SECURITIES

64 WALL STREET NEW YORK 5

BOSTON PHILADELPHIA

Albany Troy Buffalo Syracuse Pittsburgh

Dallas Wilkes Barre Baltimore Williamsport

Springfield, Mass. Woonsocket, R. I. Harrisburg

Washington, D. C. Scranton, Pa.

We are specialists in the retail investment field. Our retail salesmen in 10 states enable us to distribute among real investors, attractively situated bonds and stocks.

LISTED SECURITIES

traded

OVER - THE - COUNTER

ESTABLISHED 1920

A. O. VAN SUETENDAEL & CO.

Members National Association of Securities Dealers, Inc.

SERVING DEALERS FROM COAST TO COAST

20 S. Broadway, Yonkers 2, N. Y. YOnkers 3-0355

New York City—LOrraine 2-9667 Bell Teletype—Yonkers 2318

Servicing Dealers from Coast to Coast

Dealers In

Over-The-Counter Securities

BLAIR F. CLAYBAUGH & CO.

Member Philadelphia Stock Exchange

Member New York Security Dealers Ass'n

72 WALL STREET, NEW YORK 5, N. Y.

Tel. WHitehall 3-0550 Tele. NY 1-2178

Syracuse Harrisburg Pittsburgh Miami Beach

Own Private Wire System

BUCKLEY BROTHERS

Members New York, Philadelphia and Los Angeles Stock Exchanges

Private Wire System between Philadelphia, New York and Los Angeles

1529 Walnut Street Philadelphia 2, Pa.

NEW YORK 5, N. Y. 63 Wall Street

LOS ANGELES 14, CALIF. 530 W. 6th Street

HAGERSTOWN, MD. Wareham Bldg.

SAN DIEGO, CAL. 625 Broadway

PITTSBURGH 19, PA. Union Trust Bldg.

gitized for FRASER
tp://fraser.stlouisfed.org/

Business and Finance Speaks After the Turn of the Year

(Continued from page 590)

recent benefits to mankind in the production of which milk by-products have played an important part. I believe these developments are in their infancy, and that the future will see great advances in milk chemistry and dairy research, leading to the discovery of many new milk by-products for use as foods, for supplemental feeding and for medicinal and industrial uses.

While sales and profits will always be influenced by purchasing power and general business conditions, I am confident that the dairy industry has great possibilities for further growth and expansion, both in the sale of its present products and in the development of new ones.

BRADFORD H. WALKER

Chairman, The Life Insurance Company of Virginia

Bradford H. Walker

I feel this country as a whole should be entering an unparalleled opportunity if the wage question is settled without further delay.

Of course, we read of the inflation threat and the cure for this is production. With the enormous demand for every conceivable kind of goods, we should be entering a period of high employment with a great volume of business, and with the increased wages, the highest standard of living this country has ever known.

If labor and business get together and our government reduces expenses, we should then be able to enjoy prosperity for many years to come.

LOUIS WARE

President, International Minerals and Chemical Corp.

In a year-ending statement to the "Chronicle", Louis Ware, President of International Minerals & Chemical Corporation, said that mechanization, research and the intelligent use of plant foods made it possible for 7,000,000 fewer American farmers than there were 10 years ago to produce approximately 25% more foodstuffs annually during the war years. Yet, he believes farmers need have no fear of overproduction in peacetime if present employment levels are maintained.

Louis Ware

Concerned with the welfare of the nation's farmers because his firm is the world's largest miner of phosphate, a dominant factor in American potash production, and a manufacturer of fertilizer and other mineral and chemical products such as the amino acids, including mono sodium glutamate, Mr. Ware warned against the "theory of scarcity." The war proved the world can consume every item the farmer can raise, he pointed out, but it will take a sound economy in our own country to help insure the ability of the rest of the world to purchase its needs.

As an example of how the use of fertilizer has enabled farmers to increase production, Mr. Ware pointed out that in 1943 American farmers produced 513,322,000 bushels more corn than in 1929—and on 3,350,000 fewer acres. At the same time, the percentage of the country's corn crop which was fertilized rose from 15% in 1929 to 23% in 1943.

Pointing to the current and wartime rise in dietary standards, Mr. Ware said everything possible must be done to insure maximum employment so these standards can be maintained.

GEORGE AVERY WHITE

President, State Mutual Life Assurance Company

The year 1946 can hardly equal 1945 in recording significant world-wide events. However, it is likely to have an even greater bearing upon some phases of our future economy than any previous year within our memory.

George A. White

By winning World War II we have made it possible to choose in which direction we shall go. The choice before us involves many factors, but none perhaps more significant in the lives of the great bulk of Americans than the decision as to price and wage levels. Much of the discussion today seems to assume that there is a basic conflict between labor and management, or industry. Actually the conflict is not that. "Management" represents the great body of investors who own our industrial concerns and it is for them that management speaks in endeavoring to stabilize wages at a level which will preserve the value of the investment. Fundamentally, the issue involved in our industrial strife is the effective value of the dollar. In other words, how much in desirable merchandise is the dollar to buy? That issue depends primarily on how much human labor the dollar will buy. Too often this fundamental issue is not clearly presented.

The wage earners of America are also the owners of capital to a great extent. Their bank deposits, life insurance policies, holdings of shares in corporations, and the currency they carry in their pockets all will be affected by the outcome of the decision as to what a dollar will buy. We use the word "inflation" to indicate a cheapening of the dollar and inflation certainly is not only destructive of accumulated savings but it also is, in the long run, destructive of our whole industrial machine.

It is natural that at the end of a war period, when goods have been produced pretty much regardless of cost and wages have been paid regardless of output, that wage earners find it difficult to adjust to lower incomes. It is also true that following every war the dollar is to some extent decreased in effective value. We can not destroy vast quantities of material without reducing the value of the resources of which the dollar is only the token, but we must certainly not assume that the conditions brought about by war are either normal or desirable. We must not mistake the flush of fever for the glow of health. If there is to be a continued incentive to save and invest in productive enterprises, then there must be a determination to make the value of the dollar proportionate to the risks that investment always involves. There would be no incentive to save and invest unless saving and investing assured purchasing power and earnings.

I am optimistic that during the year 1946 we shall arrive at reasonable compromises between the extremists in both labor and industry, and I trust that we may accomplish this without unduly calling upon Government to act as the arbitrator. The more we can rely upon collective bargaining and the law of supply and demand, the sooner we shall arrive at a fair and normal basis. The great need of the world today is for the production of useful commodities for constructive uses. America must assume its role of provider to the world in connection with most of these products, and the sooner we get about it, the better.

C. C. WEST, JR.

Vice-President, Continental Air Lines, Inc.

During the war period people have stifled a natural desire to travel. Vacations have been foregone, conventions have been postponed, and even vital business travel has been held to a minimum. The summer of 1946 should bring an easing of military as well as reconversion travel, which will make it possible for people to vacation, attend conventions, and attend to business with a facility not enjoyed since the beginning of the war.

Col. C. C. West, Jr.

Informed observers believe European resort areas will be unable to serve vacationists adequately before 1947 at best. For this reason the attention of millions who desire to take vacations will, we believe, be focused upon the beauty spots, resorts, and dude ranches of the Rocky Mountain area, Pacific Coast, and Mexico. Much of the western area of the United States offers unsurpassed fishing, big game hunting, mountain climbing, and general outdoor sports. In season, winter sports, including skiing, skating, and tobogganing may be enjoyed. Along with these advantages, the area is favored with such natural scenic attractions as Carlsbad Caverns, Mesa Verde, and numerous national parks and monuments. National Park officials have already estimated that 1946 will see an unprecedented volume of vacation travel through the major parks within the area, including among others, Rocky Mountain and Yellowstone National Parks. It is not surprising then that the region within which Continental Air Lines operates is looking forward during 1946 to the greatest volume of vacation and pleasure travel ever achieved. Just as efforts of people within this region are being bent toward arranging adequate development to welcome, accommodate, and entertain these vacation guests, so is Continental Air Lines, along with other air lines serving the region, striving to provide adequate and speedy travel facilities.

Some interesting factual material on probable volume of vacation travel is included in the 1944 report prepared by David E. Faville, Professor of Marketing, Stanford University, for the Pacific Advertising Association. Professor Faville states, and we quote: "Surveys we have been conducting . . . indicate that 15,600,000 Americans are now making concrete plans and saving money for a post-war trip, while an additional market of 22,000,000 exists which has not yet made up its mind, and is waiting to be sold."

Although air passenger travel is naturally more spectacular than the movement of cargo, 1946 will doubtless see substantial expansion of the air-freight program which many commercial air lines are now initiating on a full scale basis. Air-freight offers the business man a means of widening the market area within which he has been accustomed to transact business. Air-freight makes feasible the maintenance of low inventories because additional goods may be speedily secured when needed. This naturally enables business men to avoid many of the hazards of style or fashion changes. The public will come to enjoy superior ripeness, flavor, and vitamin content in the numerous foods which will be made speedily available.

An illustration of the types of product which are presently being transported by air out of the Rocky Mountain area includes the following articles: Carnations, celery, mushrooms, mountain trout, cantaloupe, turkeys, broilers, ham, bacon, and many varieties of valuable furs. In turn, traffic coming into our region includes such things as West Coast flowers, lettuce, and grapes; Eastern fashion-styled clothing, strategic machine parts, shrimp, lobster, and many other seafoods. It appears that the magic of air cargo, both via air-freight, and air express, will open up new vistas within this inland region.

When we turn from the outlook for air transportation in our own immediate area to that of the commercial airline industry as a whole, an equally encouraging picture is revealed. The public is aware of the importance of expanding the air transport industry and appears to feel that airlines, if rapidly expanded, can become as potent an economic force for reconversion, peacetime commerce, and military preparedness as they were a vital force in maintaining effective wartime transportation.

It is not likely that 1946 will bring any substantially expanded use of the more recently developed types of planes, inasmuch as most of this larger and newer equipment will not become available until 1947. It is to be expected, however, that passenger fares, which have dropped from 8¢ per passenger-mile in 1930 to the present level of about 4½¢, will be even further reduced when technical improvements warrant. Naturally, such factors as the prevailing levels of operational costs could adversely affect such a tendency.

An accelerated program of airport improvement involving extensive Federal as well as State and local expenditures, will make possible the rendering of service to many parts of the country which are not presently favored with air transport. Hand and glove with such development should come within the next year or two, the development of a policy which will call for the movement by air of all first-class mail, and perhaps parcel post, moving for distances in excess of 300-400 miles. High military officers have recently pointed out that national defense will be substantially strengthened if at least 4,500 air transports are in the service of commercial air lines. These planes would represent an auxiliary force available to the military in the event that conditions should require their use. If a nation can achieve the dual purposes of facilitated mail movement, profitable operation of its postal department, and the achievement of greater national security through investment in the future of a major industry, certainly no serious question can arise as to the desirability of such a program.

R. B. WHITE

President, The Baltimore and Ohio Railroad Company

The business outlook in this country for the year 1946 is one of both high promise and challenge, in the sense that an unprecedented volume of industrial and trade activity is in sight if the necessary unity, effort and understanding are forthcoming.

R. B. White

It is very difficult to forecast with even reasonable accuracy, a railroad's business for the coming year. Since they have no reconversion problems, their job being the same in war or peace—to carry traffic—their first problem is to improve their competitive position and to replace and modernize equipment. The amount of revenues the railroads receive will rise and fall with the volume of industrial production. If reconversion of other industries can go forward without undue postponement, the railroads can look forward to freight traffic considerably above the normal peacetime level, although less than the war years.

Troublesome problems also confront the railroad industry today. The demands being made by labor jeopardize the ability of industry to earn a fair profit and increased operating costs will make it more difficult to compete with other kinds of competition. However, I believe clear thinking will prevail, and that these problems will be settled satisfactorily to both management and labor. If price increases are allowed where necessary, it would seem industry should be ready to go ahead by early summer or shortly thereafter on an unprecedented peace time level.

Correspondingly, it is estimated railroad freight revenues for the first six months of 1946 will be lower than for the last six months. Final results for the year should average between those for the years 1941 and 1942. The indications are that passenger revenues for the year 1946 may surpass the pre-war years, due to the continued heavy movement of Army and Navy personnel, especially during the first half of the year.

An Interstate Commerce Commission survey indicates that the railroads plan an estimated capital expenditure of over $1,600,000,000 in the next three years. Orders for great numbers of passenger and freight cars have been placed and the roads will add to their equipment, locomotives of all types, of radically improved designs.

The chief concern of the railroads at the present time is the fact that many millions of dollars will probably be added to their operating costs through wage increases

(Continued on page 594)

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

Scientific Research and Economic Development

(Continued from page 533)

search, but this in turn rests on basic, or fundamental research. Many people confuse these two. Probably the most characteristic difference between basic and applied research is that the latter involves investigation directed toward some desired end such as a new process, a new product, or a new machine, while basic research is aimed at determining facts without knowing or caring how they are to be used.

Basic research is sometimes called "pure research," but the term "pure" is perhaps unfortunate because it implies that applied research is **impure,** and I know of nothing purer in the economic world than research which produces wealth without taking it from others, and thus benefits management and labor, producer and consumer alike.

The discoveries of basic research are made in a comparatively small number of laboratories, most of which are in universities. This is as it should be, for the purpose of the scientific departments of the universities is to train new scientists, and this can best be done by immersing students in the practice and principles of disinterested scientific investigation. The justifications for carrying on basic research in government and industrial laboratories is that in many cases it is impossible to attract able scientists unless they are given some opportunity to engage in the pastime of new fact collecting.

When we pass to a more detailed consideration of how scientific research affects economic development, difficulties sometimes arise because of the confusion of scientific terms in the mind of the layman. Only a few weeks ago a lady called me on the phone and asked to borrow a diesel engine.

At the same time it is important that the scientists should understand the language of the layman. The National Bureau of Standards once received a letter from a plumber who wanted to know whether he could clean out pipes with hydrochloric acid.

The most direct effect of scientific research on the economic level of the nation appears to be in increasing the availability of energy. All of our energy, whether found in coal, water, wood, petroleum, butter, or what you will, has come to us from the sun, and since sunlight lavishes upon the earth each day 200,000 times as much energy as we now use for all purposes combined, scientists are naturally tempted to try to find some direct way of harnessing this energy. They have not yet succeeded because they do not yet have enough facts, and basic research is needed to cure this. In scientific slang, solar energy is too "soft" to handle efficiently; though one horsepower falls on each square yard of ground on a sunny June day, the apparatus required to concentrate and store it is too complex and cumbersome to be practical. We need a "harder" type of energy.

I can no longer ignore atomic energy. My principal feeling at this moment is regret that I cannot talk about atomic energy without having you think about atomic bombs. I hope that the gloom which seems to have settled over scientist and layman alike will soon be lifted so that the more cheerful aspects of atomic power, which to my mind far transcend the gloomy, will be apparent. In any case I must digress for a moment, since there is no use talking about economic development if we are all to be blown up.

The situation would be helped if some of the nonsense and calamity howling could be separated from the facts about atomic energy. Five classes of events have been predicted, and though all appear to be jumbled together in the public mind, they can be divided pretty easily into events which are respectively certain, probable, possible, unlikely, and just plain not worth worrying about. One of the **certain** facts is that all matter contains about 40 million British thermal units of energy per pound, and that scientists know how to get about one tenth of 1% of this energy out, under extremely special conditions, from two natural chemical elements, uranium and thorium.

It is **probable** that this energy can be used for many purposes which will greatly raise the living standard of the world. Uranium and plutonium will not take the place of petroleum, or of coal, or even of firewood, but will take their place beside these. New forms of energy find new uses, and supplement old forms, but seldom do they supplant them. Atomic energy is too "hard," and needs to be softened up to be of value industrially, and this involves new complications. The great uranium piles we read about soften energy while producing plutonium, but at present they rather overdo this, softening the energy too much.

It is **possible** that we shall see ships powered by atomic energy which will have energy sources fttted into them when they are launched, so that they need never be re-fueled again before they wear out. I strongly suspect, however, that new problems will be encountered which will greatly reduce the apparent advantages of atomic energy in this connection, and that the grass in this new yard may later not look quite so green, though entirely edible, as it does now to certain commentators.

It is **unlikely** that we shall see automobiles going down the street powered by tiny engines running from a chunk of uranium. The energy is in the uranium, all right, and I am sure that if you insisted on owning such an automobile at once, Dr. Compton and a few dozen assistants could construct one for you. You would feel pretty funny driving it, however, perched up on top of eight feet of concrete arranged to keep damaging rays from coming through the seat cushions, and with eight foot thick fenders of concrete on all sides to protect the passerby from radioactivity. Fifty tons of concrete take away much of the charm from an automobile with a pea-sized engine.

Finally, it is just plain foolish to suppose that someone is going to start a chain reaction that will touch off the atmosphere, or jar the earth from its orbit, or blow it up completely. I realize that many better scientists than I have worried about this, but I know enough about the situation to take a chance on any small modicum of danger not indicated by the calculations that have been made, and wish to reassure any quivering member of this audience to the full extent of my ability.

Scientists are not above titillat-

(Continued on page 597)

UNLISTED
Railroad, Public Utility and Industrial
SECURITIES
We are interested in block offerings of listed and unlisted securities either for our own account or for distribution through our organization.
ESTABLISHED 1914
BOENNING & Co.
MEMBERS PHILADELPHIA STOCK EXCHANGE
MEMBERS NEW YORK CURB EXCHANGE (ASSOCIATE)
1606 Walnut Street
PHILADELPHIA 3, PA.
PENnypacker 8200 Bell System Teletype New York Telephone
Race 3266 PH 30 COrtlandt 7-1202

J. LEWIS ARMSTRONG & CO.
MEMBERS PHILADELPHIA STOCK EXCHANGE
Brokers and Dealers in
Listed and Unlisted
Securities
GIRARD TRUST COMPANY BUILDING
PHILADELPHIA 2
Telephone Locust 0880

TRADING DEPARTMENT
CORPORATE
EDMUND J. DAVIS
MUNICIPAL
RUSSELL W. SCHAFFER
RAMBO, KEEN, CLOSE & KERNER, INC.
1518 Locust Street, Philadelphia 2
Telephones
Phila.—Pennypacker 2800
New York—REctor 2-2820
Teletype
PH 63

LILLEY & Co.
MEMBERS PHILADELPHIA STOCK EXCHANGE
UNLISTED SECURITIES
Main Office:
Packard Building, Philadelphia 2, Pa.
Branch Office:
40 Exchange Place, New York 5, N.Y.

INVESTMENT SECURITIES
Specializing in Railroad Reorganization Issues
Selected Situations Currently Available
EULER & CO.
1518 Walnut Street, Philadelphia 2
KINgsley 2366

Dealers and Brokers in
Public Utility · Railroad · Industrial
SECURITIES
New Jersey and General Market Municipal Bonds
Electronic and Television Securities
Guaranteed and Leased Line Stocks
Equipment Trust Obligations
Bank and Insurance Stocks
Charles A. Taggart & Co.
Investment Securities
1500 Walnut St., Philadelphia 2—KINgsley 1716
Dime Building, Allentown, Pa.

gitized for FRASER
tp://fraser.stlouisfed.org/

Business and Finance Speaks After the Turn of the Year

(Continued from page 592)

and the uncertainty as to freight and passenger rates and rate-making policies. Trucks, buses and airlines will compete aggressively for traffic. However, the railroads through increased operating efficiency and the installation of modern equipment, if given an even break, will successfully meet this competition and continue to render the same necessary and efficient service as was rendered during the war.

J. W. WHITEHEAD

President, The Norwalk Tire and Rubber Company

The shortage of automotive tires is probably as critical (or more so) today than at any time during the war or since 1941.

J. W. Whitehead

A great many motorists and tire dealers were of the opinion that, when rationing was discontinued, all their tire troubles would be over. They have since learned that such was not the case. As a matter of fact, many people who under rationing had planned to get along for some time with their old tires, immediately arrived at the conclusion that the old tires were no good for further mileage and that they would have to get new tires. The tire dealer, in turn, when he did not have to send in rationing certificates with his order, ordered as though tires were growing on trees.

The discontinuance of rationing did not help the manufacturers build any more tires; hence the shortage today is apparently greater than at any time previous.

It is usually darkest just before the dawn and, if there is no interruption in tire production through tire strikes (we do not anticipate there will be) the continued increase in monthly production should, in the next six months, come very close to taking up the shortage. We have reference to passenger tires. In respect to heavy pneumatic tires for truck work, our situation is very much better than it has been at any time since the war and the next 60 days should see enough heavy truck tires built in the country to take care of requirements.

In the meantime, those passenger car owners and, yes, some of the truck owners, particularly the smaller jobs, should avail themselves of the opportunity of having good tires, that have no breaks in them, recapped. The material used for recapping passenger tires particularly is ever so much better than it has been in the past. Good carcasses, recapped, will often deliver as much mileage as many makes of new tires; they will average better than 70%.

Many tires are being put out of service because of old tubes. Every motorist with a tire that apparently has 10,000 or 12,000 miles of service (and it usually can be ascertained whether or not that is so) should make it his business to know that it has a good tube.

Last, but not least, do not discount tires made of synthetic rubber. We do not believe any manufacturer who is making an honest effort to make a good synthetic tire ever made a better natural rubber tire than the synthetic he is making today. This also applies to inner tubes; there never was a better tube of natural rubber than that which is being made today out of synthetic rubber.

C. E. WICKMAN

President, The Greyhound Corporation

It seems apparent that intercity passenger traffic will eventually fall below the unprecedented volume handled during the war years. However, there are many factors to support the belief that the traffic demands on the intercity motorbus during 1946 will not fall off materially. Demobilization of our tremendous armed forces will not be completed much before the end of the year, and there will be continual replacements of our overseas personnel to be handled. Millions of war workers and their families who have migrated to war centers can be expected to return to their former domiciles. Large segments of the population who never before have made intercommunity journeys are now travel-conscious. Wartime travel restrictions and inconveniences have certainly resulted in a tremendous backlog of postponed journeys. Wage levels are higher in relation to cost of travel than ever before. Vacations with pay have become almost universal. Permanent military and naval establishments will almost certainly be much larger than before the war.

Extensive plans have been developed for an intensive promotion of all-expense highway tours. These trips will not only include points of interest within the United States, but also vacation spots in Alaska and Mexico. Preparations have been made for internal solicitation in foreign markets.

DAVID E. WILLIAMS

President, Corn Exchange National Bank and Trust Company, Philadelphia

The commercial banks of Philadelphia never were in a better position to assist and guide business and industry through a period of readjustment than they are today.

David E. Williams

It is a fortunate situation because while our nation has seen many eras of readjustment, none has been so challenging, none so perplexing or more difficult to appraise than the time now with us.

Production slow-ups or even complete stoppages in the face of tremendous demands for durable goods pose many problems. Inflationary and deflationary forces complicate the business pattern. Doubt of the stability of price ranges interferes with many commitments. In working out marketing plans, manufacturers and distributors must keep an eye on the employment situation. Readjustment from war to peace requires the ultimate placement of approximately 11,000,000 civilians and about 9,000,000 discharged veterans.

Speaking for Corn Exchange, our position is clear. We recognize and act on the principle that our Bank and other commercial banks are an integral part of the free enterprise system. We believe that banking has a vital role in channeling funds into productive enterprises and that one of the major responsibilities of our Bank is aiding in the creation of goods and services for the benefit of consumers.

Intelligent advice and cooperation must be based on specialized knowledge. Here at Corn Exchange we have had years of experience with many of the diversified industries and branches of commerce in the Philadelphia Metropolitan area.

In this readjustment period Philadelphia is in an advantageous position. Performing a major part in production for war, Philadelphia industries were so diversified that many of its normal products were essential for our armed forces. The changeover to peacetime production therefore is relatively simple, at least from the standpoint of facilities.

