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Loan Ratification Delay

By PAUL EINZIG

Correspondent Writes of British Anxiety Over U. S. Delay in Ratifying the Anglo-American Loan Agreement and Points Out That British Exchange Position, in the Meantime, Is Becoming More Difficult. Says British Reserve of Dollars Is Dwindling and That British Government Will Be Pressed to Rescind Agreement Unless Congress Soon Ratifies It.

LONDON, ENG.—The delay in the ratification of the Washington Financial Agreement by Congress is causing grave concern in London. Critics of the Agreement blame the Government for having failed to insist on simultaneous British-American ratification, or at any rate on fixing a time limit beyond which British ratification would lapse unless the Agreement is ratified by the United States. As it is, they argue, Britain is now committed, while the United States is not.

Paul Einzig

Until recently such criticisms carried but little weight, because of the officially-sponsored opti-

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Price Controls to Combat Inflation

By CHESTER BOWLES