I believe that our experience at Corn Exchange in the past year indicates a healthy condition not just of the bank, but of the community. Our deposits other than Government deposits were increased by nearly $25,000,000 or about 12%. There was a sharp rise in demand and time collateral loans and in bills discounted, the increase aggregating more than $19,000,000 or about 55%. A recent estimate for the Philadelphia Federal Reserve District indicated a 10% increase in deposits in that district between July, 1945 and the end of 1947.

The commercial banks of Philadelphia are keenly sensitive to the special credit problems of returning veterans and of small business. Corn Exchange and 35 other Philadelphia banks have established a $10,000,000 operating fund for the exclusive benefit of war veterans. This fund is operated by the Philadelphia Agency for Business Loans to Servicemen Inc., set up by the cooperating banks. Veterans receive expert business advice so that they will not be enticed into business ventures where the chances of success would be very small or non-existent. Credit is supplied for ventures if the surrounding circumstances indicate a good chance of success.

For small and medium-sized businesses, Corn Exchange, together with a group of other Philadelphia banks, has set up a $10,000,000 bank credit fund to provide an additional source of revenue during the reconversion period. This is a practical, effective bank service that will continue to bear fruit in the Philadelphia area for years to come.

Corn Exchange and other Philadelphia banks are prepared for this period of readjustment with complete banking services and with special credit facilities for consumers, veterans and businessmen.

E. G. WILLIAMS

President, American Type Founders Sales Corporation

Since VJ-Day reconversion to peacetime manufactures has been progressing with accelerated speed at our plants in Elizabeth, New Jersey, and Mt. Vernon, New York. While we are still faced with short supplies of some items, notably gray iron castings and electrical equipment, we are hopeful that these will continue to improve as we approach peak production.

E. G. Williams

By Jan. 1, 1946, we hope to begin deliveries of the first C-Kellys and our *Big Chief* sheet fed offset presses to holders of ATF Civilian Priority Delivery Certificates in the order of their preference. Present production schedules call for delivery of other models of both our letterpress and sheet fed offset lines by early Spring, and we expect to step up deliveries gradually until peak production is reached in the Fall of 1946.

Deliveries by our suppliers have already started on many lines that we handle such as composing room equipment, proof presses, cutters, drills, cameras and platemaking equipment, and most supplies. These, too, will be "stepped up" throughout 1946 until the present backlog of orders is filled, probably sometime late in the year.

ATF will introduce some new products during the year of practical value to printers. Announcements of the specific nature of these products will be made from time to time.

Every attention is also being given to the development of new products and new processes in the graphic arts field by a staff of specially trained research engineers. The results of this research will be made available to the printing industry as fast as practicable.

During the war ATF developed a number of helpful suggestions for printers on how to make the best and most profitable use of their equipment, and how to prepare to meet the problems of the peace. These have been made available to printers everywhere through trade associations and employers' groups with gratifying results.

As business generally moves forward into full peacetime gear, the printing industry as a whole can look forward to a healthy participation in the prosperity that lies ahead.

LANGBOURNE M. WILLIAMS, JR.

President, Freeport Sulphur Company

No shortage of sulphur, a basic need of American industry, will hold back the flow of goods to the public in 1946.

In spite of the drain of four war years during which shipping and production were maintained up to record-breaking levels, the American sulphur industry today stands ready with stocks and facilities sufficient to supply all anticipated demands.

Shipments from Gulf Coast mines during the year were estimated at 3,800,000 long tons, as against 3,500,000 long tons last year, a new all-time peak. Production also climbed to new highs. By August, the month of the war's end, more native sulphur was being produced than in any previous month in the history of the industry and production for the entire year was approximately 3,750,000 long tons, as compared to about 3,200,000 for the year 1944. Stocks on hand at mines, ready for the needs of reconverted American industry, today amount to around 3,500,000 long tons.

Consumption of American sulphur in 1946 may well continue at high levels, with markets both at home and abroad. An examination of domestic industries which are sulphur consumers, indicates that there will be no large decrease in demand, assuming no general industrial let down.

By far the largest proportion of sulphur shipments are made to the sulphuric acid industry. At the close of 1945 the sulphuric acid production capacity of this country was 10,500,000 short tons, 100% acid, an increase of more than a million tons over 1944 and of more than two million tons during the war.

Although the major portion of this increase went into the manufacture of explosives, this does not mean a corresponding drop in sulphuric acid consumption with the closing of explosive plants. Ingenious salvage and reuse of the acid, employed first in explosive plants, has helped to hold expansion of sulphuric acid capacity to within limits which the industry should be able to utilize in peacetime production. Fresh acid will now be supplied direct to peacetime industries instead of being routed first through explosive plants.

War-born expansion of such industries as the rayon, petroleum, steel and fertilizer manufacture, all sulphuric acid consumers, also is not expected to drop to prewar levels; first, because of the great bank of civilian orders and second, because of new developments in these fields which increase their use of acid. Other industries, prevented from full growth during the war, are also expected to need additional sulphuric acid to fill long-delayed projects.

Significant to the postwar outlook of the sulphur industry is the anticipated demand for sulphuric acid from superphosphate fertilizer manufacturers. Maximum crop production will be needed to supply food for this country, for our men in service abroad and for starving European peoples who must be dependent upon us. About 6,800,000 tons of superphosphates were produced in 1945, and Department of Agriculture figures show an increase in general farm use of fertilizer ranging from 100 to 367% over prewar years.

Refertilization and conditioning of European farms to supply even a portion of the minimum food needs will also require large shipments of fertilizer.

Allied to the fertilizer industry in catering to the food needs of the world is the manufacture of fungicides and insecticides, for which sulphur is a base. Sulphur, foremost among the fungicides, has also been discovered to combine successfully with DDT, the new and very effective insecticide. Sprays and dusts, combining the qualities of both sulphur and DDT, are reported already near the stage of commercial production.

Experiments in the use of sulphuric acid in the production of high octane gasoline, diverted to large degree to aviation during the war, show that this process may now be extended to improve automobile and other motor fuels. Intensification of power applications has also stimulated the development of sulphurized oil lubricants, in the production of which powdered sulphur and sulphuric acid are used.

Sulphur will continue to be in demand for the vulcanization of rubber, whether natural or synthetic. During 1945, production of synthetic rubber, in which sulphuric

(Continued on page 596)

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

Kayser Common Issue Offered at 25¼ Per Sh.

Underwriters headed by Carl M. Loeb, Rhoades & Co. and Smith, Barney & Co. on Jan. 29 offered after the close of the market 153,400 shares ($5 par) common stock of Julius Kayser & Co., hosiery and underclothing manufacturer, for account of stockholders. The stock was offered at $25.25 per share. Among the underwriters participating are Kuhn, Loeb & Co.; Blyth & Co., Inc.; Goldman, Sachs & Co.; Harriman Ripley & Co., Inc.; Kidder, Peabody & Co., Lehman Brothers, Merrill Lynch, Pierce, Fenner & Beane; Cohu & Torrey; Eastman, Dillon & Co.; Hallgarten & Co.; Johnston, Lemon & Co.; Laird, Bissell & Meeds; Lee Higginson Corporation; Piper, Jaffray & Hopwood, and Sutro & Co.

Blyth & Co., Inc. Offers Golden State Co. Pfd.

A group of underwriters headed by Blyth & Co., Inc., today (Thursday) is offering to the public a new issue of 50,000 shares of Golden State Co., Ltd., 4% cumulative preferred stock, ($100 par) at $103.50 per share and accrued dividends. The stock is convertible into shares of common on or before December 31, 1955.

Proceeds of this financing, together with approximately $2,300,000 of the company's general funds, will be used over the next two years for the enlargement and improvement of existing plants for the construction of a plant for the dehydration of milk and milk products at Marshfield, Wis., and for the acquisition and installation of new equipment.

Golden State Co., Ltd., or its predecessors have been engaged since 1905 in the manufacture and sale of diversified dairy products. In addition to carrying on the usual operations of a distributor of fluid milk and cream, the company manufactures and distributes powdered milk and powdered milk products, including ice cream mix, ice cream, butter, evaporated milk and cheese. The company's manufacturing operations are carried on in plants in California and a plant in Wisconsin.

In California, where it is the largest dairy products dealer in the state, the company is engaged also in house-to-house distribution of milk, cream, butter, ice cream, cheese and eggs.

Giving effect to the present financing the company will have outstanding bank indebtedness totalling $4,500,000; 50,000 shares of 4% cumulative preferred stock, ($100 par), and 493,839 shares of common stock, (no par).

BEAR, STEARNS & CO.

Members
New York Stock Exchange — Chicago Stock Exchange
New York Curb Exchange — Chicago Board of Trade
New York Cotton Exchange — Commodity Exchange, Inc.
National Association of Securities Dealers, Inc.
Investment Bankers Association of America

CHICAGO 3, ILL.
135 SO. LA SALLE STREET
Telephone State 0933
Teletype CG 1279

NEW YORK 5, N. Y.
ONE WALL STREET
Telephone Digby 4-3500
Teletype NY 1-633

1874 1946

On Our
72d ANNIVERSARY

After seventy-one years of continuous service in the handling of securities and commodities, we wish to express our appreciation of the patronage and pleasant business associations which have enabled us to develop and maintain our organization.

LAMSON BROS. & CO.
Members of and furnishing private wire service to the principal security and commodity exchanges.
Home Office: 141 W. Jackson Blvd., Chicago 4, Ill.

BONDS

Public Utility
Industrial
Railroad
Municipal

A.C. ALLYN AND COMPANY
Incorporated
Chicago New York Boston Milwaukee
Minneapolis Kansas City Omaha

STRAUS & BLOSSER

MEMBERS
NEW YORK STOCK EXCHANGE
CHICAGO STOCK EXCHANGE
NEW YORK CURB EXCHANGE (ASSOCIATE)

135 SOUTH LA-SALLE STREET
CHICAGO 3, ILLINOIS

Telephone ANDOVER 5700

Direct Private Wires Coast to Coast

DETROIT KANSAS CITY MILWAUKEE INDIANAPOLIS

Underwriters and Distributors

Listed and Unlisted Stocks and Bonds — Municipal Bonds

National Underwriters — Fidelity Fund, Inc.

Paul H. Davis & Co.
Established 1916
Members principal Stock Exchanges
10 South La Salle Street, Chicago
CG 405

INDIANAPOLIS CLEVELAND ROCKFORD

ADAMS & CO. INVESTMENT SECURITIES

SPECIALISTS IN OVER-THE-COUNTER ISSUES

231 SOUTH LA SALLE STREET
CHICAGO 4

TELEPHONE STATE 0101
BELL TELETYPE CGO. 361

Brailsford & Co.
Members Chicago Stock Exchange

Underwriters and Distributors
Of Investment Securities

208 South La Salle Street, Chicago 4

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

Business and Finance Speaks After the Turn of the Year

(Continued from page 594)

acid is used for several stages, was estimated at about 1,000,000 tons, and a projected total of 1,200,000 tons has been set for 1946.

Consumption of sulphur in the paper industry is estimated to average about 354,000 tons annually, about 10% of total sulphur production. Expected expansion of the industry, held in check by war requirements, may send this amount up during 1946.

Among the reports of new technological and industrial developments, in which sulphur continues to be an outstanding aid, is the discovery of a new group of sulfa drugs, sulfamyl-dibromoanilids, effective against strains of bacteria resistant to other sulfa drugs.

R. E. WOODRUFF

President, Erie Railroad Company

The railroads themselves do not produce, their job is to carry the goods produced by farms and industries.

It is therefore very difficult to forecast with even reasonable accuracy a railroad's business for the coming year. The amount of revenue the railroads receive will rise and fall with the amount of industrial production. Statistics show that the amount of money spent for transportation in this country is a nearly constant percent of our national income. If business as a whole is prosperous, the Erie and other railroads will be prosperous.

Robert E. Woodruff

This applies particularly to the Erie, running as it does through the most highly industrialized area of the United States. At one end of its line is New York City—a center of great industrial activity and the outlet to Europe. At the other end is Chicago, another great industrial city, as well as the gateway to the agricultural west. In between are Lima, Mansfield, Cleveland, Warren, Youngstown, Akron, Jamestown, Buffalo, Elmira and Binghamton, each an important production center. If the plants in these industrial communities are busy, the Erie's revenue for 1946 will reach a satisfactory level.

The Erie ended the year with freight business approximately 20% less than that handled at the end of 1944. When the war with Germany ended in May, there was a slight decrease in the amount of freight business offered and it continued at about the same level until the sudden ending of the war with Japan in August.

The end of gasoline rationing resulted in some decrease in civilian passenger travel, although the movement of troops continued to mount, and as a result, passenger revenue is running about 8% higher than this time last year, but will show a decrease for the full year.

While the railroads were handling a heavy volume of business during the war, they wisely used their earnings to reduce outstanding debt and fixed charges. The Erie's financial position was greatly improved during this period, and its fixed charges are now below $5,000,000 annually as compared with $14,000,000 prior to 1941. Because of these huge debt reductions there is a general impression that the railroads will be in excellent financial condition in the future—come what may.

In arriving at such a conclusion, however, certain basic factors are not taken into consideration, namely, that since 1939 railroad wages have been increased on two occasions, by a total of 29%, and material costs have increased approximately 24%. On the other hand, the cost to the shipper, as expressed in the average revenue per ton mile, decreased 2½% since 1939 and is now 24% lower than in 1921.

The railroads were able to absorb these large increases and still retain the same average freight rates because of the heavy volume of traffic handled, the better utilization of equipment, heavier loading and more prompt loading and unloading. For the first time in their one hundred years of operation the railroads have been able to do the job they are best fitted for, namely, mass transportation, which means hauling fully loaded cars long distances in full capacity trains.

While passenger travel will continue heavy for some months to come, the current drop in the volume of freight being offered plus the greatly increased expenses will make it difficult for the railroads to earn a profit which is necessary in order that they may continue to provide the efficient and progressive transportation service which the nation requires.

With the decreased volume of traffic that we are likely to have in the next few years as compared with the war years it may be necessary to request an increase in the selling price of railroad service. In view of the circumstances I feel sure that American industry and the Interstate Commerce Commission will look with favor upon such a request for increased freight rates when the proper time arrives.

HOWARD L. WYNEGAR

President, Commercial Credit Company

The 1946 business outlook is currently coming into focus. On the assumption that major labor troubles will be on their way to a solution within the next 30 to 45 days, I offer the following projection of the year's anticipated volume of durable goods:

Howard L. Wynegar

Motor cars, 4,000,000; refrigerators, 3,500,000-4,000,000; electric and gas ranges, 3,250,000; washing machines, 2,500,000; dish washers, 600,000; home freezers, 1,000,000; radios, 16,000,000; oil burners, 420,000.

All the consumer durable goods listed above lend themselves readily to installment financing. As these automobiles, radios, household appliances, etc., flow in increasing number to the public there will be a corresponding upswing in the demand for consumer credit financing.

Will the war-created increase in personal savings and war bonds affect consumer credit purchasing? Not materially—I make this assertion on the basis of a survey of consumer opinion and purchasing practices. In the prewar period the average American family had adjusted its budget and financial planning to the practice of buying out of earnings. From a survey we have made I foresee the universal continuance of this practice. There is a widespread desire to retain newly acquired savings, to use such savings for home building and for income producing investments and for other purposes. In the consciousness of the American consumer, installment buying—a custom which has proven over the years its ability to raise the average family's standard of living—is here to stay.

We well realize that consumer credit rates will be lower than in the prewar years to the advantage of American families who depend on credit to acquire automobiles and labor-saving appliances. We know that the commercial financing company will need a larger volume of business to make the same gross and net dollar realized before the war. In this respect our position is not different from that of banks and business in general. A broadening of business volume to meet lower price rates is the normal and "healthy" trend of American business. We are taking steps to achieve this increased volume in the current year. Since the close of the war we, in common with other finance companies, show a marked expansion in the company's facilities. At the present time we have 236 consumer credit offices throughout the United States and Canada organized completely to handle installment financing. This expansion is continuing for our company and we anticipate when completed we will have between 350 and 400 offices in this country and in Canada.

Among the diversified financing activities of Commercial Credit Company factoring, open accounts financing and other branches of our business have functioned normally throughout the war years and we have every reason to believe will show a definite volume improvement in the period ahead. The facilities offered by our company and like companies have become an integral part of the American banking system and have contributed to no little extent to sustaining mass production and the high standard of living enjoyed by this country.

HERBERT J. YATES

President, Republic Productions, Inc.

Whether or not 1946 will be a good year is a question to be answered only by what steps are to be taken in Washington to preclude the rash of strikes which is now overwhelming our entire nation.

Herbert J. Yates

A weak governmental policy in the handling of nation-wide strikes affords an intolerable situation for management and labor alike. A strong policy, armed with teeth, must be adopted immediately, with absolute disregard for political aspects. It is eminently unfair to expect us to proceed as we are now, with management limited to certain restrictions, while labor is comparatively free to do as it pleases.

The answer obviously lies in Washington, and directly in the lap of the present administration, which should institute immediate two-way legislation, outlawing strikes and compelling arbitration.

Unless this is done quickly, reconversion will be hopelessly stalled, causing chaos not only in management, but in labor as well, and in the homes of millions of American citizens whose incomes will be jeopardized or completely stopped.

Immediate reconversion must be achieved, so that the flow of peace-time production, and income, and purchasing power, may continue smoothly. If this is not done, the future of industrial America appears devastating and bleak.

More positive action in Washington, without regard for political toe-stepping, is direly needed. When a person is sick, as our nation is today, industrialwise, a definite cure is called for whether the patient likes the treatment or not.

It is better to administer medicine now to both factions to cure our industrial ills, than it is to let either patient off easy only to see him pass away.

Let's have an immediate governmental analysis of the illness; the cause, and the cure. And let us have the treatment instituted impartially, for our national betterment. We, all of us, regardless of political leanings, have only one aim in mind, i.e., the welfare of the entire nation, and the ability to maintain our war-time leadership in a peace-time world.

HOWARD I. YOUNG

President, American Zink, Lead and Smelting Company

The outlook in the zinc industry for the consumption during 1946 would be most encouraging indeed if it were not for the present strike threat in the three major industries, where the major portion of zinc is consumed, namely: steel, automobile, and electrical equipment and appliances.

The consumption of zinc during the first quarter of the year will, no doubt, be curtailed as a result of the labor disturbances in these three industries.

As a result of the system of allocating the major part of the production of zinc for war purposes during the war, there has been built up a large backlog demand for civilian consumption.

With the present high purchasing power of the farmer, it is expected that heavy purchases of material for repairing buildings and equipment, and new buildings, as well as additions to buildings, will be in progress during the last half of 1946. This demand plus the normal demands from the automotive, steel, brass, electrical, paint, and rubber industries will far exceed the prewar consumption. It is believed that this demand will consume all of the present productive capacity and gradually reduce the stocks that have been accumulated.

Consumption will depend entirely on the rate of operation of those industries fabricating zinc into the finished product.

Seymour Dribben Is Appointed Asst. V.-P. Of Chemical Bank

Frank K. Houston, Chairman of the Board of Directors of the Chemical Bank & Trust Com., 165 Broadway, New York City, announces the appointment of Seymour Dribben as Assistant Vice-President.

Mr. Dribben was graduated from Princeton University in 1931 after which he attended Oxford University for two years. He joined the staff of the Chemical Bank & Trust Co., in 1934 and became an Assistant Secretary in 1940. He has been on leave of absence with the U. S. Navy for nearly five years achieving the rank of Commander. Mr. Dribben is the possessor of 6 battle stars, the bronze star, a fleet commendation and Pacific and American area citations. His most recent assignment was a survey of strategic bomb damage in Japan. He returns to the Bank on March 1st. He will again be associated with the Metropolitan Division handling the Bank's business in New York City.

McCurdy With Equitable

Lt. Robert A. McCurdy, recently released from active service in the U. S. Cavalry, will represent the Equitable Securities Corp., 2 Wall Street, New York City, in its sales department, serving savings banks in the Metropolitan New York area.

Geruldsen Mun. Mgr. For Daniel F. Rice

CHICAGO, ILL.—Nils S. Geruldsen, who has been in the municipal bond business here for the past 25 years, has become associated with Daniel F. Rice and Company, Board of Trade Building, members of the New York Stock Exchange, as manager of their municipal bond department. Mr. Geruldsen started in this business with Eldredge & Co. in New York in 1920, coming to Chicago for them in 1927. For the past eight years he has been associated with Paul H. Davis & Co., and prior to that with Glore, Forgan & Co.

Los Angeles Exchange Elects Officers

LOS ANGELES, CALIF.—Governors of the Los Angeles Stock Exchange elected G. C. Lambert of Akin Lambert Co., First Vice-President at their organization meeting. Henry M. Bateman, Bateman, Eichler & Co., was named Second Vice-President; and P. J. Shropshire, Mitchum, Tully & Co., was chosen Treasurer. W. G. Paul was reappointed Executive Secretary, and Archie Gilbert and Nancy Vermillion Assistant Secretaries.

Fitzgerald Returns To Dean Witter & Co.

SAN FRANCISCO, Calif.—Philip J. Fitzgerald, after four years military service, has returned to his former position with Dean Witter & Co., 45 Montgomery Street, members of the New York Stock Exchange, as partner in charge of analytical and statistical research. During the war Mr. Fitzgerald, a lieutenant-colonel, was special advisor to the Chief of Chemical Warfare for Materiel Control.

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

Scientific Research and Economic Development

(Continued from page 593)

ing themselves and their hearers by prophecies of doom. Let me quote from the New York "Times:" "Whenever a discovery of an extraordinary character is made, it is seized upon by a multitude of writers, who, knowing nothing of the scientific principles involved, but being actuated by sensational tendencies, make claims for it that not only excel the actual accomplishments but in many cases transcend the limits of possibilities." That is from the "Times" of March 15, 1896. Here is what people were worrying about then. "It is suggested that if all that has reached us by cable is true, there will be no privacy in a man's home, as anyone armed with one of the new X-ray outfits can see through a brick wall." X-rays have been greatly improved since 1896, but how much time have you spent recently worrying about someone looking into your bathroom with an X-ray outfit?

When I was a small boy people were worrying about our atmosphere being wiped off by the tail of Halley's comet. We went right through this and wouldn't have known it was there if the astronomers hadn't said it was. A few years later a speaker stated that he expected the sun to blow up in about fifty million years. One of his hearers asked him to repeat, and then panted, "Thank God, I thought you said fifteen million!"

The military and poltical implications of the atomic bomb cannot be so readily brushed aside, but scientists have overemphasized the gloomy side to bring our people and our politicians to a more realistic appraisal of the situation. The gloom arises because the weapon is one which gives advantage to the aggressor rather than the defense, and hence results in an unstable equilibrium which any person of evil intent can upset without notice. I would point out, however, that this is true also of the 30 caliber revolver. Society has learned fairly effective ways of controlling the misuse of revolvers under normal conditions, and after all, civilization is mainly the process of making stable a whole group of equilibria which are normally unstable. Mankind must grow up sometime; we surely cannot in the overall view regret that this process is being hastened, though we may regret personally that it must be hastened during our lifetime. The present world situation should impel us to be thoughtful, but by no means dismayed.

In any case, science has within the past six months come of age and learned to vote. It is easy to see the change in attitude toward the scientist of the man in the street, and of the scientists toward himself. This was started by the accomplishments of the "longhairs" in developing radar, proximity fuses, and other devices which helped win the war, and was helped along by the success of the atomic bomb, which served as an ace in the hole which was fortunately not needed. This change in attitude was symbolized by an occurence which I observed a few months ago in a Pullman car on a small Vermont railway.

(Case of the impecunious clergyman and the sterling porter).

No longer does the scientist take the part of the impecunious clergyman, diffidently requesting handouts to pursue his calling; now he has become the sterling porter, apportioning his services to Caesar and to God; or if you will, to applied and to basic research!

Science has much to contribute to economic deevlopment, but scientists also have something to contribute to economic thought. I once heard a Professor of Mathematics take exception to the results of a doctor's thesis on economics which had been obtained by submitting questionnaires to several hundred people and then averaging the results. The professor asked each person seated around the examination table to give his estimate of the distance to the Moon. He then averaged these estimates, which ranged from 1,000 miles to several million miles, and came out with the result that the moon is 2,200,000 miles away. Thus he arrived at a very precise result which was wrong by about 2,000,000 miles. One telescope is often better than a hundred questionnaires, and the scientist can contribute something much more important to society than his television outfits and helicopters and atomic bombs. This is his method of approaching problems—the "Scientific Method."

The scientist is likely to be impatient with the messy details of economics because he is accustomed to fall back on over-all generalizations when in doubt. When an inventor brings a perpetual motion machine to a scientist, of the sort which purports to give out more energy than it takes in, the scientist doesn't have to spend any time analyzing details of the machine to see why it won't work; he knows that it contradicts the first law of thermodynamics, that energy can neither be created nor destroyed except as matter is destroyed or created. In saying the machine won't work he has the whole weight of scientific experience behind him. While recognizing that a problem in economics is much more complex than one in physics, having many more variables and much more confused boundary conditions, the scientist nevertheless is likely to feel that the economist (or perhaps it is the political economist) often gets himself so tangled up in details, that he comes to conclusions which contradict fundamental laws. In international trade, for example, you can talk until you are blue in the face about tariffs and exchange and a thousand other details, but you mustn't overlook the fact that what really counts is goods and services received in return for goods and services.

Frequent use of the term overproduction bothers the scientist, for he knows perfectly well that never in the world has there been such a thing as over-production of any useful item; only poor storage and distribution. Nine tenths of the population of the world has always lived at a low economic level, and until this is rectified, as rectified it will be, the scientist may be pardoned for naively feeling that plowing cotton under, or killing off little pigs, like trying to control the speed of an automobile by drilling holes in the carburetor.

Scientific research makes people rich. Will more research make them richer? If so, how much? The answer is given in the title of the recent Bush report, Science the **Endless** Frontier. I can see no limit to the wealth of society which can be brought by progressive increase in the control and availability of useful energy. Each of us now has at his beck and call energy equivalent to 80 of the human slaves that worked for an Egyptian Pharoah, and we don't have to house or feed them. Research can raise this number to 800, or 8,000 if you will. The economic level of the meanest Hindu outcast can be raised far above that of the present American millionaire, and I don't mean by taxing the millionaire, either.

Lapsing into conservatism, I would say that our real wealth level is at least ten times too low, on the average over the earth. Some economists have pointed out that we are now enabled to balance our national economic budget ordinarily only by the 10% margin of our foreign trade. I am all for foreign trade, but I would hate to stake the economic future of the world on a 10% margin. Scientific research has made people richer than they were by several fold; it can in the future make them richer by several hundred fold. Scientific research is worth looking into.

For the first time in history, our national government is beginning to take science seriously. It is beginning to recognize that our supply of scientists is dangerously low, made so by short-sighted draft policies which no other nation was so foolish as to adopt. Dr. Wilson said that the petroleum industry has several thousand full-time research workers, and would like as many more in the next two years. Where are they coming from? Theoretically from the universities, but they just aren't there.

The situation is different in Russia. Dr. Wilsonovitch of the Standard Oil of Petrovsk will have no trouble getting research workers. Russia has increased her number of colleges eight fold since 1914. She has doubled her number of college professors since 1925. During the war, while we were shutting off our supply of doctors for the immediate post-war years, the Russians awarded four thousand doctors' degrees, and graduated 60,000 engineers.

Statistics collected by Harvard's President Conant indicate that half of our able young people who could profit by a college education do not get one, primarily for economic reasons. Surely there is economic reason enough to justify educating these "mute inglorious" Langmuirs and Comptons and Millikans. Scholarships are needed, and this is a responsibility which should be shouldered in increasing measure by industry, which stands to profit immediately and directly by such an investment, and by government, which stands to profit ultimately in the general economic improvment.

Secretary of War Patterson has said, "There is a great voice in the world today, the voice of science and technology. It is a voice heard since ancient times, but never until today has it spoken with such authority, have its words been so filled with promise, has it been listened to with such hope. And in no country in the world does it speak so eloquently as in our own."

Those are the words of a soldier, lawyer, jurist, and executive.

Let us never forget that our politics are determined by our economics; our economics by our industry; our industry by our technology; and our technology by our science.

Garrett, Monaghan to Open in Philadelphia

PHILADELPHIA, PA.—Lawrence E. Garrett and Edward C. Monaghan are forming Garrett, Monaghan & Co. with offices in the Architect's Building to act as dealers in general market securities. Joseph J. Cummings, recently discharged from the U. S. Naval Reserve, will be associated with the firm as manager of the trading department.

Dick & Merle-Smith Admit

BOSTON, MASS.—Evans Rogers Dick who has been representing Dick & Merle-Smith, members of the New York Stock Exchange, for a number of years, will be admitted to partnership in the firm on Feb. 7th. He has been with the Boston office at 30 State Street.

KNEELAND & Co.
BOARD OF TRADE BUILDING
CHICAGO 4

Maintaining Primary Trading Markets In
Issues Active In Over-The-Counter Markets In
New York and Chicago

We Invite Your Inquiry

Direct Private Wire to New York

Telephone WABash 8683 Bell Teletype CG 640 & 641

CARTER H. CORBREY & CO.
WHOLESALE DISTRIBUTORS
For
UNDERWRITERS
MIDDLEWEST PACIFIC COAST

SECONDARY MARKET DISTRIBUTION

COMPLETE TRADING FACILITIES

135 South La Salle Street, Chicago 3, Ill.
State 6502 Teletype CG 99

BRANCH OFFICE
650 South Spring Street, Los Angeles 14, Cal.
MARKETS ON ALL WESTERN SECURITIES
A. E. NICHOLS, Manager
Telephone Michigan 4181
Teletype LA 255

Underwriters and Distributors

Trading Markets
PUBLIC UTILITY INDUSTRIAL TRACTION
RAILROAD INVESTMENT TRUSTS

LEASON & CO., INC.
39 So. La Salle St., Chicago 3
Telephone State 6001 Teletype CG 982

COMSTOCK & CO.
231 So. La Salle Street
CHICAGO 4

Specialists In
OVER-THE-COUNTER SECURITIES
FOR DEALERS

Western Union Telephone
TELEPHONE DEARBORN 1501 TELETYPE CG 955-956

gitized for FRASER
tp://fraser.stlouisfed.org/

A. F. of L. Wants No Fluctuating Wage Policy

(Continued from page 528)

ture overshadowed all that and we maintained that no industry could claim the right to survive unless it established and paid to its workers an American wage that would maintain an American standard of living. That is sound, solid, abiding — not fluctuating and unsteady.

But now, in these later days, we have been reading in the newspapers that there are those, men who have lacked experience in the study of economics, who maintain that the wage of American workers shall be based upon fluctuations and uncertainties. Can we accept that? If we maintain that the wage shall be gauged upon an ascending barometer then we must equally agree that the wage shall go down if the barometer goes down. The American Federation of Labor does not maintain such an economic philosophy. It is true that we insist that the cost of living shall be considered when the wage question is being considered but first and above all we demand and maintain that the wages paid to American working men and women shall be an American wage —enough to keep the worker and his family in decency and comfort.

Is there any thinking man who has ever studied the economic philosophy of labor who would agree to a plan that would fix a wage upon such a fluctuating basis as prices? That would mean that if through competition, over which we have no control and labor has no control, the barometer would go down to the very bottom then our wages must go down. Well, we never will agree to that—never under the sun. We maintain that our wages shall remain sufficiently high to guarantee the wage earner an income, so far as it is economically possible for him to have it, that will protect him and his family and keep them in decency and comfort.

It occurred to me that I could very properly refer to that because we have noticed now some new sort of philosophy being expounded which we regard as dangerous and unjustifiable, based upon vacillations and fluctuations that we can never accept or agree to.

Wants Free Enterprise

Secondly, we are passing through a very trying economic, social and political period but we need not be surprised if we take into account the facts as they exist. We are living in a democracy where men are free, we are living in a country where the free enterprise system prevails and, first of all, it is of transcendent importance that we preserve democracy and freedom and, secondly, that we preserve our free enterprise system. There is a great difference between the totalitarian form of government and the democratic form of government. Perhaps one of the greatest differences is that in the first, the totalitarian form of government, there are no strikes. But, who wants to live in a country, after they have gone through the experiences of democracy and freedom, where they do not have the right to strike. Would we want to change our conditioin to the other? Would we prefer to live in a strikeless country with no rights than to live in a democracy enjoying all our rights, even though we may be compelled to suffer some inconvenience. The law of compensation works. We cannot have liberty and freedom without paying for it. We must pay something for those blessings and I would rather pay a little and enjoy freedom and democracy than to be subject to government control and government domination which denies the countries of the right to freedom, liberty and democracy.

It is much easier for the masses of the people, in fact business as well, to pass from a peacetime economy into a wartime economy than it is to pass back from the wartime economy to the peacetime economy. Men and women are reluctant to give up anything they ever have and, in passing from the wartime to a peacetime economy, we find we must make adjustments. We must adjust ourselves to changes and the trouble is we are reluctant to do that. We want to hold on to what we have, we want to keep what we have acquired, we want to have. We do not want to give. There is the basis of much of our unrest at the present time. We are filled with apprehension over the adjustments and changes which threaten us. We must have a new vision and a new outlook and all that goes into the situation as we now find it.

Human nature is human nature and while we may change many things it is difficult to change that. It is these human characteristics, these human qualities of human nature which enter into it all. We go through these experiences through which we are passing following any great upheaval and surely we passed through one of the greatest upheavals that any people ever passed through in all the history of the world when we went through this awful war. Do you think men and women came out of that war the same as they were when they went into it? Do you think the returning service men and women and the war workers feel the same as they did before the war? Do you think the returning service men feel the same, when they come back home, as they did when they turned their faces across the Atlantic and the Pacific? They think differently now. We have developed a new psychology and we must adjust ourselves to these changes and to these lines of thinking.

Calls for Patience

What we need now, above everything else, is the exercise of patience and good judgment while we are passing through this readjusting period and if we will just exercise patience and good judgment in due course of time we will find we have passed through a trying period and have settled down upon a solid, sound, American basis.

The trouble is that there are some who become impatient. We find people who believe that we ought to find a statutory remedy for every social, political and economic ill, through legislation. In other words, they feel we ought to go to the law-making bodies and prevail upon them to pass a remedy by law. Well, those who engage in that line of thinking are shallow thinkers. Experiments in democracy, freedom and liberty show that what we need at all times is less Government and not more of Government. How do we expect to maintain a free enterprise system if we are going to pass a law for the purpose of correcting what we believe is a social and economic ill? There is no law more inexorable than the economic law and do you think you can change an inexorable law by passing an artificial, legislative measure?

Decries Hasty Legislation

That is the reason why labor is standing here immovable and uncompromisingly against the enactment of hasty, ill-conceived legislation. We feel sure that if we do not we will live to repent. Instead of passing legislation of this type what we need to do is show that we are men with good judgment and common sense and patience.

Would you believe it if I told you that in this trying situation there are less than one-tenth of 1% of the 7,000,000 members of the American Federation of Labor on strike? Are these 7,000,000 workers, affiliated with the American Federation of Labor, to be punished through the enactment of anti-labor legislation? Who will say "yes" to that? It is unjustifiable.

We have found from experience and, I know, outstanding thinking representatives of management will say that they have found from experience that we cannot promote industrial peace in that way. We can promote it better by working together as free men than we can by working handicapped through the imposition of statutory laws. In order to reduce industrial strife we need a better collective bargaining system. We need to engage in frank, open, sincere collective bargaining, where men sit around the table, feeling a common interest in each other and in the problems that are to be presented and instead of shadow-boxing, deception and mental reservations collective bargaining ought to be frank and sincere and the representatives of labor and management should talk to each other as friends, open and frank with each other, and arrive at the facts and then base the outcome of their deliberations upon the facts.

Favors Voluntary Arbitration

Another thing we need to do is to develop voluntary arbitration. These are the two instrumentalities that can be perfected and used, genuine collective bargaining and voluntary arbitration.

The-Muter-Company
Consolidated Gas Utilities
Chicago Corporation

Circular upon request

HICKS & PRICE

MEMBERS
NEW YORK STOCK EXCHANGE
CHICAGO STOCK EXCHANGE
NEW YORK CURB EXCHANGE (ASSOCIATE)
CHICAGO BOARD OF TRADE
CHICAGO MERCANTILE EXCHANGE

231 SOUTH LA SALLE STREET • CHICAGO 4
Teletype CG 972 Telephones Randolph 5686 and State 1700
1 Wall Street, New York 5, N. Y. Telephone BOwling Green 9-1432

DAVID A. NOYES & COMPANY

Stocks - Bonds - Commodities

208 So. La Salle Street, Chicago 4
STAte 0400

Members
New York Stock Exchange
New York Curb Exchange (Assoc.)
Winnipeg Grain Exchange
Chicago Board of Trade
Chicago Stock Exchange
Chicago Mercantile Exchange

Branch Offices
Chicago Union Station
236 SO. CANAL ST.
Board of Trade Building
INDIANAPOLIS, IND.

Monthly Stock Summary sent free upon request

LEECE-NEVILLE CO. COMMON
NU-ENAMEL CORP. COMMON
TEXAS SOUTHEASTERN GAS CO. COMMON
WEST OHIO GAS CO. COMMON

J. J. O'CONNOR & CO.
Incorporated
135 South La Salle Street
CHICAGO 3
Telephone Franklin 8200 Teletype CG 635

SINCERE AND COMPANY

MEMBERS OF
New York Stock Exchange
and all Principal Stock and
Commodity Exchanges

CHICAGO

FOR OVER 1/4 CENTURY

REAL ESTATE SECURITIES

INDUSTRIAL & PUBLIC UTILITY STOCKS & BONDS

We Specialize In The Acquisition & Distribution of Meritorious Securities.

CASWELL & CO.
120 SOUTH LA SALLE STREET, CHICAGO 3
Teletype CG 1122 Phone Central 5690

OVER-THE-COUNTER MARKETS

INVESTMENT TRUST SHARES
STOCKS and BONDS

SMITH, BURRIS & CO.
120 SO. LA SALLE ST.
CHICAGO 3
Teletype CG 878 Telephone ANDOVER 1200

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

That is better than fact-finding and any other kind of legislation that is intended to rob men of their freedom and of their liberty. Through the substitution of voluntary action, free from compulsion and restraint, labor and management act as free men of training and responsibility and we can reduce industrial strife to a minimum through the pursuit of such a policy.

The American Federation of Labor believes in this sort of philosophy and we are going to pursue that well-trodden road along which we have travelled for so many years. We are going to stand in the Halls of Congress and at the door of Congress and we are going to protest against making us subject to Government. We want less Government control instead of more.

I want to ask those representatives of management who cherish within your hearts the free enterprise system as we cherish within our hearts the exercise of the right to belong to unions, do you think you can have labor robbed of some of its rights and you remain free, unshackled men and, at the same time, shackle the men and women of labor. I maintain that through the enactment or through the proposal to enact these repressive legislative measures through legislation that you are striking right at the heart of free enterprise and it is just such action as that which created totalitarian countries abroad.

Surely we ought to learn the lesson out of the experience of the recent years. You cannot afford to make labor do this by law. You cannot compel it to do this by law and to subject it to Government control because you cannot remain free if labor is to be controlled. So, you have an interest with us. What you need to do is stand with labor in opposition to the enactment of this repressive, anti-labor legislation.

Housing Shortage

Now, I will pass from that and, in conclusion, I want to refer to a matter that is of universal interest to all of us. I want to talk to you for just a moment about our housing problem. It is a difficult problem and it is of tremendous importance. It has grown out of the war and the need for homes is so great now that we find that many will suffer because of a lack of homes for many long months to come. As I see the economic future it seems to me that for a number of years we are going to enjoy an era of great industrial activity. The pent-up demand for civilian goods will not be fully met for many years to come. That will mean, in order to control inflation, that price control must be exercised to a very large degree for a long, long time to come.

Business may feel assured that we are going to pass through a period of industrial activity for a long length of time. We will have the wage problem, the material problem, the price-control problem for a long period of time. With direct reference to housing—those engaged in housing construction and our skilled trades can be assured of employment and industrial activity for a long time to come. There is a shortage of 20,000,000 homes. I repeat—20,000,000 homes. Those service men and women coming home, many of them newly married, must have homes. The demand from that source will be tremendous and many of them are going to suffer. They will be forced to live in crowded, poor quarters. There will be much suffering and discontent. Then there are about 1,400,000 houses that are becoming obsolete. Obsolescence will finally destroy them. It is clearly shown that during normal times the maximum number of homes erected was 1,000,000 a year. That was during normal times. Now the best we can hope to build is 2,900,000 a year. It will be more than 20 years before we catch up with the immediate need for 20,000,000 homes. In addition to that we have a material shortage, a shortage of the things that go into the building of homes. It is difficult to get them and now we have to begin to increase the production of materials needed for the construction of homes. That is quite a problem. It is estimated that the lumber shortage will be 50% each year for the next 20 years. Can you imagine that? The lumber shortage alone is at least 50% less than we should have for 20 years! I give you these figures because I want to bring to your attention the problem itself. The need for homes is transcendent and tremendous. The ability to produce them is, at the moment, limited. The demand will be great and the call for homes will increase as the years go by.

Now, I am through. I thought it proper and appropriate for me to dwell upon these two or three things upon this occasion. I am pleased, indeed, to be privileged to do so. I do not think I can close this address better than by emphasizing what I have said and particularly what I have said relative to the economic philosophy of the American Federation of Labor.

I urge the representatives of labor and management, here in Chicago, to utilize this instrumentality which is being created by the Chicago Federation of Labor for the purpose of promoting goodwill and cooperation. There is no reason why there should be a destructive feeling between capital and labor. The call for the moment is tremendous. And may I say, in closing, in all you do and in all you undertake to do here I assure you, from the bottom of my heart, of the full assistance and complete support of the American Federation of Labor.

Shaskan & Co. Adds Wm. Frankel to Staff

Shaskan & Co., 40 Exchange Place, New York City, members of the New York Stock Exchange, announce that William Frankel has joined their over-the-counter trading department. Prior to his absence from the "Street" on war duty, Mr. Frankel was associated with Strauss Bros.

Trenary President of Corporate Fiduciaries

James M. Trenary, Vice-President and Secretary of United States Trust Company of New York, Jan. 29 was elected President of the Corporate Fiduciaries Association of New York City at their 25th annual meeting. Mr. Trenary was formerly Vice-President of the Association.

James M. Trenary

William A. Eldridge, Vice-President of Central Hanover Bank and Trust Company, was elected Vice-President of the Association, and E. W. Berry, Trust Officer of Manufacturers Trust Company, was re-elected Secretary and Treasurer.

Brian P. Leeb, Vice-President, Bankers Trust Company; George C. Barclay, Vice-President, City Bank Farmers Trust Company, and Charles R. Beattie, Trust Officer, First National Bank of the City of New York, were elected members of the Executive Committee.

S. R. Livingstone to Admit O'Brien, Owen And Be NYSE Members

DETROIT, MICH.—S.R. Livingstone & Co., Penobscot Building, will admit George E. O'Brien and Percy Owen, Jr., member of the New York Stock Exchange, to partnership in the firm as of Feb. 7. Mr. O'Brien has been with the firm in charge of the unlisted securities department. Mr. Owen in the past a partner in the firm.

NY Cotton Margins Raised To $10 a Bale

The New York Cotton Exchange announced on Jan. 23 that initial margins equal to not less than those fixed for clearing members by the New York Cotton Exchange Clearing Association, Inc. shall be required of all customers, but in no case shall the initial requirement heretofore $5 be less than $10 per bale. When the price at which a transaction is entered into is in excess of 25 cents per pound the initial margin shall be $5 per bale additional for each 1 cent or portion of 1 cent of such excess. This is interpreted by the Cotton Exchange Committee on Commission that contracts effective prior to Jan. 24, 1946 are not subject to the revision except as the requirements of the New York Cotton Exchange Clearing Association, Inc., may hereafter necessitate.

Judge Rosenman Retires; Awarded Medal for Merit

The Medal for Merit was awarded to Judge Samuel I. Rosenman on Jan. 24 "for exceptionally meritorious conduct in the performance of outstanding services to the President of the United States and his country." Later the same day President Truman announced his acceptance of Judge Rosenman's resignation, as of Feb. 1, from the White House staff, where he served as adviser and special counsel to both Mr. Truman and his predecessor, the late President Roosevelt. The President expressed deep regret, according to Associated Press Washington advices, on Judge Rosenman's retirement, and announced that no successor would be appointed, but that the Judge would continue to render advice and assistance from time to time without compensation.

$100,000

ATLANTIC CITY, NEW JERSEY

3% Refunding Bonds

Due 12/1/1967, Optional 12/1/51

Price — 104

*

ROBERT SHOWERS

10 SOUTH LA SALLE STREET

CHICAGO 3, ILLINOIS

Rawson Lizars & Co.

135 SOUTH LA SALLE STREET

CHICAGO 3

William A. Fuller & Co.

Members of Chicago Stock Exchange

209 S. LA SALLE STREET · CHICAGO 4

Tel. Dearborn 5600 Teletype CG 146

THE WISCONSIN COMPANY

Member of Chicago Stock Exchange

TELEPHONE DALY 0525

TELETYPE MILW. 291

MILWAUKEE

☆

Underwriters and Distributors of Investment Securities

Specialists in Securities of Wisconsin Corporations

Branch Offices: MADISON OSHKOSH WAUSAU

Investment Dealers and Underwriters

Indianapolis Bond and Share Corporation

129 EAST MARKET ST. INDIANAPOLIS 6, IND.

gitized for FRASER
tp://fraser.stlouisfed.org/

NASD Issues Instructions Relating to Oxford Case

(Continued from page 520)

membership in this matter and that the discussion presented below is a review and analysis of a decision of the Commission.

1. The basis of the Commission decision

The Commission has distributed copies of this decision to all members and it is therefore unnecessary to summarize the background and the facts upon which the Commission found that the respondent had been commissioned to act as agent and had violated the anti-fraud provisions of the Securities Laws in cross-transactions between two aged and uninformed customers.

2. Dicta in Commission decision upon solicited simultaneous transactions

Having found that the respondent had violated the anti-fraud provisions of the Securities Laws in the cross-transactions, the Commission thereafter made the following observations:

"It appears from the evidence **in this case** that respondent solicited from its customers **orders** to purchase specifically recommended securities when it knew that upon receipt of such **orders** it would have to go out into the market to obtain the securities in order to be able to fill the **orders.**

"It has been urged that, **under such circumstances,** the firm was free to act as a dealer. This argument cannot stand when realistically viewed and tested against the provisions of the Exchange Act. Section 3(a)(4) defines the term 'broker' as 'any person engaged in the business of effecting transactions in securities for the account of others . . .' A firm which makes a purchase to fill an order solicited by it when it knew it did not have the securities on hand is making that purchase for its customers — in fact and within the meaning of the Act. Such a transaction is, therefore, a brokerage transaction under the statute, and it is a brokerage transaction apart from the fact that the particular customer may be (as was true in this case) especially reliant on the firm by reason of particular trust, confidence or infirmity. Under these circumstances the firm must fulfill the obligations of brokerage in the transaction: among other things, to refrain from acting adversely, to refrain from taking secret profits, to make the best deal for the customer at the best price obtainable, and to confirm as agent making specific disclosure of the amount of its remuneration. **In transactions such as we have outlined** the firm placed itself in a brokerage position and it could not choose to act otherwise. Nor could it relieve itself of the necessity under the statute of acting as a broker by sending a confirmation as a purported 'principal.' The decision initially made by the firm to recommend the purchase of a security which it did not own was a voluntary decision which committed the firm to the role of brokerage. **That role could not be changed without explicit and informed consent** in each case prior to the completion of the transaction or explicit and informed ratification afterwards, and **nonaction of the customer upon the receipt of a principal confirmation did not, in our opinion, constitute such ratification.**

"However, these views do not, of course, apply to a course of dealing with a customer (as, for example, a bank or insurance company) **who does not desire to deal with a firm as broker and who understands the precise status occupied by the firm.**

"To hold that a securities firm can, **under the circumstances outlined in this case,** validly act as a principal would be to ignore the meaning of the act, and permit the firm, without particular, explicit, and informed consent, by a mere play on words, to shift its position in the course of the transaction to suit the convenience of the moment. That respondent attempted to do in violation of the anti-fraud provisions of the Exchange Act." (Emphasis supplied.)

3. Analysis of Commission decision and the broker-agent relationship

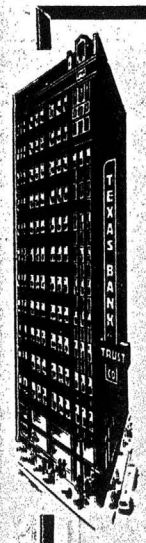
These statements relating to solicited orders for securities not owned by the broker-dealer are dicta of the Commission, as they were not necessary for a determination of the violations which the Commission had already found. They do not constitute a rule or regulation of the Commission. They are expressly based upon, and must be viewed in the light of the facts in this case, and do not change, or purport to change, the law of agency. It is no novel concept that where a broker-dealer is in fact the agent or broker for a customer as a result of specific instructions or orders creating agency, the broker-dealer must confirm to the customer as an agent and fulfill the obligations of agency outlined by the Commission. Failure so to do constitutes a violation of the common law, of the Securities Acts, of the Commission Rules and of the Association Rules prior to this decision of the Commission and at the present time.

The agency or brokerage relationship exists if the customer manifests an intention to have the broker-dealer act for the customer or for his account and the broker-dealer expressly or impliedly consents so to act. In this case there had been express order or instruction of agency from Mrs. Dunton to "sell for me and buy something in its place". The respondent had acted upon that "order". Accordingly, the Commission stated that "respondent solicited from its customers **orders** (which, used with the meaning of "instructions", establishes the existence of agency) to purchase specifically recommended securities when it knew that upon receipt of such **orders** it would have to go into the market to obtain the securities in order to fill such **orders.**"

On the other hand the relationship of a sale by the broker-dealer as principal to the customer exists when the customer gives his explicit and informed consent to a purchase from the broker-dealer as principal. If the customer does not manifest an intention to create the agency relationship by giving an instruction or order to "purchase for me", "for my account" or other similar order for agency, but agrees to buy from or sell to the dealer as principal and knows, or is informed of, the difference between principal and agent, the dealer is acting as a principal.

One of the characteristics or earmarks of an agency transaction is the circumstance that the broker-dealer did not sell the securities out of his inventory and similarly one of the characteristics of a principal transaction is the circumstance that a broker-dealer sold the securities out of his inventory. These indicia are not necessarily controlling when the facts show the customer on the one hand intended to create an agency relationship or on the other hand intended or consented to purchase from the dealer as principal.

If a broker-dealer does not have in his inventory, the securities which he solicits his customer to purchase, whether there has been a violation of the statutory or common law of fraud will still depend upon all the circumstances of the transaction at the time it was made. Similarly a broker-dealer may not confirm the sale as principal to a customer of securities which he holds in his inventory if the facts at the time of the transaction indicate that agency was intended by the cus-



The "TEXAS"—the Bank in Texas with the ACTIVE BOND DEPARTMENT

Dealers and Underwriters Specializing in

Texas Municipal Bonds

★

Special interest in Texas Municipal general obligation and revenue bonds maturing up to ten years.

Offerings of odd lots are invited.

★

Up-to-date analysis on any Texas City or County credit gladly furnished upon request.

TEXAS BANK & TRUST CO.

P. B. (Jack) Garrett, Pres.

Main at Lamar - Teletype DL 493 - Dallas 2, Texas

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

Firm Bids • Firm Offerings • Quotations

Bond Department

THE FIRST NATIONAL BANK

OF MEMPHIS

MEMPHIS 1, TENNESSEE

TELEPHONES 5-3637 • 5-3638 • LD-311 • LD-312 TELETYPES ME-283 • ME-284

R. A. Shillinglaw & Co.

Formerly Gray, Shillinglaw & Co.

15TH FLOOR AMERICAN TRUST BUILDING

NASHVILLE 3, TENNESSEE

TELEPHONE 6-5661 TELETYPE NV 164

We Invite Inquiries in all

SOUTHERN SECURITIES

BRANCH OFFICE
FIRST NATIONAL BANK BUILDING
MEMPHIS 3, TENN.

Dealers and Originators

TEXAS MUNICIPALS

AND

SOUTHWESTERN CORPORATE ISSUES

Firm Bids — Firm Offerings — Quotations

Statistical information gladly furnished on request

WILLIAM N. EDWARDS & CO.

FIRST NATIONAL BANK BUILDING

FORT WORTH 2, TEXAS

Telephone 2-2211 Bell System Teletype FT WH 446

SOUTHERN TEXTILE SECURITIES

A. M. LAW & COMPANY

(Established 1892)

SPARTANBURG, S. C.

Long Distance 51 Bell Teletype SPBC 17

WILLIAM D. JAMES COMPANY

SACRAMENTO, CALIF.

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

tomer. Thus, in discussing the characteristics or earmarks distinguishing a dealer as principal from a broker or agent, William O. Douglas, formerly Chairman of the Securities and Exchange Commission and presently an Associate Justice of the Supreme Court of the United States, has stated (43 Yale Law Journal 46, 61: Nov. 1933):

"He is nonetheless a dealer even though he had no inventory but was acquiring securities for his customer from any of several sources in the manner of any merchant. For a 'broker' to sell from his own inventory would establish that he acted as a dealer; but **it is not true, conversely, that the absence of an inventory makes him an agent.** That alone would not discriminate between an agent and a dealer, though it would be evidence to be weighed along with other of the criteria mentioned." (Emphasis supplied.)

A broker-dealer did not have, and does not have, an **option** to confirm a particular transaction to a customer either as agent or as principal. The facts which determine whether a principal or an agency relationship exists are based upon the nature of the transaction at the time the transaction is made, and the transaction must be confirmed in accordance with those facts. Mere nonaction by the customer upon receipt of a confirmation as principal of a transaction which was in fact brokerage does not alone constitute a ratification by the customer.

That a firm does not have an option to change, and may not change, at will its relationship to a customer from agency to principal merely by issuance of a confirmation of sale as principal is illustrated by the respondent's purported purchase of Morris Plan Bank preferred stock from Mrs. Dunton in the **Oxford** case, where the prior course of dealing and the specific instructions at the time of the transaction required an agency confirmation. It is also illustrated by the **Investment Registry of America** case, decided by the Commission Jan. 11, 1946 (Securities Exchange Act Release No. 3772), where the respondent had generally acted as agent for its customers for a long period and, upon learning that its agency confirmation lacked adequate disclosures, it merely shifted to a general use of a principal confirmation. Citing its decision in the **Oxford** case, the Commission held that the broker-dealer could not change its relationship to its customers from agent to principal without the specific and informed consent of its customers.

In order to avoid any claim of fraud under the Securities Acts or at common law, a broker-dealer acting as principal in the sale of securities to customers, whether the securities are held in inventory or not, should be satisfied that at the time of the transaction the customer is informed of the difference between principal and agent, "understands the precise status occupied by the firm," and intends or consents to make the purchase from the dealer as principal.

The extent of information or advice which should be given to customers or which a customer should possess in order to give explicit and informed consent to a purchase from a dealer as principal is not susceptible of precise or all-inclusive statement and would vary with each customer. In the last analysis, whether there is a violation of the common law or the Securities Laws and the Commission Rules thereunder depends upon the application of the law of fraud to all the circumstances of each particular case. When transactions are made by salesmen or other representatives of members it is not always possible to determine whether in the case of principal transactions the customer "understands the precise status occupied by the firm", or whether the customer actually gave orders or instructions for his purchase or sale through the broker-dealer as agent. Each Association member would be well advised to re-examine his business practices and his customer relationships to make certain that his selling organization understands and makes practical use of the principles outlined in this letter, and to consult and be guided by the advice of his counsel as applied to his individual situation.

Very truly yours,
For the Board of Governors:
WILLIAM K. BARCLAY, JR.
Chairman.

Cunningham Joins New Dept. of J. G. White

J. G. White & Company, Inc., 37 Wall Street, New York 5, N. Y. announce the opening of a municipal bond department under the management of Richard A. Cunningham, recently released from the Finance Department, AUS.

While in the service Mr. Cunningham held the rank of Captain and served as liaison officer between the War Department in Washington and the Federal Reserve Bank in Cleveland in guaranteeing production and termination loans to war contractors in the Fourth Federal Reserve District.

Prior to entering the service Mr. Cunningham was associated with Lee Higginson & Co. and later with R. W. Pressprich & Co. At the time he entered the service he was a partner in Craigmyle, Rogers & Co., where he was in charge of the municipal bond department.

Carrier Corp. Preferred Stock All Sold

A syndicate headed by Harriman Ripley & Co. and Hemphill, Noyes & Co. announced Jan. 29 that of the 118,257.26 shares of preferred stock (cumulative), 4% series, offered by the corporation to the holders of its common stock, 112,887 shares were subscribed for by the exercise of subscription warrants. The balance of 5,370.26 shares so offered to the holders of common stock, together with 1,742.74 shares not so offered, totaling 7,113 shares, was purchased by the underwriters and has been sold. The net proceeds will be used to redeem any of the 4½% cumulative preferred stock not converted into common stock and for purchase of machinery, etc., construction of an additional plant and working capital.

Barnes With Fed. Securities

MEMPHIS, TENN.—E. E. Barnes is now Secretary-Treasurer of Federal Securities Co., 81 Monroe Street. H. P. Curd is President of the firm.

UNDERWRITERS - DISTRIBUTORS - DEALERS

FLORIDA BONDS

MUNICIPAL COUNTY DISTRICTS
ALL ISSUES

Firm Bids — Firm Offerings — Quotations

Inquiries Invited on Florida Corporate Issues and Local Securities

CLYDE C. PIERCE CORPORATION
Long Distance 47; 5-3680 Bell Teletype JK 161
JACKSONVILLE 1, FLORIDA
Branch Office - - - - ST. PETERSBURG

FLORIDA BONDS
—all issues—
BOUGHT — SOLD — TRADED
Have your holdings appraised and analyzed by our experts. Send your list to us for a detailed report.
Thomas M. Cook & Company
20 Years Experience Handling
SOUTHERN MUNICIPALS
14th Floor Harvey Bldg., West Palm Beach, Fla.
Telephones 8188 - 8189 Bell Teletype WP 82

THE BANKERS BOND CO.
INCORPORATED
1st FLOOR KENTUCKY HOME LIFE BLDG.
LOUISVILLE 2, KENTUCKY

INVESTMENT DEPT.
THOMAS GRAHAM, Manager
H. W. BOHNERT
WILLARD P. McNAIR
E. C. LEWIS
J. M. FETTER

INVESTMENT DEPT.
WOOD HANNAH, Asst. Mgr.
J. D. FAISON
CHARLES C. KING
P. M. CONWAY
HOWARD D. LOUDEN

LOUISIANA and MISSISSIPPI MUNICIPALS
IMMEDIATE FIRM BIDS
Scharff & Jones
INCORPORATED
LAMAR LIFE BLDG. JACKSON, MISS.
New Orleans 12
513 MARKET ST. SHREVEPORT, LA.
Teletype—NO 180 Long Distance 25

Specialists in
LOUISIANA and MISSISSIPPI MUNICIPALS
AND
U. S. Housing Authority Bonds
KINGSBURY & ALVIS
Hibernia Bldg. NEW ORLEANS 12, LA. Bell Teletype NO 382
Lamar Life Bldg. JACKSON 112, MISS. Bell Teletype JN 84

E. M. ADAMS & CO.
AMERICAN BANK BUILDING
PORTLAND 5, OREGON

Dealers in
VIRGINIA—WEST VIRGINIA
NORTH and SOUTH CAROLINA
MUNICIPAL BONDS
F. W. CRAIGIE & CO.
RICHMOND, VIRGINIA
Bell System Teletype: RH 83 & 84
Telephone 3-9137

gitized for FRASER
tp://fraser.stlouisfed.org/

Bank and Insurance Stocks

By E. A. VAN DEUSEN

This Week — Insurance Stocks

In view of somewhat general predictions to the effect that stock fire insurance companies would be likely to report either underwriting losses in 1945 or lower underwriting profits than in 1944, it is of interest to present an analysis and comparison of the annual reports to stockholders of Continental Insurance Company and Fidelity-Phenix Fire Insurance Company. Contrary to the aforementioned predictions both of these companies report higher earnings in 1945 than in 1944, as will be noted in the following comparative analyses:

Continental Insurance Company

	1944	1945	Increase
Statutory underwriting profits	$653,870	$1,611,661	
Gain in premium res. equity	1,021,264	1,166,184	
Net underwriting profits	$1,675,134	$2,777,845	65.8%
Net investment income	4,842,729	4,999,699	3.2
Total net oper. (bef. Fed. taxes)	$6,517,863	$7,777,544	19.3
Federal income taxes	886,307	1,429,221	61.2
Total net oper. profits	$5,631,556	$6,348,323	12.5%
Per share	$2.82	$3.17	
	1944	1945	Increase
Capital	$5,000,000	$20,000,000	
Surplus	93,345,561	98,632,643	5.7%
Policyholders surplus	98,345,561	118,632,643	20.6
Net premiums written	29,489,719	31,935,122	8.3
Unearned premium reserves	20,275,590	22,813,542	12.5
Liquidating value per share	$54.47	$65.20	19.7

It will be observed that underwriting profits, both on a statutory basis and net adjusted basis, were substantially higher in 1945, while net investment income was moderately higher. Federal income taxes were 61.2% greater than in 1944, yet net operating profits after taxes amounted to $3.17 in 1945 compared with $2.82 in 1944, an increase of approximately 12.5%.

In February, 1945, capital was increased from $5,000,000 to $20,000,000 through a transfer of $15,000,000 from surplus and the increase of par value from $2.50 to $10 per share. Despite this transfer, surplus has increased by more than $5,000,000, or 5.7%, while policyholders surplus has increased 20.6%. Liquidating value has risen from $54.47 to $65.20 per share, an increase of 19.7%. (All figures are for parent company only.)

Fidelity-Phenix Fire Insurance Co.

	1944	1945	Increase
Statutory underwriting profits	$229,027	$655,776	
Gain in prem. res. equity	931,313	1,015,181	
Net underwriting profits	$1,160,340	$1,670,957	44.1%
Net investment income	4,048,740	4,130,720	2.0
Total net oper. (bef. Fed. taxes)	$5,209,080	$5,801,677	11.4
Federal income taxes	525,738	794,385	51.1
Total net oper. profits	$4,683,342	$5,007,292	6.9%
Per share	$3.12	$3.33	
	1944	1945	Increase
Capital	$3,750,000	$15,000,000	
Surplus	76,181,283	84,171,500	10.5%
Policyholders surplus	79,931,283	99,171,500	24.1
Net premiums written	23,087,763	25,448,911	10.2
Unearned premium reserves	20,275,590	22,813,542	12,5
Liquidating value per share	$58.69	$72.20	23.0

As in the case of Continental, Fidelity-Phenix also increased its capital by a transfer of funds from surplus to capital and a change of par value. Surplus, however, is 10.5% higher than a year ago, while policyholders surplus is 24.1% higher. Premium volume and unearned premium reserves are substantially higher; Federal taxes increased 51%, yet all net earnings figures, after taxes and before, show improvement over 1944. (Parent company figures.)

December fire losses in the United States, as reported by the National Board of Fire Underwriters, amounted to $49,478,000, compared with $48,094,000 and $47,716,000 in December, 1944 and 1943, respectively. Total losses for the year 1945 are reported at $455,329,000. These losses compare with previous years, as follows: 1944, $423,538,000; 1943, $380,235,000; 1942, $314,849,000; 1941, $322,357,000; 1940, $306,470,000. Losses in 1945 were the highest recorded since the year 1930 when they amounted to $463,613,000.

For the year 1944 (latest available) the allocation of net premium writings by Continental and Fidelity-Phenix was as follows:

	Fire %	Motor Vehicle %	Ocean Marine %	Inland Marine %	Ext'd Coverage %	Tornado etc. %	Misc. %
Continental	57	7	13	7	6	4	6
Fidelity-Phenix	55	7	16	7	5	4	6

It will be noted, that both companies diversify their premium lines broadly, and both are relatively low in the proportion written in fire. Hence they are not as greatly affected by heavy fire losses as are companies which concentrate more heavily in fire risks.

The CIO's International Aims

(Continued from page 525)

It is high time that all of us widen the horizon of our thinking. We have widened it in the United States where every citizen carried dual citizenship. He is a citizen of his State, and he is likewise a citizen of the United States. As I see it, he must now extend his horizon again and assume a triple-citizenship by adding to the others his status as a citizen of the world.

This is the point of view of the Congress of Industrial Organizations when it approaches the problems that are loosely defined as international or having to do with foreign policy. They are not really international problems; they are national. What happens in any part of the world today affects us just as certainly as what happens here.

The Congress of Industrial Organizations has not arrived at this state of mind by any sudden rush of emotion. Our officers and our membership have been giving careful consideration to these things over the years since our organization was founded. Even before the world began to war on Sept. 1, 1939, we were considering these problems. The war, steadily widening over the months until it engulfed us along with the others, only strengthened us in our opinion that isolationism is a major evil, and that a world at peace and everyday security for the common people cannot be attained on any such basis.

It was during the war that one of our visions came to realization, and that was back in 1943 when plans for a real world federation of organized workers took definite form. The gradual development of that formation revealed the thinking that was in the minds and hearts of working people everywhere. Despite the fact that some organizations, few in number, persisted in their old ideas of isolationism and complacency, our concrete approach to the problem was widely heralded. Acceptances of the invitation for a conference held in London last February came from all over the world. Lest it be assumed that these acceptances were based in the mutual interests only of the countries aligned with the United Nations in fighting fascism, it is well to remind ourselves that six of the 35 nations accepting were neutrals. These were Iceland, Eire, Spain, Sweden, Switzerland and Finland. I name them to stress the point that wholly aside from the factors that kept or made them neutral in the great conflict, the working people of those nations were aware of their common lot with the rest of mankind who work for a living. Because of the assured fact that delegates from nations allied against fascism would be certain to express their views of enemy philosophy, the delegates from the neutral countries sat for the first week of the conference as observers, but participated as active delegates during the second week.

The conference in London was attended by 167 delegates, according to the official record. Deduct from that number the 15 British Trades Union Congress delegates who were at home in London and you find that the workers of 34 other nations thought enough of international cooperation to send 152 delegates from the far countries of the earth despite difficulties of wartime traveling.

There was not a subject now being considered by the United Nations Conference that was not touched upon in the London conference. Among these questions were those dealing with the status of Spain and Argentina, with the Palestine problem, the Indian problem, the colonial question, the matter of drafting peace treaties, international cooperation and a host of other world problems. But there was no hampering of thinking or expression through the vague procedures of diplomacy that prevail at the political level of foreign relations.

Furthermore, it was not a question of taking votes and exercising vetoes. Every decision of the conference was fully debated and emerged eventually as a unanimous expression of the delegates.

Truly, this London conference might well have been termed a dress rehearsal of the United Nations Conference for International Cooperation scheduled a few months later at San Francisco. It is regrettable that it was not so recognized. The example of straightforward discussion given at London might well have been followed by the statesmen at San Francisco.

It is, therefore, fair to ask at this point if the plain working citizens of the world are not as well or even better qualified than political spokesmen to determine standards of world citizenship?

While the example set at London went unheeded at San Francisco by the political representatives of the 50 United Nations, organized labor at San Francisco set the pace of the conference in the things which in our estimation then weighed and still weigh heaviest in the general scheme of things. Representatives of the American Federation of Labor, the Railroad Brotherhoods and the Congress of Industrial Organizations, were among the 42 consultive groups at San Francisco representing labor, industry, agriculture, education, cultural activities, racial minorities, religion and so on. I am sure that not more than a bare handful of our 140 million American people were unrepresented by at least one of these consultive groups.

This fact, strange to say, apparently made little impression in the early days of the conference on the political representatives of the nations, our own among them. It is difficult to define the attitude precisely, but the intimation was that the consultive groups were there as interlopers hampering the profound and sage deliberations of the official delegates. It took some little time for those officials to adjust themselves to the idea that 140,000,000 American citizens had rights and interests which they chose to express directly.

How this transition came about is interesting, but first let me mention briefly the Dumbarton Oaks draft of a world constitution which provided the subject matter for the conference. As you will recall, the Dumbarton Oaks draft was prepared at a confer-

Comparison and Analysis
19 New York Bank Stocks
December 31, 1945
Circular on Request
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)

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

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

Kaiser-Frazer Corporation
Common Stock
Bought · Sold · Quoted
Prospectus available upon request
FIRST CALIFORNIA COMPANY
INCORPORATED
INVESTMENT SECURITIES
300 Montgomery Street, SAN FRANCISCO 20, Teletype SF 431-432
650 South Spring Street, LOS ANGELES 14, Teletype LA 533
Private Wires
Between San Francisco, Los Angeles, New York and Chicago
OFFICES IN PRINCIPAL CALIFORNIA CITIES

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.

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

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

ence called in October, 1944, by the United States, Great Britain, Soviet Russia and China. Those in attendance at Dumbarton Oaks were politicians—using that word in its least offensive sense—and so it was only natural that the draft which resulted was a political document, formulated according to the old and accepted theory that the government always knows what is best for its subjects.

For example, the Dumbarton Oaks draft mentioned *human rights* only once in all its length, and then in a most casual way. That mention occurred in Chapter 9 which covered the setting up of an Economic and Social Council which was to be a sort of stepchild to the General Assembly. The draft established only four principal organs of the proposed United Nations Organization: The General Assembly, the Security Council, the International Court of Justice, and the Secretariat. The Economic and Social Council was not among them.

Frankly, those of us who were there as consultants, did not consider the Dumbarton Oaks draft a proper translation of the hopes and aspirations of the peoples of any country. While it is only fair to admit that the job had to be approached by first building a skeleton and then equipping it with muscles and flesh and blood, we were convinced that only the peoples of the world could provide the breath of life for the creation.

Our first task, in which President Philip Murray of the Congress of Industrial Organizations played a leading part, was to insist that human rights, denial of which had plunged the whole world into war, must be given explicit and not merely implicit recognition in the new world charter. I suspect that there were some red faces among the offic al delegates when the direct representatives of the people orcefully called attention to the grave a d tragic omission. There was prompt agreement that human rights must be given full and complete recognition in the new charter.

There was not such a quick agreement when the direct spokesman of the people turned their attention to the matter of an Economic and Social Council. In this connection let me say that the resistance was not directed against organized labor alone. It was directed against industry, agriculture, education, religion and all the other groups without exception.

The paragraph on which we centered our opposition read as follows:

> "The Economic and Social Council should set up an economic commission, a social commission, and such other commissions as may be required. These commissions should consist of experts. There should be a permanent staff which should constitute a part of the Secretariat of the Organization."

Next followed a provision that specialized organizations of agencies—meaning groups created at the political level — should be given limited participation in the affairs of the Economic and Social Council.

As potential citizens of the world, we found this formula completely inadequate.

I am happy to be able to say that the Congress of Industrial Organizations took the lead in expressing the views of the people. Those views were, of course, a reflection of the thinking that had preceded and gone into the London conference of the World Federation of Trade Unions.

We submitted a draft proposal to the American delegation providing that any commissions to be established in the economic field should be constituted of representatives of industry, labor and agriculture. We supported this proposal with a short brief setting forth that while we were casting no personal aspersions on competent experts, the word "expert" had come to mean a great many things. Our position on this matter brought to our support the other consultants, notably those representing big business, agriculture and education. Working together as citizens of this country, and as potential citizens of the world, we gave our political representatives some highly instructive lessons in how a democratic people makes its desires known and how it wants them carried out.

A strange manifestation developed in the course of this proceeding, and that was the reluctance of the American delegation to deal forthrightly with matters that are properly classified under the term "labor" and the term "education." The feeling seemed to be that both words denoted a form of subversive activity which must be discussed in whispers, if at all. We believe we changed that impression in the course of the conference.

The outcome of all this was that the Economic and Social Council was raised to the same status in the United Nations charter with the General Assembly, the Secur-

(Continued on page 604)

OTIS & CO.
(Incorporated)
Established 1899
CLEVELAND
New York Chicago
Denver Cincinnati Toledo
Underwriters and Distributors of Municipal and Corporate Securities

COLLIN, NORTON & CO.
ESTABLISHED 1920
Members of
New York Stock Exchange *New York Curb (Assoc.)*
Chicago Board of Trade *Cleveland Stock Exchange*
LISTED and UNLISTED SECURITIES
508-12 Madison Ave.
Toledo 4, Ohio
Tel.: Adams 6131
Long Distance: LD 71
Bell Teletype: TO 190
30 Pine Street
New York 5, N. Y.
Harold B. Smith, Mgr.
Tel. BOwling Green 9-2432
Bell Teletype: NY 1-2978
Private Wire to: CHICAGO—DETROIT—NEW YORK—CLEVELAND

Underwriters - Dealers - Distributors
Government, Municipal, Corporate
BONDS — STOCKS
— We have a continuing interest in: —
CONSOLIDATED GROCERS
JOSEPH & FEISS
LEECE-NEVILLE
OHIO FORGE & MACHINE
TAPPAN STOVE
TROXEL MFG.
UPSON WALTON
VALLEY MOULD & IRON
MEMBERS CLEVELAND STOCK EXCHANGE
THE FIRST CLEVELAND CORP.
NATIONAL CITY BANK BUILDING
CLEVELAND 14
Telephone Prospect 1571
Teletype Bell System CV 443 & 444

WM. J. MERICKA & CO.
INCORPORATED
Members Cleveland Stock Exchange
Offering an experienced trading and distributing service in Ohio Corporation and General Market Municipal Bonds, Stocks and Land Trust Certificates
Union Commerce Building
CLEVELAND 14
Telephone MAin 8500
29 Broadway
NEW YORK 6
WHitehall 4-3640
Direct Private Wire to New York

GOTTRON, RUSSELL & CO.
Trading Markets
Teletype CV 565
Long Distance 500
CLEVELAND 14, OHIO

BROKERS · DEALERS
Curtiss, House & Company
MEMBERS
New York Stock Exchange
New York Curb (Associate)
Cleveland Stock Exchange
Union Commerce Building — Cleveland 14
Main 7071

Municipal Bonds Corporation Bonds
Unlisted Stocks
NELSON, BROWNING & CO.
Investment Securities
CAREW TOWER
CINCINNATI 2, OHIO
Teletype CI 366 Telephone Ch 6422
Branch Offices: Cleveland—Akron

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

Canadian Securities

By BRUCE WILLIAMS

Although the reconversion low point of industrial production in this country was reached last November, Canadian production by the end of December had not yet registered a reversal of the downward trend. There were good signs that January would mark the turning point for Canada, and while this may still prove true, the steel strike has been a body-blow to industry north of the border.

Canada's overall steel capacity nearly doubled during the war and is still expanding but the Dominion nevertheless depends heavily on U. S. production for a large part of its steel needs. At present we supply about 40% of the structural steel used in Canada, and an even greater proportion of the black plate for tinning and large sheets for such products as refrigerators and automobile body stampings.

The major reason perhaps why reconversion in Canada has been somewhat slower than here may be traced to the differences in our national economies before the war. Industrialization in Canada had not gone as far as here and the shift there to wartime production required more far-reaching changes. Likewise, Canada's reconversion problems involve relatively greater adjustments.

For example, as late as April 1940 there were fewer than 6,000 persons employed in Canada's aircraft industry. By March 1944 this figure had risen to over 90,000. Latest available figures show that only 13,921 were still working in this industry on Nov. 1, 1945. And further shrinkage has undoubtedly occurred since then.

* * *

In the Dominion-Provincial Conference due to reconvene this week Ontario and Ottawa appear to be as far apart as ever, although the other provinces can now look forward to better terms from the Dominion Government as a result of the controversy. Colonel Drew has indicated his determination that a solution embodying the major Ontario proposals must be reached at this time.

However, sources close to the Government are predicting that if the other provinces show a willingness to settle with Ottawa on somewhat more favorable terms than those offered last August, Ontario will be left to go its own way. On the other hand, if Quebec, in conjunction with any one of the other seven provinces, sides with Ontario, the Dominion Government will probably seek to let things ride as they are for a while.

The markets last week showed little change from their previous bullish course. Bond prices in all categories closed strong and the big complaint of most houses was the scarcity of supply. For a day stock prices were a little soft in sympathy with the sharp one-day break in stock prices here, but they recovered with a resiliency that attested to the health of the current bull market.

The underlying factors responsible for the current upward trend in market values are so fundamental that it is difficult to foresee anything but a continuation of this trend over the intermediate future.

Quarterly
Canadian Review

January 1946 Edition
Volume X, No. 1

This Edition includes, among other things, a Review of Current Canadian conditions and brief analyses of four Canadian Corporations.

Copies available to banks, insurance companies and other institutions on request.

DOMINION SECURITIES CORPORATION
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

We own and offer subject to prior sale
$50,000
Province of
Saskatchewan
4½s, due June, 1957
104¾ and Interest
ERNST & CO.
120 Broadway, New York 5, N.Y.
231 So. LaSalle St., Chicago 4, Ill.

CANADIAN STOCKS
Industrials — Banks — Mines
Bought—Sold—Quoted
CHARLES KING & CO.
Members Toronto Stock Exchange
61 Broadway, N. Y. Royal Bank Bldg.
Whitehall 4-8980 Toronto, Canada
Teletype NY 1-142
Direct private wire to Toronto

Non-Callable
$100,000
Canadian Pacific Railway Company
4% Perpetual Debenture Stock
Interest payable semi-annually in United States Funds
Price to yield 3.493%
Wood, Gundy & Co.
Incorporated
14 Wall Street, New York 5
Direct Private Wires to Toronto & Montreal

TAYLOR, DEALE & COMPANY
64 Wall Street, New York 5
WHitehall 3-1874
CANADIAN SECURITIES
Government *Municipal*
Provincial *Corporate*

The CIO's International Aims

(Continued from page 603)

ity Council, the International Court of Justice and the Secretariat. The Economic and Social Council which we believe can do the most to halt wars and the practices that breed wars, is now a major organ of the United Nations Organization, and Article 71 of the charter now reads as follows:

"The Economic and Social Council may make suitable arrangements for consultation with non-governmental organizations which are concerned with matters within its competence. Such arrangements may be made with international organizations and where appropriate, with national organizations after consultation with the member concerned."

The Congress of Industrial Organizations did not choose to rest on its oars with this result. Just four months later, in September, 1945, we sent another delegation to Europe to attend the first constitutional meeting of the World Federation of Trade Unions held in Paris. On this occasion there were in attendance 185 delegates from 56 nations, every one of them the representative of people who depend for their daily bread on a wage and salary rate.

We claim that the Congress of Industrial Organizations is outstanding among the various peoples' organizations in the United States. But we claim no such outstanding position among the union organizations from the many lands whe were represented in Paris. Great and small, from the mighty British Trades Union Congress and the huge All-Union Central Council of the U. S. S. R. on down to the small and only labor union from Britain's Crown Colony of Gambia, we all met in Paris as equals, as citizens of the world and we expressed our views from that standpoint alone.

Where in London seven months earlier we had represented 50 million organized workers, we now found ourselves speaking for a total of more than 66 million such workers.

The voices of that vast multitude will not be stilled. They will, I am sure, continue to be heard. But the insistent clamor will not be as heretofore—a confusion of many tongues voicing aims that may be diverse. Through the World Federation of Trade Unions those voices will sound as one voice in one language at a time, and the recurrent topic will be World Citizenship.

We have no repressive or aggressive designs on anything but poverty. As the people of each nation qualify for world citizenship they will be recognized by the World Federation of Trade Unions. We believe the first evidence by any nation of good intentions is the formation of unions of working men and women, those who toil for their daily bread, and who by that toil alone qualify themselves for the great brotherhood of man on which a world of peace must be founded.

We have constructive objectives:

We propose to enlarge our horizons still further, and we propose not ot do it ever again by shedding of blood on battlefields, but rather by the institution of economic justice.

We propose bread for all the peoples of the earth—more bread and better bread—as time goes on; in other words, we are for a steadily rising standard of living through full employment of all willing and able workers.

We propose security, individual, national and international, for all.

We propose the interchange of knowledge, skill, products and all the other things that mark lasting friendships.

We propose to make the weak strong so that we can all be strong together in the cause of decency. We can attain these objectives only by insisting from the outset on that most fundamental of all things, the recognition by all nations, all peoples and all individuals of human rights. These rights underlie the whole structure.

We are not concerned with differences in political structure, in race, in religion, in national origin or any of the other natural or man-made differences that have always been used as pretexts for differences of opinions. We seek the area of agreement, not that of disagreement. When men meet on that basis, the ultimate decision always represents progress.

Before we left Europe after the conference in Paris, we put these ideas into practical effect by sending an 11-member delegation from the Congress of Industrial Organizations to Soviet Russia. This is not the occasion nor is there time to go into details of what we saw there, but some of the conclusions drawn on that trip must certainly be mentioned.

The visit was planned as a return of the visit made to this country last summer by a delegation of union representatives from the Soviet Union. I am satisfied that the confusion on both sides is attributable only to the lack of information that makes men strangers. As I would judge the matter, the general impression in Soviet Russia is that individuals here are merely so many nameless cogs in a machine operated by Wall Street; the general impression in this country is that the people of Soviet Russia are likewise so many nameless cogs in an equally sinister and diabolical machine. I am satisfied that the Russian unionists who visited us went home with a revised opinion. I am certain that we, as representatives of the Congress of Industrial Organizations on the visit to Russia, revised some of our opinions.

We found, for instance, that the worker in Soviet Russia, aside from his political system and the customs and traditions that make one people different from another, is a human being with the same wants, and desires, and fears, of workers in this country. He doesn't want to kill anybody and he most certainly doesn't want to be killed. He is interested in his family, in his job and in the other pursuits that go to make a day-by-day existence. He wants those rights as he evaluates rights.

If we are committed to the recognition of human rights, and I believe we are by every decent standard, we have a duty to try to understand the people of the Soviet Union and they have a duty to understand us. We can arrive at that mutual understanding only by becoming acquainted along lines that begin with individual friendships and conclude with national friendships. In other words, we must widen the horizon steadily and intelligently by getting to know people. We cannot do it by isolating either the other fellow or ourselves.

The Congress of Industrial Organizations and the other unions from virtually every nation on the face of the earth, stand committed against isolationism. And we are doing much more than making speeches against it. We are working along practical lines. Since our return from Europe the Congress of Industrial Organizations has established a CIO Department of International Affairs, an American-Soviet Committee and also an American-Anglo Committee. An American-Italian Committee is being formed. There will be others.

At the same time we are encouraging every activity of government that will lead to better understanding and better acquaintanceship among the peoples of the earth. The mere mention of governmental activity naturally calls to mind the International Labor Organization and arouses questions as to our attitude toward it.

We are wholly in accord with the principle underlying the International Labor Organization. When the ILO was first established by the old League of Nations, there was only one major labor organization in the United States. The objective of the ILO was to work out on a tri-partite basis internationally, conventions that could then be placed in effect by the participating nations. Theoretically the scheme was sound, but in practice it simply failed to work. The conventions were solemnly drafted by the ILO and just as solemnly ignored in the great majority by Congress. With the rise of the Congress of Industrial Organizations, American representation on ILO failed completely to be representative of American labor. The fault with the ILO today lies in its constitution. At a time when millions of organized American workers might be brought to throw their support behind conventions drafted by ILO, we find most of these millions totally unrepresented in ILO itself.

From the very beginning we have supported the endeavors of the late President Roosevelt in establishing a good neighbor policy in the western hemisphere. We believe great progress has been made in Inter-American relationships, despite the fascist influence that sought with limited success to disrupt those relationships.

We give much of the credit for the progress that has been made in Inter-American relationships to the International Training Administration. The ITA was a unique departure from ordinary political procedures. It was established first at the request of

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

A Constructive Republican Party Policy

(Continued from page 521)

had 78 women delegates. In 1944 the Republican Convention had 99 women delegates. I would like to see the 1948 Republican Convention have a minimum of 250 women delegates.

I should also like to see our Republican Party make some definite commitments to the women of America as to what it intends to do if it is placed in power.

I believe that it should specifically state that women would be represented in a Republican Cabinet. The viewpoint and attitude of the women of the Country should be constantly expressed in the policy sessions of the Cabinet. One way of bringing this about would be to appoint a woman as Postmaster General. There is no question in my mind but that there are a number of women in the Country who could very ably administer that Department and whose advice in the Cabinet on general policy matters would be much better for the Country than the advice that now comes from The Postmaster General. This would also result in the constructive development of the place of the local post office in community activities, especially in the small communities. We should also give consideration to the establishment of a new Department of Government which would bring together under Cabinet administration, all of the Federal activities of welfare and health and security and education. This Department likewise could well be administered by a woman.

In discussing with you the general situation in our Republican Party I wish to be perfectly frank. You all recognize that there is a rather wide divergence of viewpoint and of philosophy of government within the Republican Party. This is not unfortunate. It is a good thing. The Republican Party should be big enough to have room within it for a divergence of viewpoint. This is a necessary factor of the two-party system. And the two-party system is the best method of effective government of free men. A major element in the stability of government in this Country has been the two-party system in which there is a continuing discussion and contest within each Party as to its policies and program, followed by a final decision by the people between the alternatives presented after the primary decisions are made in each Party. With a reasonable measure of party discipline after the decisions are made, and with constructive cooperation in the general public interest, effective government is obtained.

The two political Parties therefore become broad vehicles for the service of the people. If we were to rigidly divide them on a specific economic or philosophic division we would find that two things, both harmful, would take place. First of all, the consequent division of the country politically, on the same lines as social and economic division, would cause schisms to become so deep that they would be a major handicap to that measure of unity and that emphasis on the general interest of all which is essential to successful government by the people.

The second evil result would be the rapid development of third parties and fourth parties and

(Continued on page 606)

American industry, under the auspices of the State Department as a governmental agency to meet peculiar industrial conditions brought about by the war. So marked was its success from the beginning that when its continued success was threatened in 1944, labor and industry joined together to preserve it. It was incorporated on a non-profit basis, and has continued to carry on with steadily growing success under continued government sponsorship.

The ITA administers what in our estimation is one of the most important functions in the field of labor's foreign policy. It brings to this country industrial trainees from the other countries. In its early days it brought them only from the other American countries, but when it was turned over by the State Department to be organized as a corporation, its scope was made world-wide. I was assigned by President Murray to become a member of the ITA executive board and so I have been able to watch its workings closely. Last year the ITA had under training in this country more than 1,200 young men from all over the world. Many of them were from Latin American countries, but the largest group of all were from China. Turkey also was represented. The significance of ITA is that American know-how is being exported by the device of teaching it to our fellow workers from other lands. At the same time we are making missionaries in the cause of democracy as we practice it. Organized labor wants to see the methods of the International Training Administration made a two-way broad highway over which workers from our country can go abroad and study the techniques and manners of other peoples. We do not believe we know all there is to know.

The great objective of labor's foreign policy is the building of world citizenship. We are creating the standard of that citizenship solidly and firmly. There will be nothing in our proposed standard that will conflict with a man's citizenship in the country of his choice, but everything in it will forbid enmities and discrimination against others. The impetus for this drive must come from workers and be made effective through strong labor unions. Because all but an infinitesimal number of human beings over the world are workers, this is the only sound approach. We can no longer leave international relations and foreign policy in the hands of purely political diplomats. We, the workers, must assume our responsibilities if we are to enjoy our rights.

Michigan and Detroit Securities

Connections with all Principal Markets; Statistical Information Furnished; Orders executed in all Listed and Unlisted Stocks and Bonds.

WRITE, PHONE OR WIRE

CHARLES A. PARCELLS & CO.
ESTABLISHED 1919
Members Detroit Stock Exchange
639 Penobscot Building
DETROIT 26
Telephone—Randolph 5625 Bell System Teletype—DE 206

Canadian Securities

Government Provincial
Municipal Industrial
Public Utility Railroad

Direct Private Wire to New York—Montreal

Wood, Gundy & Co.
LIMITED
Members Investment Dealers' Association of Canada
TORONTO
Montreal Winnipeg Vancouver New York London, England

Underwriters, Wholesalers and Retail Distributors of
INDUSTRIAL COMMON STOCKS

Active Trading Markets In
MICHIGAN SECURITIES

Government, Municipal and Corporation Bonds

Burns Bros. & Denton
Limited
244 BAY STREET, TORONTO
Telephone Adelaide 9371

Baker, Simonds & Co.
Members Detroit Stock Exchange
Established 1920
BUHL BUILDING
DETROIT 26
Telephone—Cadillac 3670 Bell Teletype—DE 189

CANADIAN
MINING AND INDUSTRIAL
STOCKS AND BONDS

Informational Bulletins on Request

BARRETT, SEGUIN & CO.
Members Toronto Stock Exchange
330 BAY ST. TORONTO, ONT.
28 JAMES ST. SOUTH HAMILTON, ONT.

Since 1922
A Complete Over-the-Counter Service for
BROKERS and DEALERS in CANADIAN

BONDS
Government
Industrial
Public Utility
Real Estate

STOCKS
Bank & Insurance
Industrial
Public Utility
Mining Shares

KIPPEN & COMPANY, Inc.
Members Investment Dealers' Association of Canada
IMPERIAL BANK BUILDING, MONTREAL
LANCASTER 5101
Direct Private Wire between Montreal and Toronto

gitized for FRASER
tp://fraser.stlouisfed.org/

Mutual Funds

THE VALUE OF PROFESSIONAL MANAGEMENT

Taking the four-year interval between Pearl Harbor and the end of 1945 as a period in which investors were confronted with numerous problems, **The Parker Corp.** in its current letter points out that, "Despite them, however, satisfactory investment results were possible."

As a measurement of the value of professional management during this period, The Parker Corp. compares the performance of 15 standard stocks chosen by a leading financial publisher with the performance of **Incorporated Investors.** In this period only one stock did as well as the shares of Incorporated Investors, which outperformed the 15 stocks taken as a group by better than three to one.

The net gain in asset value achieved by Incorporated Investors during this four-year period amounted to 258.5% as compared with an average net gain of 78.4% for the 15 standard stocks.

Odds Against Picking Winners

Another convincing example of why investors can hope to get better results through mutual funds than by investing in individual stocks is given in **Keystone Co.'s** current issue of "Keynotes." The 30 stocks comprising the Dow-Jones Industrial Average are listed and their individual performance records are analyzed in the light of what the Average did.

During the year the Average showed a net gain of 26.6%. Eighteen of the 30 individual stocks did not do as well as the Average and 12 did better. This diversity of performance "emphasizes the difficulty of picking winners." The mathematical odds were 29 to 1 against an investor's picking the best stock in this list.

"The risk of individual selection," writes Keystone, "may logically be reduced by (1) adequate diversification and (2) continuous and intensive supervision."

1945 Sales

Distributors Group, in a current Investment News, gives the 1945 sales of the 73 open-end member funds, as reported recently by the National Association of Investment Companies. Total sales for the year were $292,142,000 repurchases amounted to $109,999,000 and net sales were $182,143,000. Net assets amounted to $1,283,978,000 at the year end.

The memorandum also gives the five-year record of **Group Securities** as follows:

Group Securities Rates	Dollar Amount	Ratio to Total Sales of All Mutual Funds
1945	$51,656,000	16.1%
1944	26,489,000	14.3
1943	12,192,000	10.4
1942	4,477,000	5.6
1941	2,094,000	3.6

Net assets of Group Securities are reported recently to have passed the $100 million mark for the first time.

Capital Gains

This column has observed with satisfaction the broadening efforts by investment company sponsors to make clear to investors the nature of capital gains dividends. The present controversy regarding such dividends could, we believe, be dissolved if Federal tax laws were "corrected" so as not to force payment of capital gains dividends by bona fide mutual funds. In the meantime the lucid and unbiased opinions of Arthur Wiesenberger & Co., reprinted by **National Securities & Research Corp.** In its current "National Notes," deserve the thoughtful attention of the industry.

After pointing out that capital gains are not income, the Wiesenberger article states: "With so many different kinds of companies and so many different kinds of investors, it is difficult to conceive of any overall regulation of dividend policies that would not work to the disadvntage of some of them. We think that a continuous education program pointing out the possible dangers inherent in spending capital gains as ordinary income more desirable."

Affiliated Fund

A current investment bulletin on **Affiliated Fund** compares the performance of this fund with that of the Dow-Jones Industrial Average during 1945. Assuming an investment of $50,000 in each at the beginning of the year, the investor would have $13,332 of appreciation in the Average as compared with $24,093 of appreciation in Affiliated on Dec. 31, 1945.

Moreover, the investor would have received cash distributions totalling $2,196 from the Average as against $4,411 from Affiliated during the year. Assuming the investor to be in the 50% tax bracket, he would have retained only $1,098 of his cash distributions received from the Average, as compared with $3,124 from Affiliated. "And if allowances were made for the brokerage commissions and taxes which would have been necessary in the purchase and sale of the Dow group, the relative benefits resulting from the ownership of Affiliated Fund would have been considerably higher."

National Trust Funds

National Securities & Research Corp., in a new folder, gives detailed performance records on its nine National Trust Funds for the year 1945. Growth of these funds continued apace during the year, aggregate net assets rising from $17,919,608 to $38,443,317 for an increase of 115%.

Chemical Fund

Total net assets of **Chemical Fund** rose 39% during 1945 from $10,590,807 to $14,760,804. Asset value per share rose 31% during the year. Unrealized appreciation at the end of the year totalled $3,683,464.

Stock & Bond Group Shares

"A Timed Investment In America—Land Of Opportunity" is the title of a new folder published by **Hare's Ltd.,** sponsor of **Stock & Bond Group Shares.** In a current memorandum this sponsor states: "It's obvious—we are about to experience (1) a large measure of inflation, or (2) great production of shortage goods, or (3) a combination of both."

"Every one of these three factors spells substantially higher price tags for sound common stocks. It's as simple as that."

Oldest—and Still Biggest

Massachusetts Investors Trust reports net asset value per share of $29.34 on the 7,249,224 shares outstanding on Dec. 31, 1945. Total net assets amounted to $212,690,232 and the ratio of expenses, including all taxes, to net assets during 1945 was about 31/100 of 1%, the lowest in any year since the Trust was established.

Personnel Note

Richard A. Groves has taken over the wholesaling job for Lord-Abbett funds in the Southeastern States, following retirement of Ben A. Rudolph. Mr. Groves will work out of Atlanta.

A Constructive Republican Party Policy

(Continued on page 605)

fifth parties and sixth parties. This fragmentization of political action would soon result in a situation in which none of the political parties could ever give the people effective leadership and effective government. It is this fragmentization that caused many of the weaknesses in governments in other parts of the world before the war and is causing a weakness in a number of them now, since the war. It gave Hitler his opportunity to come to power in Germany. It weakened prewar France. There is a definite need of a thinking through and an emphasis in America of the importance of this two-party system. Likewise, an interpretation of the importance of the two-party system to the other countries of the world, who do not want to turn to one party dictatorship and who are struggling in the diffusion and ineffectiveness of multi-party structures, is urgently needed.

Policy for Republican Party

It is on the basis of this concept of party responsibility and of the role of political parties that I am re-entering active Republican affairs. It will be my effort to urge that the Republican Party be forthright, constructive, progressive, and dynamic. I will endeavor to strengthen its representation of the people as a whole, including in increased measure, labor and agriculture, women and youth, and the veteran. I believe that the debate over policy and program within the Party should result in decisions by the rank and file of the Party and should be conducted on a basis that does not include personal attacks. It should be a constructive debate on issues and on philosophy of government.

In the immediate future, the elections of Congress are of special significance. It is very important that an increased number of Republicans be elected to Congress next November. And it is even more important that those Republicans be men and women of ability, of vision, and of sincere concern for the progress of the people as a whole. The responsibility for the nomination and election of these officials rests in the respective Congressional Districts and States of the Union. In fact, a large measure of the strength of the Republican Party in the Country today rises from the high regard of the people as a whole for the constructive administrative accomplishments of the Republican Governors and officials in the States, including the able State administration under Governor Thomas E. Dewey in the State in which we meet. An unusually keen interest should be taken in the nominating conventions and primaries of the Republican Party this year. The caliber and philosophy of the nominees will in large measure determine the success of the Party in November and the service that it gives to the people in the next two years.

No "Stand Pat" Policies

It is my view that our American free competitive economic system cannot function effectively under a government following "standpat" policies. Neither can it function effectively if government follows a policy of reaching in and taking over economic structures from private capital. Government must be vigorous and dynamic and actively participate in the planning of the economic welfare of the people and must constantly seek new answers by which government can effectively assist private capital and free workmen and individual enterprise in attaining high production and broad distribution of the necessities and the comforts of modern life.

The deplorable state of industrial relations today, with over 1,600,000 workers on strike—an all-time high—and thousands of additional workers being thrown out of work every day by the stoppage of supplies, with the resultant sad loss of production of urgently needed goods and great loss of wages presents an example in a brief period of months of the failure of governmental administration.

When V-J Day arrived, the Government hastily removed the controls and supervision over wages and labor conditions, and then took the reactionary "hands off" policy at the very time when

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
INDUSTRIAL STOCKS Shares
Priced at Market
Prospectus upon request from your investment dealer or
NATIONAL SECURITIES & RESEARCH CORPORATION
120 BROADWAY
New York 5, N. Y.

THE LORD-ABBETT GROUP
OF INVESTING COMPANIES
Union Preferred Stock Fund
Prospectus upon request
LORD, ABBETT & Co.
INCORPORATED
New York • Chicago • Philadelphia • Los Angeles

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

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.

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

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

constructive economic leadership from the Government was vitally needed to establish basic post-war economic policy upon the interrelated levels of wages, prices and value of the dollar. Under this "stand pat" policy, instead of broad economic conference with leadership from the Government on a bi-partisan basis, and with all economic groups, including agriculture and expert economists, a futile labor management conference was held which did not even have on its agenda the one critical question of the levels of wages and prices.

Then, belatedly, when the failure of a "stand pat" policy of government was very evident, the Government went to the other extreme and sought to specifically fix wage rates by its own decision without the essential meeting of minds of the broader economic policies of which the wage rates in a single industry are but one small part.

Bring Together All Economic Groups

The role of government of a free people should have been and should now be to bring together all of the economic groups involved; the leadership of both political parties, expert advice from leading economists, and develop agreement on basic policy. On that basis the large measure of unity that is essential in a democracy can be obtained. When that basic policy is settled, individual disputes can be rapidly cleared up. The situation today clearly requires the President to promptly reestablish negotiations. The President, representing the people as a whole, can never properly break off contact with an industrial dispute of as grave a nation-wide significance as the current steel strike. There will be less loss of wages to the strikers and to labor as a whole and a more rapid solution if the President acts than if he fails to act. And his action should be that of obtaining agreement by the parties and of relating it to broad economic policies, and not that of making snap decisions.

Helpful machinery and sound laws should also be carefully developed to improve the methods of settling normal industrial disputes, but we must not turn to compulsory arbitration or to infringing the basic right to strike. The right to strike is one of the fundamental freedoms of America. The alternative would require giving to Government the extreme power of enforced labor. When that is done democracy is gone.

I am convinced that with fair Government action, with the development of laws that will insure to the rank and file of the workers the opportunity to make democratic decisions on their conditions of work and their wages and their stoppages and their leadership, we can have confidence that our free competitive economic system will work without taking away individual freedom of workers or of the people.

Republican Party Should Be Constructive

Currently, it is vital that the Republican Party should be constructive. It should be our policy to assist the President in the solution of the difficult post-war problems, rather than to seek to take political advantage of his mistakes. The duty to serve the people must rest upon both the majority and the minority parties. There can be no question that the progress that this country has made in world relationships is due to the fact that the Republican Party joined with the Administration in the development and advancement of that policy.

Preeminent in that contribution from the Republican Party was the splendid leadership of one of the greatest advocates of all time,

(Continued on page 612)

The Oxford Case Again

(Continued from page 519)

necessity under the statute of acting as a broker by sending a confirmation as a purported 'principal'."

"That role could not be changed without explicit and informed consent in each case prior to the completion of the transaction or explicit and informed ratification afterward and nonaction of the customer upon the receipt of a principal confirmation did not, in our opinion, constitute such ratification."

On many occasions, we have attempted to hammer home the knowledge that dealers in securities are like any other merchants, and that under the trade customs and usages in the securities business they are not required to have an inventory of the particular securities that they sell as dealers.

From our knowledge of the business we have taken this for granted and have assumed that there is no doubt on the point.

However, some recent expressions have caused us to feel that there is need for supporting authority.

That authority, of course, has to be eminently respectable and well recognized.

We believe we have such sponsorship for our principle.

In November, 1933, there appeared in the Yale Law Journal, an article entitled, "Stockbrokers as Agents and Dealers."

The authors were William O. Douglas, who was then Sterling Professor of Law at Yale University, and George E. Bates, who was then Assistant Professor of the Graduate School of Business Administration at Harvard University, and also Research Associate on the Sterling Foundation at Yale School of Law.

Mr. Douglas subsequently became Chairman of the Securities and Exchange Commission, and is now one of the Justices who grace our United States Supreme Court Bench.

From that article, richly implemented with legal citations, we now quote in support of our position:

"Certainly no rational distinction can be drawn between a merchant who carries an inventory and one who does not. Retail and wholesale merchants in other lines frequently have insufficient merchandise on hand to fill orders of customers. Yet when they buy a supply sufficient to fill the orders they do not thereby act as agents for their customers."

"He is nonetheless a dealer even though he had no inventory but was acquiring securities for his customers from any of several sources in the manner of any merchant."

"For a 'broker' to sell from his own inventory would establish that he acted as a dealer; but it is not true, conversely, that the absence of an inventory makes him an agent."

"But it would be the exception, not the rule, for vendors to disclose to their vendees the exact profit which they expected to realize. If a 'broker' revealed that he was acting as a dealer, that would suffice."

HERE YOU HAVE IT FROM THE PEN OF THE EX-PROFESSOR, THE EX-CHAIRMAN OF THE SECURITIES AND EXCHANGE COMMISSION, AND THE PRESENT JUSTICE OF THE UNITED STATES SUPREME COURT. THAT'S AUTHORITY ENOUGH FOR US.

When anyone tells us that the Commission is not trying to change the law through its decision in the Oxford case, we say, look here, and tell us now whether you are not making a serious mistake.

We believe that dealers are on absolutely sound ground when they ignore the inventory requirement set up in the Oxford case on the alleged theory of "riskless transactions."

We recently said that as a result of the Oxford dicta, the Commission had a tiger by the tail.

The storm of opposition that has been raised as a result of such dicta has made the Commission realize this.

We have from time to time decried SEC encroachment, without warrant, on trade customs and usages, and we have inveighed against regulatory excesses that were continuously being exercised by the Commission.

This most recent blunder lends emphasis to our attitude which is finding sympathetic acceptance in many new quarters.

Unless the Commission recedes from its "riskless transaction" and "full disclosure" philosophy, we have a feeling it will find itself compelled to limit its activities along these lines not only by the storm of protest from dealers in the securities industry, but also by some direct Congressional action.

Editor's Note—On page 520 of this issue appears the communication of the NASD to its members dealing with the same subject matter. This communication was received subsequent to the preparation of the above editorial.

Securities Salesman's Corner

By JOHN DUTTON

We have no relatives connected with Standard & Poor's Corporation, but it seems that they have compiled a mighty worth while book in their 1946 edition, "Status of Bonds." The reason we are giving prominence to this publication this week is that it seems to us that here is the nucleus of a grand idea for some alert brokers and dealers to acquire some excellent leads.

This book gives vital tax information regarding bonds. It outlines NEW REGULATIONS concerning federal tax payments, covering income from corporate bonds. Bond interest falls into 20 different groups, say Standard-Poor's — whether interest received is wholly taxable, partly taxable or not taxable is covered, also whether refunds are due on taxes paid, and where to apply. It is claimed that one subscriber to this volume had a saving in a case involving a single issue of $800. Then penalties for failing to report bond interest is covered. A handy chart tells who must report, and WHERE and WHEN. There are also cases where income from bonds may not be interest, but a return of principal (not taxable).

Here are some pretty important facts! How many of your customers do not know about them? How many investors in your community do not know where to get such information? Possibly some of them don't even know what is required.

Such being the case, let's look at another angle of this thing. We are right in the best possible time of the year for offering tax information of this character. March 15th is now looming large on the horizon. So the timing of a sales campaign based upon taxes is right. That's a good start for any merchandising idea (in the securities business or any other).

How about the leads you may secure through an offer of such information? They should be of **better quality** than those received from other advertising or mail campaigns. One of the main drawbacks to most sales campaigns is that the quality of the leads is poor. There are always a large number of curiosity seekers, or small accounts, that take up more of a salesman's time than they are worth. (If we had our way we would tell all small time speculators to put their money into Government bonds or in the bank. People who have little should refrain from buying securities—they will be better off in the long run; and the salesmen and investment houses will be money ahead by not having their business.) But people who are interested in an offer that will supply detailed tax information regarding the bonds they own should be representative investors with substantial holdings. Your replies would no doubt be limited but the quality of the leads would be good.

A newspaper advertisement offering such information as contained in the second paragraph of the foregoing, might pull some lists of holdings for analysis. Send us the names of any bonds in which you might be interested in receiving such tax information, is the way we would make such an offer. A well written letter sent to a selected list of bondholders, institutions, banks, etc., might also pull. Enclose a return envelope and a blank for listing of holdings. The main purpose of any mail or advertising campaign is to establish a point of contact. This plan would not only place the dealer in a very strong position with the prospects that are uncovered by such a campaign, but it would also provide salesmen with lists of holdings. When you know the type of securities a man buys you have a good guide to his future buying habits.

Standard & Poor's don't know that we are recommending it, but we think the book is worth the $12 they ask for it—IF YOU USE IT.

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.

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

gitized for FRASER
tp://fraser.stlouisfed.org/

The Anglo-American Loan Pact

(Continued from page 519)

Congress, is the proposed financial agreement between the United Kingdom and the United States.

The American people should understand fully the nature and effects of the proposed agreement in order that Congress can have the benefit of their views in applying its best judgment to the proposal.

One part of this agreement provides that the United States will offer a credit of $3,750,000,000 to Britain. There are certain misconceptions about this line of credit to Britain which should be dispelled at the outset. In some quarters this credit is still said to be, through inadvertence, misunderstanding, or purpose, a gift.

Not a Gift

The proposed line of credit is not a gift; it is a loan. It is not merely a loan of so many dollars to be repaid, but it is an interest-bearing loan. The interest is not a nominal fee, but it is reasonably comparable to what it costs the United States Government to borrow money.

The repayment of the loan and the interest, moreover, is not all of the consideration or benefit that the United States receives under this financial agreement. Britain promises, in addition to repaying the loan with interest, to remove currency restrictions. Moreover, Britain promises to avoid trade controls which would discriminate against American products. On top of this, Britain has agreed with the United States on the principles that should be followed by a proposed international trade organization to improve world trade practices.

In addition to these benefits which the United States receives, a general purpose of the loan, as stated in the agreement, "is to facilitate purchases by the United Kingdom of goods and services in the United States." This will be a real contribution to our domestic program of high production, employment and national income.

A strong case could be made that in view of these benefits to the United States which I have mentioned last—the expansion of our markets abroad, the principles for an international trade organization—the elimination of trade discriminations— the abolition of monetary controls which restrict trade—that in view of these substantial gains, we could have made the $3,750,000,000 a gift instead of a loan. While $3,750,000,000 is a lot of money, it is a small investment if it contributes to an expansion of world trade and to peace and to general prosperity.

Some may ask that if it could be claimed that these considerations fully supported a gift, why did we bargain for a loan and an interest-bearing one at that. The answer is simple. The Administration wanted to make the best agreement possible from our viewpoint and to offer a plan which would be acceptable to our people and the Congress.

Why the Opposition?

Now in regard to this financial agreement we have an anomalous situation. If the benefits are as great as I have indicated, and they are, why is there as much opposition as there is? The only explanation, I believe, is that there are so many benefits extending in so many directions in so many direct and indirect ways that the total picture appears to be complex, whereupon, particular economic isolationist or defeatist groups muddy the water and parade their pet prejudices in picturesque and sometimes demagogic language.

It is my hope, therefore, to explain some of these benefits in such plain language that those who wish to understand will not be lured away by colorful statements without substance. As we proceed to this more detailed examination, keep this over-all summary of the proposed financial agreement in mind: the money extended Britain is not a gift but an interest-bearing loan wherein we receive not only a return of the dollars and interest but benefits that in truth many believe would have supported a gift.

The prosperity of this country is closely linked with our export trade. Even during the 1930's, when world trade was severely reduced, our exports accounted for some 7 or 8% of our agricultural and industrial production. For many of the products of our factories and farms, foreign trade meant the difference between prosperity and depression. And of all our foreign trade, no part was more important than that with the British Empire.

Importance to South

It is hardly necessary for a Southerner addressing Southerners to state that British trade is important to the South. But just look at cotton and tobacco, the two principal crops of the South. In the four years before the war, from 1935 to 1938, for every two pounds of tobacco we consumed in this country, we sold one pound abroad. In that same period England alone bought more than two-thirds of all our tobacco exports. Of our flue-cured tobacco a much larger proportion went abroad, principally to England. And the same thing is true with cotton. In the four years from 1935 to 1938, for every bale of cotton consumed in this country we sold a bale abroad. England alone bought nearly one-fourth of all our cotton exports. It is plain that without the British market it would not have been possible to maintain our cotton and tobacco production and price levels.

During the war Britain adopted certain monetary and trade controls which if continued would hurt seriously peacetime trade. I say, frankly, American business cannot afford to see Britain's wartime trade and currency restrictions continued.

In connection with these wartime controls you have heard of the sterling area, blocked sterling and the dollar pool. What does this mean?

Most of us spend our entire lives in the United States. We are accustomed to money in the form of dollars and cents. When we work we are paid in dollars. When we buy we spend in dollars. When we travel up North, we find that they take our dollars, too.

In the world, however, there are other currencies. There are a few of inter-country application, but the world-wide currencies are primarily the dollar and the pound-sterling. If you have a dollar and want to buy something in another country you may have to change your money into its kind. If someone abroad wants to buy your cottonor tobacco, he has to change his money into dollars.

In this convertibility of money from one kind to another, restrictions and impediments can grow up or be imposed. As you can readily see, this puts a brake on trade between nations.

Explains Sterling Area

Now what do we mean by the sterling area? These are the countries of the British Empire and some European countries who keep their monetary reserves in the form of sterling in London. Australia, for example, keeps its reserves on deposit in English banks. Before the war, the sterling area countries could draw on these reserves to buy goods all over the world. If Australia wanted to buy American cotton, it sold sterling for dollars. But during the war, Britain had to stop the convertibility of sterling.

That brings us to blocked sterling. Britain had to say to these countries of the sterling area—to India, Egypt, Australia and all the rest—the reserve you now have in sterling cannot be converted into dollars. You can use these sterling reserves for making payments to each other but not to outsiders.

One reason for restricting the convertibility of sterling was that England did not have enough gold and dollars. During the war not only did Britain sell $4,500,000,000 worth of her foreign investments to finance her expenditures, but also she incurred an enormous debt of $13,000,000,000, measured in our money, held by foreign countries in the form of sterling balances in London banks and sterling securities of the British Treasury. Britain had to restrict the convertibility of sterling. She couldn't convert such large amounts into dollars or other currencies. She had to block their use.

But it wasn't enough to block the wartime sterling balances and end the convertibility of sterling England had to mobilize all of its dollar resources to pay for war needs. The British Treasury took over private holdings of American securities in England, paying for them in sterling, and sold many of these investments in the United States for dollars. And it took steps to see that all of the dollar receipts of the sterling area countries were mobilized for war.

The Dollar Pool

This was done through the so-called dollar pool. For example, when an Egyptian exporter sold goods in the United States, he turned over the dollars he received to the National Bank of Egypt and received Egyptian pounds. These dollars were then sold by the National Bank of Egypt to the British Treasury for sterling. In this way all of the dollar receipts of the sterling area are pooled in London. Then, when a country in the sterling area needs dollars, say Egypt, it applies to London which allocates these dollars on the basis of the most essential needs. To conserve dollars, London does not allocate funds to buy goods in America if they can be secured from sterling area countries.

Of course, along with these financial controls, there are direct controls of imports in all sterling area countries. And these controls, like import licenses, are used to keep out goods that must be paid for in foreign exchange. In practice, this meant keeping to a minimum imports from coun-

(Continued on page 609)

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Lifting of labor-management clouds finds public fighting to buy stocks. Sharp activity in low-priced issues is unfavorable indication.

Monday's upward surge in prices was interesting to see. Stocks opened plus, and before that day was over added a couple of more points to already nice gains. It is apparent that the majority of gains were due to public participation on a grand scale. Obviously the 100% margin rule didn't discourage new buyers. If it proves anything at all it is that there is still plenty of money around and that it is vitally interested in going into the market.

* * *

The strike easing which came over the week-end played a major role in the build-up of popular sentiment. It was a case of the pendulum swinging the other way. There has been so much written and so much talk about the labor-management quarrels that the popular view was bearish. It is this bearish outlook that this column didn't agree with. It had warned time and again that strikes per se had been anticipated by the market long ago. The public, which decides on action after it reads headlines, saw in the strikes a potential of lower prices, and acted. By the same token, once the strike news changed, the pessimism changed to rabid optimism.

* * *

But just as the pessimism was overworked last week, so is optimism carried too far this week. If the advances you are seeing today forecast so much better business in the months to come, it must follow that there is a limit as to how much the current market can discount. Having Chrysler and Ford settle their differences with the union is an encouraging sign. By the same token the General Motors holdout must be considered discouraging. The same thing should be true of Big Steel. Yet both stocks have acted as enthusiastically in the last few days as any stock on the board. If it isn't news that both stocks are going up, then it must be on either of two things: anticipation of goods news, i.e., settlement of labor disputes or a general public belief that everything is going up and now is the time to buy.

* * *

If the last two reasons are valid it seems time to sit back and re-evaluate the market picture. It is an old market axiom that stocks never discount the same thing twice. So if good news does occur in the coming week, it is likely that after another burst of enthusiasm, the market will start turning down. In essence this means that the current rally should be used not to wade into the market with both legs but to start thinking of reaching dry land.

* * *

Whether or not a reaction from here will carry a great distance is hard to say. A public anxious to convert cash into stocks cannot be shrugged off lightly. It can make any rally turn into a riot of bullishness. It can make an ordinary minor correction stop dead in its tracks and force prices up again. There is no way to gauge public opinion. It changes not only day to day but hour to hour. If you're looking for handwriting on the wall take a look at some of the low priced shares which suddenly came into sharp demand Tuesday morning. If past practice means anything dog and cat activity is far from bullish.

* * *

During the past week you were able to buy another stock, Flintkote. Recommendation was between 35 and 36. During the past week it sold down to 35½. Hold it with a stop at 34. In addition to that one you now are long of Baldwin at 34, stop 31½ (current price about 37); Waukesha Motors at 32½, stop 29 (current price about 32⅞). A. M. Byers was not available. Stock is still a buy 24-25, with a stop at 23.

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/

(Continued from page 608)

tries that had to be paid for in foreign exchange.

These wartime restrictions are still in effect in Britain. Clearly, they were essential for the war. They helped Britain to mobilize her foreign exchange resources and devote them to war purposes. They restricted the use of her foreign exchange resources for non-essential purposes. But these wartime restrictions are dangerous in peace. During war, ordinary trade must give way to war; but trade is the very life-blood of peace To restrict trade in time of peace is to force poverty on the world. That is why we and all countries have an interest in seeing the prompt removal of Britain's wartime restrictions.

Britain Needs Help

Neither England nor the countries of the sterling area have any wish to continue these wartime restrictions. But until Britain finds some other means to pay for its imports it cannot remove these restrictions. Until the blocked sterling balances are settled, sterling cannot be made convertible. Until Britain's dollar receipts are increased, she cannot permit the sterling she pays for her imports to be used freely in any country, and particularly the United States. Until Britain can earn enough to pay for her imports from the dollar area, she must continue the dollar pool. Until Britain exports enough to pay for its essential imports it must continue to limit imports from outside the sterling area, and particularly from the United States.

The elimination of all these wartime restrictions and discriminations is the major international economic problem for the entire world. Whether they are eliminated depends on what we do. We are the largest exporting country in the world. It depends on what England does. England is the largest importing country in the world.

As you know, England's attitude will influence other countries, just as ours will. A number of countries in the British Empire and in Europe are so completely dependent on British currency and trade that they are invariably guided by British policy. That is why Britain's decision to terminate her wartime restrictions and discriminations is an essential prerequisite to establishing fair trade and currency practices.

England Our Best Customer

This country has a particular interest in the removal of England's currency and trade restrictions. England is our best customer. One-sixth of all our exports before the war went to England. Nearly 40% of all our exports were sold to the British Empire and the sterling area. Every section of this country, every American industry has a vital interest in the opening of British markets to our products on fair and non-dsicriminatory terms. The people of this country, the people of the South, cannot afford to see England continue and extend her wartime restrictions on currency and trade.

Let's see, for example, what that means to the South. It means that England would concentrate its trade within the sterling area where countries would take payment in sterling for the cotton and tobacco and other things England would buy. It means that England would buy cotton primarily from India and Egypt; she would buy tobacco primarily from Rhodesia and the Near East. England would stimulate production in her trading area and once such production was built up, the British market might be lost to us forever.

You know the consequences to the South if Britain should adopt such a policy. In plain language, we would have no other alternative than to cut the production of cotton and tobacco by 20 or 30%. More than that! With the decline in tobacco and cotton exports the downward pressure on prices would be heavily increased. We might once again see 8-cent tobacco and 5-cent cotton.

I speak of cotton and tobacco, only, because they are Southern crops that we know so well, but the situation would be much the same in other industries. Wherever American farms and factories depend on exports, the closing of the markets for the British Empire and the sterling area would mean economic disaster.

Progress for Free Trade

A good deal of progress has been made toward establishing a world in which countries can trade together. We have agreed on the fair currency and trade principles that are necessary to make it possible for world trade to expand and grow. But it will do no good to agree on these principles unless all of the trading countries are ready to put them into practice. We can move ahead on this program only after Britain removes the restrictions on the use of sterling outside the sterling area; only after the wartime dollar pool is abandoned; only after the blocked sterling problem is settled. When these wartime restrictions have been removed it will be possible for world trade to expand and to make its full contribution to world prosperity.

Frankly, we have told England that we should like to see her wartime currency and trade restrictions brought to an end. We want importers in England and the entire sterling area to have an opportunity to buy American products if they prefer our products. The British Government, in turn, has told us frankly that they have no wish to continue these wartime restrictions. If they could find some other means to secure the flow of essential imports of food, raw materials and equipment into Britain they would be prepared to abandon at once these wartime restrictions and discriminations.

We all know that Britain, as an island nation, relies heavily upon trade. During the war what she shipped in and bought and what she shipped out and sold was thrown out of kilter. In 1944, she shipped out only 30% of what she did in 1938. Her export industries were converted to war production. She has lost a large part of her merchant fleet. Her income from foreign banking and insurance services declined. She sold many of her most marketable foreign investments and lost the income from these. Britain must somehow make good the fall in her foreign exchange income because she needs to import large amounts of food and raw materials to feed her people and industries.

This is the basic reason that Britain needs the money in this loan. The loan will help balance the difference between what she must buy abroad and what she sells until she reestablishes a full flow of export trade. And may I add that though in the transition period her imports will far exceed her exports that the resulting standard of living for Britain will be little different from the austere wartime levels.

Agreements by Britain

In return for the loan, in addition to repaying principal and interest, here is what Britain undertakes to do by way of removing within a year, unless we agree to a temporary extension, the wartime trade and currency controls:

First, all countries of the sterling area will be allowed to use the proceeds of their exports to England to buy goods in any other country, including the United States. That's because sterling arising from current trade will be made convertible.

Second, all countries of the sterling area will be able to use the dollars they acquire from their trade with the United States to make purchases in the United States. That's because the sterling area dollar pool will be dissolved.

Third, England's import controls will be administered in a manner which will not discriminate against American products. Any exports from the United States to England will be paid for in dollars or in sterling that can be converted into dollars by American exporters.

Fourth, England will settle the blocked sterling obligations out of her own resources. The funds that are released in settling these balances, whether as an immediate payment or as future payments, can be freely used for purchases in any country, including the United States

Fifth, England will support the American proposal for the establishment of an international trade organization, for the reduction of trade barriers and for the elimination of trade discriminations.

Will Prevent Economic Warfare

This agreement, then, will be a big step in preventing economic warfare. It will also be a big step in creating a world in which countries live and work together in peace and prosperity. For England it will mean a chance to feed her people and reconvert her industries in a world of expanding trade. For the United States it will mean the opening of the markets of our best customers, England and all the countries in the British empire and the sterling area, to the products of our factories and farms. It will mean a larger American share in a larger world trade. For the South it will mean the stimulation of the great industrial development which now beckons. Just as there cannot be national prosperity in the United States without international prosperity, there cannot be that great economic development of the South without general prosperity in the United States and the world. For all countries it will mean a chance to reconstruct a war-shattered world with expanding trade, great employment and higher standards of living.

Unhappy Alternative

The alternative is as unhappy as it is clear. If England cannot secure the financial assistance of this loan, she will have to take drastic steps to curtail her imports and force her sales on other countries. This means that England and the countries that depend on England's currency and trade—the sterling area countries—would reduce their purchases in the United States and in the dollar area. Our exports would be excluded as far as possible from British markets. Britain would enter into bilateral agreements with countries in Europe and South America, offering to swap her manufactures for their food and raw materials. Such a policy would inevitably divide the world into conflicting economic blocs.

I have no doubt we could defend ourselves. We would have to fight fire with fire. We would be forced to retaliate. We would set up restrictions and discriminations of our own. In blunt language, the world would be at war—economic war. And if we won, at best we would win a sorry victory. World trade would be destroyed and all countries would suffer.

That is not the kind of a world our people want. Our basic goal is to establish a world in which countries can live and work together in peace and prosperity. Two world wars and a worldwide depression have taught this generation the bitter lesson that there is no other road to peace—there is no other road to prosperity except through international cooperation. The political and economic problems of the world cannot continue to be solved by force. That road leads to destruction.

This is nothing new to the people of the South. They have long known that expanded trade among nations will contribute to the prosperity of all. It was Woodrow Wilson, a Southerner brought up in Virginia, North Carolina and Georgia who warned an unheeding world that only through international cooperation will it be possible to maintain peace. Without regret for what might have been we must finish the job we have at last begun. That job is to build through international cooperation a peaceful and prosperous world.

Part of Peace Structure

The people of the United States and the United Nations have agreed on a program in which countries cooperate to maintain peace and prosperity. The United Nations Organization, with its Security Council, General Assembly, International Court of Justice and Social and Economic Council constitutes one side of this program. The Food and Agricultural Organization, the International Monetary Fund and the International Bank for Reconstruction and Development and the proposed International Trade Organization constitute another side of the same program. The financial agreement with the United Kingdom is a sound, big step to the realization of this entire program for peace and prosperity. This is what I hope the people and Congress will bear in mind in considering the financial agreement.

Gouin French President

Felix Gouin was elected interm President of France on Jan. 23, the Associated Press reported from Paris, to succeed General Charles de Gaulle who resigned on Jan. 20 in a dispute with left wing cabinet members over the size of the nation's armed forces. At the time of Gen. de Gaulle's resignation his Secretary announced that his decision was "irrevocable," and although there had been predictions that the General would reconsider and form a new government a few days later, no solution to the crisis appeared until the announcement of M. Gouin's election.

President Gouin, Socialist leader of the Constituent Assembly, was originally proposed by the Communists as a Communist-Socialist candidate, and he was selected by the Assembly after a last-minute request by the Popular Republican Movement, one of France's three major parties, for an agreement that all three parties recognize the necessity of a tripartite government.

The crisis over the size of the army which ended with General de Gaulle's resignation began on New Year's Day, but at that time was resolved in a compromise calling for an immediate 5% cut in army expenditures and an automatic 20% reduction if, by Feb. 15, the Government had not reorganized the forces to operate more economically. The new crisis arose, the Associated Press reported, when de Gaulle changed his views on the compromise "because of the tension of the world situation as revealed at the London United Nations conference."

DIVIDEND NOTICES

The American Tobacco Company
INCORPORATED
111 Fifth Avenue New York 3, N.Y.

162ND COMMON DIVIDEND *and* AN EXTRA DIVIDEND

A regular dividend of Seventy-five Cents (75¢) per share and an extra dividend of Twenty-five Cents (25¢) per share have been declared upon the Common Stock and Common Stock B of THE AMERICAN TOBACCO COMPANY, payable in cash on March 1, 1946, to stockholders of record at the close of business February 9, 1946. Checks will be mailed.

EDMUND A. HARVEY, *Treasurer*
January 29, 1946

Atlas Corporation

Dividend No. 38
on 6% Preferred Stock

NOTICE IS HEREBY GIVEN that a dividend of 75¢ per share for the quarter ending February 28, 1946, has been declared on the 6% Preferred Stock of Atlas Corporation, payable March 1, 1946, to holders of such stock of record at the close of business February 14, 1946.

WALTER A. PETERSON, *Treasurer*
January 29, 1946.

Borden's 1857
Borden's

DIVIDEND No. 144

An interim dividend of fifty cents (50¢) per share has been declared on the capital stock of *The Borden Company*, payable March 2, 1946, to stockholders of record at the close of business February 15, 1946.

E. L. NOETZEL
January 29, 1946 *Treasurer*

DIVIDEND NOTICES

BUTLER BROTHERS

The Board of Directors has declared the regular quarterly dividend of One Dollar and twelve and a half cents ($1.12½) per share on Cumulative Preferred Stock, 4½% Series, a dividend of Twenty cents (20c) per share on Common Stock and in addition a 1945 year-end dividend of Fifteen cents (15c) per share on Common Stock, all payable on March 1, 1946 to holders of record at the close of business on January 31, 1946. Checks will be mailed.

EDWIN O. WACK
January 22, 1946 Secretary

OTIS ELEVATOR COMPANY

PREFERRED DIVIDEND No. 189
COMMON DIVIDEND No. 153

A quarterly dividend of $1.50 per share on the Preferred Stock and a dividend of 20¢ per share on the no par value Common Stock have been declared, payable March 20, 1946, to stockholders of record at the close of business on February 19, 1946.

Checks will be mailed.

C. A. SANFORD, *Treasurer*

New York, January 23, 1946.

THE UNITED STATES LEATHER CO.

The Board of Directors at a meeting held January 30, 1946, declared a dividend of 50c per share on the Class A stock, payable March 15, 1946, to stockholders of record February 15, 1946.

C. CAMERON, *Treasurer.*
New York, January 30, 1946.

WOODALL INDUSTRIES, INC.

A regular quarterly dividend of 31¼¢ per share on the 5% Convertible Preferred Stock ($25.00 par value) has been declared payable March 1, 1946 to stockholders of record February 15, 1946.

M. E. GRIFFIN,
Secretary-Treasurer.

gitized for FRASER
tp://fraser.stlouisfed.org/

The Post-War Money Supply And Commodity Prices

(Continued from page 519)

I shall open my discussion with a statement of my opinion. First, I believe that we are already in an advanced phase of monetary inflation; second, that this inflation has caused and is causing upward pressure on commodity prices; and third, that the inflationary factors already in being will continue this pressure.

These opinions are not so much forecasts as projections of the past combined with observations of the present. They are less precise than many, including myself, could wish. They do not indicate the eventual altitude of the Dow-Jones averages, of the BLS price index, of the national income or of the pound sterling. I have no idea of the probable duration of the experience, nor of the social and political repercussions that may derive from the frictions now accumulating. We all know that prices have been and are now rising, and that more or less severe frictions have already developed, both from the rise and from the incidental dispersions, and that these may be expected to become more severe if or as the rise continues.

The questions are, therefore, as I see them:

1. What is the cause of the price movement?
2. Is this cause still a persistent force?

My answer to the first question is that I believe the primary cause to be the increase in money-currency and bank deposits—incidental to war financing; and my answer to the second is that I see no reason to suppose that the force so generated will either exhaust itself or be arrested by positive counter-action in the visible future.

My reason for expecting no positive action in the visible future derives from my premise. If the cause is monetary, the remedy must be monetary. But, on the contrary, it appears from the nature of the remedies proposed, that there is all but unanimous agreement that the malady is not monetary in character, and that non-monetary remedies are adequate and dependable. Specifically I intend to dispute the current doctrine that production is a dependable preventive of inflation, regardless of monetary factors.

This raises the issue as I see it. I believe it to be an issue that should be faced; and I do not believe we are facing it candidly. It is quite possible that I am completely wrong in describing current phenomena in terms of monetary inflation; but it stands on the record of inflationary history that in those times which were subsequently recognized as inflations, the contemporary explanation was invariably in non-monetary terms. These explanations have been varied, ingenious, and in their day persuasive—as they are today. Of course, this time they may be right. But, I do not think so; and in this paper I shall explain the reasons—not for the phenomena—but for my conclusions regarding the phenomena.

In the processes of war finance we issued a great deal more money than was or could be spent by its recipients and present owners; as well as a great deal that was immediately employed in active circulation, and is now circulating. The condition at the end of this war is quite unlike that which obtained at the end of the First War. Thirty years ago, practically no money was issued except against a private or corporate debt; and when it was considered necessary, these private debtors could be called upon to pay the debt and so extinguish the money. This was the remedy eventually employed, belatedly and ineptly, but with brutal effectiveness. In the recent war, no money was issued except against government debt, and no power now exists to reduce or compel the reduction of the existing total, or indeed, to prevent its expansion.

The dangers inherent in this expanded money supply have been and are now generally recognized. They are however, regarded as avoidable dangers. And certainly some of the dangers which manifested themselves in other countries after the First War are absent in our present situation. We are not at the mercy of the foreign exchange rates. In many countries, imported goods, both by nature and volume, were so essential to the economy that weakness in the exchange, even when induced by purely financial transactions, such as a flight of capital, quickly translated itself into domestic depreciation and so exaggerated the spiral. In our case, our imports are relatively small, and their price almost without influence on the internal value of our currency.

But the fact that analogies are not to be sought in the European experiences with which we are reasonably familiar is not the reason usually advanced for the opinion that our danger is potential rather than imminent or, indeed, actually present. The reason usually given is that no great price advance can occur in a country with such a capacity for production. Prices rise, the argument goes, because goods are scarce, and a lasting scarcity of goods in a country of such productive power is unthinkable. The best protection against inflation is production; during the interim of reconversion prices may rise because of temporary scarcity, but once production is in full vigor, prices will return to "normal."

This argument is extremely persuasive. As far as one can see, it is the dominant thought of the current time. It is clearly the view of Washington, reaffirmed in repeated statements. The total abscence of any official concern about the expansion of the money supply was indicated by the method of financing the recent Victory Loan. There is less formal expression of the attitude of the business community, and perhaps less unanimity of opinion. But in general, it seems to me that what may be called non-monetary argument—the argument that production is the preventive of inflation—is generally accepted in official, business and financial circles.

In the public discussion, the question of prices is argued mostly on the pros and cons of the retention of OPA. The proponents of OPA argue that if it "holds the line" until the reorientation of production is completed, thereafter prices will stabilize on that line of their own accord. The opponents argue that the controls retard the maximizing of production and hence aggravate the ill they profess to remedy. I must confess that I regard both arguments as equally fallacious, since they both rest on a premise which is at best questionable, and at worst false. If the impelling force behind the price movement is monetary, any argument which ignores this monetary factor is irrelevant. The question, I repeat, relates to the impelling cause: is this cause confined to the relation between physical production and physical demand, or does it lie in the relation of both to the money supply?

Let me illustrate this question by using a familiar formula—Dr. Irving Fisher's well-known equation of exchange. In this formula, PT=MV, with P representing prices; T, all trade and production involving monetary payments; M the quantity of money and V the velocity or turnover of currency and checking accounts. Applying the OPA argument to this equation, and assuming P to be held a constant, the full force of the money supply must mathematically be exerted on the volume of production and trade. The counter argument is to the effect that the OPA controls, by incompletely acknowledging the actual as distinct from the theoretical level of P, prevent T from increasing, and so allow it to exert its force (if at all) on P in the American equivalent of the Black Market. In effect, this argument is directed rather against the technical administration of price control than against the theory on which it is acting—for as I said, both parties, in effect, take the position that price is solely the equation of physical supply to physical demand.

Both sides could then, I think, agree that an increase in the volume of production would increase demand only to the amount of its own value, and hence would exert no upward pressure on P. Hence, both parties to the argument can agree on the principle that the surest prevention of inflation is a maximizing of production. That is, each unit of increase of supply would be matched by an equal unit of demand; and the function of price control would be the adjustments of temporary frictions and time lags. This position is valid enough for any specific price relation; and might have a great deal of validity if we could start from the assumption that the equation was in equilibrium at the present moment.

In other words, both OPA and its critics are in essential agreement on their premises; and I am in the unhappy position of disputing the assumptions of both. While I believe that I have made a fair assumption of their common thought to Dr. Fisher's formula, as stated, I believe the formula, as I stated it, is inaccurate.

The difficulty with this equation lies in the factor V, the turnover of the money outstanding. At the time that the formula was first publicized (in the 1920's) there was rather widespread belief that the element V was a constant. It was this belief that lay at the basis of the simple quantity theory of money. The early proponents of currency management, supposing this constancy of V, argued that it was possible to control the price level by simply manipulating the money supply. The movements of the price level, in turn, were supposed to control the element T, that is the volume of trade, and production. This may sound very naive to you now, but it was considered very advanced thinking not so many years ago.

The dispute came with the question of the constancy of V. It was observed—and there were some good opportunities for observation in the 20's—that, while there was a general relation which could be written PT=M, it was not mathematically precise. Evidently V was a variable. About this time, the Keynesian doctrine of saving appeared, which gave, so to speak, a new view of the equation. There were it seemed—at least sometimes—two kinds of money—money which turned over at customary velocity, and money which sometimes remained idle for extended periods, owing to its owner's "propensity to save." To an extent, the validity of this concept was demonstrated during the 30's. You will recall that the reflation program, which was to restore the price level of 1926, was based on the simple quantity theory; but that although the money supply was readily increased by deficit spending to and beyond the level which was mathematically appropriate for the 1926 price level, the turnover of money did not keep pace. Statistically, the velocity of monev was lower than it had been, if you please, normally; or, in Keynesian phraseology, we were confronted with "over-saving." The reasons for this phenomenon were as might be supposed, many and varied. From the standpoint of the managed currency doctrine, the important fact was that control over the quantity of money did not give corresponding control over the product PT because of the uncertain behavior of V, that is, the use of this money by the owners.

This new knowledge was more or less consciously used in all countries. All countries financed the war in part by what our more plainspoken forefathers bluntly called fiat money. But instead of relyng on the "propensity to save," a part of this money was so to speak, not given full legal tender status. That is, by a variety of non-monetary controls—rationing, priorities, and outright prohibitions, the recipients of money were given merely the choice of spending it for something they did not need or want, or not spending it. The result was an immense accumulation of cash savings, which when entered into the Fisher formula would have to be described as money present but not voting—not because of a "propensity to save" on the part of its owners, but because of their inability to yield to their "propensity to consume" goods withdrawn from civilian production or consumption.

Let us now return to the contemporary doctrine that production is the preventive of inflation, if prices are held constant. With prices constant, every increase in T generates out of its production, purchasing power equal to its own value; and, as we said above, under such conditions the only pressure on price would derive from such frictions and lags as were caused by the stickiness of the process of reconversion. If that were all there is to the problem, I should find no great fault with the doctrine that production is the preventive of inflation.

But the same forces which, at the present time, make for an increase in trade and production, make for an activation of savings—for dishoarding and spending the money created by the war deficits and hitherto held idle. The result might readily be that while every dollar of increase in production would create a dollar of demand on its own account, a dollar of demand from previous savings might appear alongside of it as a competitive bidder. That is, since these savings arose from the creation of a deferred demand, the augmentation of supply might be the factor leading to converting idle money into active money. Since this idle money would not have derived from current operation, it would enter the market as a competitive bidder.

Let me give a simple instance. There are several million people in this country who urgently desire a dwelling; and who have the cash in hand to start building. The capacity of the building industry has definite limits, which are narrow when set against the breadth of the immediate demand. These limits can be expanded, but expanded at a cost. There is, I should say, very little prospect that T (in this instance, the production of dwellings) can be so rapidly expanded that it will relieve pressure on P—in this case the price of building.

At this point, let me enter a kind of protective disclaimer. I have not asserted that the Fisher formula proves that we shall experience a further rise in prices; nor have I professed myself a believer in the quantity theory of money. What I can state is that over the long history of the money economy—say 2,500 years—it has been observed that there is a relation between money and prices; and that economic statements of that relation have undergone a number of revisions, even in the course of our liftime. Presumably, they will undergo further revisions. I believe that today no economist would claim to know as much about the "laws of monetary economics" as many economists would have claimed to know say, forty years ago, in the days of the simple quantity theory. But it is one thing to say that the relation between the money level and the price level is very imperfectly understood; and another thing to deny that any relation exists. And in my opinion, the existing money supply makes for higher commodity prices.

In short, it seems to me that the current belief is fallacious; namely that an increase in production is such a sure way of preventing a further price rise that discussion of the monetary aspects can be safely ignored. If the force acting on prices is primarily monetary, as I believe and as I have attempted partially to demonstrate, I do not believe it can be opposed except by monetary action. Yet in all the discussion, there has been to date not a single proposal, whether from official, commercial, manufacturing, financial, agricultural or labor interests, looking to any monetary action. With one accord, they have acknowledged the danger of inflation, they have professed opposition to inflation, and without audible dissent, they have accepted the doctrine that inflation can be discussed without reference to its monetary aspects. Such unanimity is, of course, entitled to the most respectful consideration; it would be entitled to more faith, if one could be sure that it did not include a measure of wishful thinking.

Unfortunately, as I said earlier, this kind of unanimity is not new; in the past it has invariably appeared at a certain stage of inflation. Each individual price rise is explained in its own terms—temporary scarcities, difficulty of transportation, the exactions of labor, and, of course, above all, "profiteering."

The unanimity of this country is indeed impressive. It is the first major question of recent years in which industry, bureaucracy and labor have been basically in accord. Yet I might remark that our attitude seems to differ from that of a considerable number of European countries confronted with a problem analogous to our own, although perhaps in a more aggravated form.

Spain at the end of the Civil War, and Belgium, France, and Holland, after their liberation, found themselves with a redundant supply of money. Conscious of the limitations to the productiveness of their economics and apprehensive of cumulative price inflation, they severally formulated and carried out a form of capital levy upon the part of the circulation computed to be redundant and menacing. A similar program has just been introduced in Austria and Finland. The details of plan have been different, but the idea has been identical. It is an illustration of the operation of currency management, in countries in which it is supposed that monetary factors have a definite influence on price. The objects have not been a deflation of either the currency or of prices, but rather an adjustment of the volume of money to the requirements of the economy at a given price level. Except for the Spanish experiment, all those enumerated have been too recent to have given proof of their consequences. Nevertheless, the fact that a number of nations have in succession applied a similar remedy to a similar problem may be taken as evidence that the respective authorities considered they had a precedent worth following. I cite it, not with a recommendation that we should adopt a similar program, but because I wish to show that the American doctrine that production is the sure preventive of inflation regardless of monetary considerations, is not unanimously entertained outside the United States.

Digitized for FRASER
http://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.

SATURDAY, FEB. 2

McALEER MANUFACTURING CO. on Jan. 14 filed a registration statement for 50,000 shares 5% cumulative convertible preferred stock, par $10, and 50,000 shares of common, par $1.

Details—See issue of Jan. 17.

Offering—The price to the public will be $10 per share for the preferred and $5 per share for the common stocks.

Underwriters—The names of the underwriters will be filed by amendment.

RELIANCE ELECTRIC & ENGINEERING CO. on Jan. 14 filed a registration statement for 30,000 shares of convertible preferred stock—the dividend rate to be filed by amendment—indeterminate number of common shares reserved for conversion of the preferred, and an indeterminate number of common shares which were reserved for issuance upon conversion of its $5 convertible preferred and which were not required for such purpose.

Details—See issue of Jan. 17.

Offering—The price to the public on the preferred and common shares to be offered by underwriters will be filed by amendment. The shares of common stock to be offered are the shares of common stock to be purchased by certain of the underwriters at $21 per share and are the shares which were reserved for issuance upon the conversion of the $5 convertible preferred stock and which were not required for such purpose. The statement says the company called for redemption, on Feb. 1, 1946, all of its outstanding $5 convertible preferred, of which 6,500 shares (exclusive of treasury shares) were outstanding on Oct. 31, 1945. The holders have the right, on or before Jan. 28, 1946, to convert the same into common stock on the basis of 5 shares of common for each preferred share.

Underwriters — Hayden, Miller & Co.; Hawley, Shepard & Co.; McDonald and Co.; Maynard H. Murch & Co.; Merrill, Turben & Co., and Curtiss, House & Co.

MONDAY, FEB. 4

PRATT'S FRESH FROZEN FOODS, INC., on Jan. 16 filed a registration statement for 450,000 shares common stock, par $1, and 120,000 stock purchase warrants for one share of common stock, par $1, and the shares isuable upon exercise of such

Details—See issue of Jan. 24.

Offering—The price to the public is $6 per share. The company has agreed to sell to the underwriters an aggregate of 120,000 common stock purchase warrants and to two individuals, who rendered certain services in connection with the financing, an aggregate of 30,000 common stock purchase warrants, in each case at a price of one cent per warrant share. The warrants entitle holder to purchase stock at $6 per share.

Underwriters—R. H. Johnson & Co., New York, N. Y., is named principal underwriter.

VERITY PORCUPINE GOLD MINES, LTD., on Jan. 16 filed a registration statement for 250,000 shares of capital stock, $1 per share.

Details—See issue of Jan. 24.

Offering—The 250,000 shares are being offered at 50 cents per share.

Underwriters—The underwriter is Mark Daniels & Co., 1421 Chestnut Street, Philadelphia, Pa., who will receive a commission of 30% and 5% additional allowance to cover traveling and advertising expenses.

PHILIP MORRIS & CO., LTD., INC. on Jan. 16 filed a registration statement for $15,000,000 20-year 2½% debentures, due Feb. 1, 1966.

Details—See issue of Jan. 24.

Offering—The price to the public will be filed by amendment.

Underwriters — Lehman Brothers and Glore, Forgan & Co. head the underwriting group.

TUESDAY, FEB. 5

GULF ATLANTIC TRANSPORTATION CO. on Jan. 17 registered 270,000 shares of common stock, par $1.

Details—See issue of Jan. 24.

Offering—The price to the public will be filed by amendment. The securities are being offered initially for a period of 15 days to present shareholders under preemptive rights at a price to be filed by amendment. The holders of approximately 200,000 shares have agreed to waive their preemptive rights. The underwriter will receive 50,000 five-year warrants to purchase common stock at a price to be filed by amendment. For these warrants the underwriter will pay the company 10 cents each or a total of $5,000.

Underwriters—The principal underwriter is Allen & Co., New York.

WEDNESDAY, FEB. 6

IOWA POWER & LIGHT CO. on Jan. 18 filed a registration statement for 50,000 shares of cumulative preferred stock, par $100. Dividend rate will be filed by amendment.

Details—See issue of Jan. 24.

Offering—The offering price will be filed by amendment. The preferred stock will be offered for sale by the company at competitive bidding.

Underwriters—To be filed by amendment.

SATURDAY, FEB 9

FARNSWORTH TELEVISION & RADIO CORP. on Jan. 21 filed a registration statement for 219,571 shares of common stock, par $1.

Details—See issue of Jan. 24.

Offering—The company is offering 219,571 shares of its common stock to all the holders of its common stock and to the holders of certain options for subscription on the basis of one share for each seven shares of common held at the close of business Feb. 9, at a price to be filed by amendment.

Underwriters—E. H. Rollins & Sons, Inc., and Eastman, Dillon & Co., are named principal underwriters.

VIRGINIA DARE STORES CORP. on Jan. 21 filed a registration statement for 90,000 shares of common stock, par $1.

Details—See issue of Jan. 24.

Offering—The price to the public is $5 per share.

Underwriters—The group is headed by Newburger & Hano; Kobbe, Gearhart & Co., Inc. and D. Gleich Co.

SUNDAY, FEB. 10

CONSOLIDATED INDUSTRIES, INC. on Jan. 22 filed a registration statement for 120,000 shares 6% cumulative convertible preferred stock, par $5 and 120,000 shares common stock, par 10 cents per share.

Details—See issue of Jan. 24.

Offering—The stock is being offered in units of one share of preferred and one share of common at $5 per unit.

Underwriters—Kobbe, Gearhart & Co., Inc., and Newburger & Hano are named principal underwriters.

FORT WAYNE CORRUGATED PAPER CO. has filed a registration statement for 44,072 shares of cumulative convertible preferred stock (par $25) and 110,848 shares of common (par $10). Of the common registered, 66,776 are reserved for conversion of the preferred.

Address — 2001 East Pontiac St., Fort Wayne, Ind.

Business—Corrugated paperboard shipping containers.

Offering—The price to the public on the 44,072 shares of preferred and 44,072 shares of common will be filed by amendment.

Proceeds—About $1,500,000 of net proceeds together with $1,000,000 to be borrowed by the company will be used to purchase 25,000 shares of Class B common stock (par $100) of Gair Santee Corp. which proposes to construct and operate a paperboard mill. Any balance of net proceeds will be added to working capital. The other shares of Gair Santee Corp. to be outstanding at the completion of the financing will be 55,000 shares of class A common (par $100), which will be bought for and owned by Robert Gair Co., Inc., which latter company is engaged in the business of fabricating and selling corrugated shipping containers and competes, to a limited extent, with Fort Wayne. Gair Santee Corp. will raise $12,000,000 to erect and equip a mill, provide working capital, etc. Of the $12,000,000, $8,000,000 will be provided through the purchase of shares of Gair Santee by Fort Wayne and Gair, and the remaining $4,000,000 will be borrowed by Gair Santee. This loan may be made to Gair Santee by Gair.

Underwriters—E. H. Rollins & Sons, Inc., heads the underwriting group.

Registration Statement No. 2-6106. Form S-2. (1-22-46).

COMPOSITE BOND FUND, INC., has filed a registration statement for 120,000 shares of common capital stock.

Address—601 Riverside Avenue, Spokane and Eastern Building, Spokane, Wash.

Business—Investment company of the open-end type.

Offering—At market.

Proceeds—For investment.

Underwriters — Murphey, Favre & Co., Spokane, is the general distributor and sole underwriter.

Registration Statement No. 2-6107. Form A-1. (1-22-46).

ROBERT GAIR CO., INC., has filed a registration statement for 410,481 shares of common stock, par $1.

Address — 155 East 44th Street, New York, N. Y.

Business — Corrugated and solid fibre shipping containers, and folding paperboard cartons, and various other types of paperboard.

Offering—The company is offering the new stock to common stockholders of record of a date to be set in February, on the basis of one share for each three shares of common held at a price to be filed by amendment.

Proceeds — Company has arranged to make a loan of $10,000,000 conditioned upon its raising $2,000,000 in new equity capital. The company proposes to raise this amount, together with additional funds, by the sale of the common stock. This will provide the $500,000 required to permit the company to buy the remaining $4,500,000 of the stock of Gair Santee Corp. (which see above) and will also provide the company with additional working capital for use in its business. Of the $10,000,000 bank loan, $3,000,000 will be used to pay off bonds and $4,000,000 will be loaned to Gair Santee Corp., leaving $3,000,000 in cash for the company, in addition to $1,000,000 available from the previous program. Gair Santee proposes to erect a new mill in the south at an estimated cost of $12,000,000.

Underwriters—The principal underwriters are Ladenburg, Thalmann & Co., and Lazard Freres & Co.

Registration Statement No. 2-6108. Form S-1. (1-22-46).

ANDERSON-PRICHARD OIL CORP. has filed a registration statement for 80,000 shares 4¼% cumulative convertible preferred stock, $50 par, and 425,000 shares common stock, par $10. All of the common shares are issued and are being sold by certain stockholders.

Address—1000 Apco Tower, Oklahoma City, Okla.

Business—Crude petroleum and products derived therefrom.

Offering—The prices to the public 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 the 80,000 shares of preferred stock, together with cash from general corporate funds, will be used to purchase 175,000 shares of its common stock from Southeastern Investment Trust, Inc., one of the selling stockholders, at the total purchase price of $4,000,000 in addition to an amount which depends upon the date such shares are purchased. The proceeds from the sale of common stock will be received by the selling stockholders. The names of the selling stockholders and the number of shares of Anderson-Prichard common stock to be sold are as follows: L. H. Prichard 200,000 and Southeastern Investment Trust, Inc., 400,000, including 175,000 shares to be sold to the company.

Underwriters—Glore, Forgan & Co. heads the underwriting group.

Registration Statement No. 2-6109. Form S-1. (1-23-46).

TUESDAY, FEB. 12

A. E. STALEY MANUFACTURING CO. has filed a registration statement for 50,000 shares of cumulative preference stock, $3.75 series.

Address—Decatur, Ill.

Business—Purchase of corn and the manufacture, sale and distribution of products therefrom.

Offering—The company is offering to holders of its 46,977 shares of outstanding cumulative preferred stock, $5 series, the right to exchange such shares, on or before Feb. 20, 1946, on a share for share basis, for the preferred plus a cash payment by the company of $1.37½ for each share exchanged. The shares of $3.75 series not taken in exchange, together with 3,023 shares not being offered in exchange, are to be purchased by the underwriters. The offering price to the public is $105 per share.

Purpose—All shares of old preferred not exchanged are to be called for redemption on March 29, 1946, at $105 a share plus accrued dividends. Holders of 22,400 shares of $5 preferred have agreed to deposit their shares for exchange, leaving 24,577 as the maximum possible shares of unexchanged stock. The proceeds from the sale of such of the 46,977 shares of preferred not issued in exchange will be applied, with other funds, to the retirement of the old preferred. Proceeds from sale of the 3,023 shares will be added to company's general funds.

Underwriters—Smith, Barney & Co. and The First Boston Corp. are named principal underwriters.

Registration Statement No. 2-6110. Form A-2. (1-24-46).

MEAD CORP. has filed a registration statement for 7,000 shares of $5.50 cumulative preferred stock, series B, with common stock purchase warrants attached and 14,000 shares of common stock (no par).

Address—Chillicothe, Ohio.

Business—White papers, chestnut corrugating and other paperboards, and wood and bark extracts for tanning.

Offering—The company will offer to all holders of the common stock of Columbian Paper Co. one-half share of $5.50 cumulative preferred, Series B, with warrants for purchase of common stock, and one share of common stock for each share of Columbian common stock, in each case with all dividends paid or payable thereon by Columbian during the period of the offer.

Purpose—For acquisition of stock.

Underwriters—The offer is not being underwritten.

Registration Statement No. 2-6111. Form S-1. (1-24-46).

CARPENTER PAPER CO. has filed a registration statement for 15,000 shares of 4% convertible preferred stock, par $100, and 25,900 shares of common stock, par $1.

Address—815 Harney Street, Omaha. Neb.

Business — Paper business, envelopes, straws and paper bags.

Offering—Of the preferred stock, 10,000 shares are being offered by the company in exchange, share for share, to holders of its outstanding 4½% cumulative preferred stock. The remaining 5,000 shares and unexchanged preferred shares purchased by the underwriters are to be initially offered to the public at a price to be filed by amendment. Of the common stock registered, 5,000 shares are being offered by the company to certain of its officers and employees at a price to be filed by amendment. Such shares are not underwritten. The remaining 20,900 shares are being offered by underwriters at a price to be filed by amendment.

Proceeds—The net proceeds from the sale of the preferred not used in exchange for old preferred, will be used to replace funds employed for the redemption of the old preferred. Of the balance of the proceeds from the sale of preferred and common stocks, $500,000 will be used to reimburse the treasury for expenditures made in acquisition of businesses, etc., in continuation of its expansion program during 1945, and approximately $500,000 may be used to acquire or construct buildings for warehouse purposes and any balance added to working capital.

Underwriters — Kirkpatrick-Pettis Co., Omaha, Neb., is named principal underwriter.

Registration Statement No. 2-6113. Form A-2. (1-24-46).

THE McBEE CO. has filed a registration statement for 98,000 shares of common stock, par $5. Of the total, 28,000 shares are being sold by certain stockholders.

Address—Smith Street, Athens, Ohio.

Business—Special office equipment and machines, filing and housing equipment for accounting forms and records, and specialized printed products.

Offering—The price to the public will be filed by amendment.

Proceeds—Net proceeds will be applied to the acquisition of additional plant facilities and to the procurement of additional manufacturing equipment. Any balance of proceeds will be added to working capital. Net proceeds from the 28,000 shares will go to selling stockholders.

Underwriters—Burr & Co., Inc., New York, is principal underwriter.

Registration Statement No. 2-6113. Form S-1. (1-24-46).

WEDNESDAY, FEB. 13

EBALOY, INC., has filed a registration statement for 75,000 shares of common stock, par $1.

Address—Pleasant and South Streets, Rockford, Ill.

Business—Business of company consists of five divisions as follows: magnesium foundry, main aluminum foundry, permanent mold department, bronze foundry and fabricated products division.

Offering—The price to the public is $8 per share.

Proceeds—The proceeds will be applied as follows: To reimburse company for funds applied to redemption of 12,130 shares of convertible preferred stock, par $5, at the redemption price of $5.50 per share, $66,764; to payment, on or before Aug. 15, 1946, of $50,000 first mortgage notes, $50,000; and for additional working capital, etc., $369,615.

Underwriters — Webber-Simpson & Co., Chicago, is named principal underwriter.

Registration Statement No. 2-6114. Form S-1. (1-25-46).

COLORADO CENTRAL POWER CO. has filed a registration statement for 43,750 shares of common stock, par $10. The shares, which are all of the issued and outstanding shares of Colorado Central, are owned by Crescent Public Service Co.

Address — 1215 Washington Avenue, Golden, Col.

Business—Public utility.

Offering—The shares are to be offered by Crescent for sale at competitive bidding and the offering price will be filed by amendment.

Proceeds—The common stock of Colorado is being offered by Crescent as part of its plan for compliance with the provisions of Section 11 (b) of the Public Utility Holding Company Act of 1935. The proceeds of the sale will be used with other funds to retire indebtedness of Crescent and carry out the other provisions of Crescent's plan.

Underwriting—The names of the underwriters will be filed by amendment.

Registration Statement No. 2-6115. Form S-1. (1-25-46).

SATURDAY, FEB. 16

COMMONWEALTH TITLE CO. of Philadelphia has registered 20,000 shares of preferred stock, par $100. The shares are issued and outstanding and are being sold by present stockholders. The dividend rate will be filed by amendment.

Address—1510 Walnut Street, Phila., Pa.

Business—Insuring owners of real property, mortgagees and others interested in real property from loss by reason of defective titles, liens and encumbrances.

Offering—The price to the public will be filed by amendment.

Proceeds—The 20,000 preferred shares are issued and outstanding shares owned by stockholders and are not being offered for the account of the company. At the present time the company has 22 stockholders of record, each of whom is selling all of his holdings of preferred. The stockholders on Jan. 26, 1946, approved a recapitalization of the company consisting of the transfer of $500,000 from paid-in surplus to capital and the issuance of one new preferred share, $100 par, and five new common shares, $5 par in exchange for each old share of capital stock, $100 par.

Underwriters—The names of the underwriters will be filed by amendment.

Registration Statement No. 2-6116. Form S-1. (1-28-46).

AFFILIATED FUND, INC., has filed a registration statement for 1,000,000 shares of common stock.

Address—63 Wall St., New York, N. Y.

Business — Open-end investment company of the "leverage" type.

Offering—At market.

Proceeds—For investment.

Underwriters—Lord, Abbett & Co., Inc., New York, is named national distributor, and principal underwriter.

Registration Statement No. 2-6117. Form A-1. (1-28-46).

AIRLINE FOODS CORP. has filed a registration statement for $1,000,000 5% sinking fund debentures, due Feb. 1, 1961; 100,000 shares of 5½% cumulative convertible preferred stock, (par $10), and 90,000 shares of common, (par $1).

Address — 490-506 Greenwich St., New York, N. Y.

Business—Owns control of a group of companies which are engaged either in the manufacture or processing of foods, or in the distribution of a widely diversified line of food products, many being under their own brand names, largely to institutions and other large consumers of food products.

Offering—The offering prices to the public are as follows: debentures, 98%, preferred stock $10 and common stock $6.

Proceeds—Of the proceeds $811,513 will be used to pay outstanding notes of subsidiaries of the corporation; $773,850 will be used to purchase on or before April 1, 1946, at $105 per share at least 82.7% of the capital stock of Atlantic Macaroni Co., Inc., and the balance added to working capital.

Underwriters—Herrick, Waddell & Co., Inc., New York, is named principal underwriter.

Registration Statement No. 2-6118. Form S-1. (1-28-46).

GABRIEL CO. has filed a registration statement for 120,000 shares of 5% cumulative convertible preferred stock (par $10).

Address—1407 East 40th St., Cleveland, Ohio.

Business—Oldest manufacturer of shock absorbers, also manufactures flexible metal hose and brass couplings and merchandises automotive coil springs, etc.

Offering—Price to the public is $10 per share.

Proceeds—It is estimated $300,000 of the proceeds will be expended for new machinery and equipment in expansion program and that approximately $100,000 will be expended in improvements and new installations in the facilities to be leased from the Reconstruction Finance Corporation. Part of the proceeds will be used in moving certain machinery and the remainder added to working capital.

Underwriters—Sills, Minton & Co., Inc., Chicago, is named principal underwriter.

Registration Statement No. 2-6119. Form S-1. (1-28-46.)

(This List Is Incomplete This Week)

SITUATIONS WANTED

UNLISTED TRADING DEPT.

Two experienced unlisted producers desire to open unlisted trading department for New York Stock Exchange firm on percentage basis. Address replies to Box D4 Commercial & Financial Chronicle, 25 Park Place, New York 8, N. Y.

Assistant Analyst

Wall Street experience. Seeks connection as assistant to head of department. University training. Presently associated with underwriting organization. Address Box M 24, Commercial & Financial Chronicle, 25 Park Place, New York 8, N. Y.

Available Soon

Writer - Analyst - Economist— 45, versatile unusually broad background and experience in editorial and executive capacity, thoroughly familiar investment field, seasoned securities and market analyst, is open for permanent connection with strong concern. Please address Box K 118, Commercial & Financial Chronicle, 25 Park Place, New York 8, N. Y.

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

A Constructive Republican Party Policy

(Continued from page 607)

our nominee in 1940, Wendell Willkie. A major contribution was also made by the pronouncements of our nominee in 1944, Thomas E. Dewey. Senator Arthur Vandenburg and John Foster Dulles have played their part ably and well and are continuing at this very hour in London. The Mackinac Island Declaration, the Republican Party platform, the resolution of Senators Ball and Burton and a broad contribution throughout the country by Republican leadership and rank and file in the discussion and formulation of American foreign policy is too evident to need detailed emphasis.

No "Politics as Usual"

It is equally necessary that on basic domestic policies and grave economic issues, the Republican and the Democratic Parties should reach an agreement which can be supported by the overwhelming majority of the people as a whole. I reemphasize that the present unfortunate wave of industrial stoppages which is handicapping reconversion and restricts production at the very time that the world and the people of the United States urgently need our production, are primarily due to the failure of the present national Administration to develop broad basic post-war economic policies of prices and wages and the value of the dollar which could be supported understandingly by the people as a whole of both political parties and of all economic groups. It is late, but it is not too late to establish such basic post-war economic policies. With an unfortunate keynote of "politics as usual" from the Postmaster General, the Administration has been moving alone in these domestic problems and has failed in large measure. If at any time it indicates a willingness to share responsibility in these difficult questions, the Republican Party, regardless of the political wisdom of doing so, must in the national interest respond and join in the development of such policies.

Support UNO

Currently, the Republican Party should also strengthen the backbone of the Administration in its attitude toward the United Nations Organization. It is imperative that the United Nations Organization take jurisdiction over the current disputes in Iran, in Java, and in Greece, and begin to perform the vital task of investigation, of mediating and recommending settlement, and of contributing to world stability, for which it was created. The United States of America must take a leadership toward that end and the Republican Party should insist upon it.

As an essential condition of our exercising the moral leadership that is so needed in the post-war world situation, we ourselves must quickly present to the world our proposed program in specific detail for the administration of the Pacific Islands and bases utilizing the trusteeship machinery of the United Nations Organization which has within it full safeguards of the security needs and requirements of this nation and of the other nations of the world.

I believe it should be Republican policy to strengthen the United Nations Organization, gradually enlarge its powers and improve its organization and to have as a definite objective the contribution to the slow, steady march of progress of all mankind in one world at peace. I specifically reject the narrow nationalistic doctrine. It is not worthy of America. It is a doctrine under which America would wither. It is a doctrine under which America's national selfishness would be increasingly translated into group selfishness within the country and so divide us and weaken us that we would not only fail to contribute to the welfare of the people of the world but we would also fail to attain the broad progress in the welfare of the people in America. But if we unite on broad moral principles of world-wide significance we can maintain the freedom and the high productivity of the American system and play a key part in lifting the standards of living around the world.

Members of this Women's National Republican Club, it is my conviction that no political party ever faced a greater opportunity for service, a greater challenge than does the Republican Party of the United States in this post-war period. I am confident that the members of this organization and the women of America will do their part towards seeing to it that the Republican Party meets that challenge and makes that essential contribution to the future welfare of the people not only of America but of the world.

Silence Named Head Of Coffee Exchange

The New York Coffee and Sugar Exchange, Inc. on Jan. 17 elected as its President, Frederick H. Silence. Mr. Silence is a manager of W. R. Grace & Company, with which firm he has been associated for thirty years in the export and import business. He spent a number of years in South America and on his return in 1925 became associated with their cocoa business. Snce 1930 he has been connected with the coffee interests of the firm. Mr. Silence was President of the Green Coffee Association of New York City, Inc., from 1942 to 1945.

Ody H. Lamborn, retiring President, was nominated to the Board of Managers for a term of one year at the annual meeting of the Exchange on Jan. 10.

New England Public Service
Kaiser-Frazer
U. S. Finishing

Cinema "B"
Mexican Corp.
Scophony, Ltd.
Gaumont-British "A"
Rhodesian Selection

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

Haile Mines, Inc.

—★—

RALPH F. CARR & CO.
31 Milk Street, 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 21

Trading Markets in

Amalgamated Sugar	Int'l Resist. 6% Pfd. & Com.
Artkraft Mfg. Com. & Pfd.	Ironrite Ironer Com. & Pfd.
Baltimore Porcelain Steel	Kropp Forge
Bendix Helicopter	Kut-Kwick Tool
Bendix Home Appliances	Lear Inc.
Buckeye Incubator	Majestic Radio & Television
Clyde Porcelain Steel	O'Sullivan Rubber
Du Mont Laboratories	Sheraton Corporation
Globe Aircraft	Telecoin Corporation
Greater N. Y. Industries	Wilcox-Gay Corporation

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

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

Red Rock Bottlers, Inc.
Bought—Sold—Quoted
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

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

S_____
A potential postwar beneficiary of the:
Automobile, Building, and Frozen Food
industries.
***
Only a small issue of common stock.
***
Recent Price . . 10½
***
Write or call for descriptive analysis.
Raymond & Co.
148 State St., Boston 9, Mass.
Tel. CAP. 0425 : : Teletype BS 259
N. Y. Telephone HAnover 2-7914

For Brokers and Dealers
Sunshine Consolidated Inc.
Silver Property located in Coeur d'Alene District of Idaho.
Sunshine Mining Co. has contracted to operate these properties.
Approx. $3 per share
Memorandum on Request
W. T. BONN & CO.
120 Broadway New York 5
Telephone COrtlandt 7-0744
Bell Teletype NY 1-886

ACTIVE MARKETS
New Jersey Realty Co.
Central Iron & Steel
Automatic Signal Co.
Van Dorn Iron Works
Nat'l Secs. & Research
AMOS TREAT & CO.
40 Wall St. New York 5, N. Y.
BOwling Green 9-4613

Susquehanna Mills
Empire Steel Corp.
Hill, Thompson & Co., Inc.
Markets and Situations for Dealers
120 Broadway, New York 5
Tel. REctor 2-2020 Tele. NY 1-2660

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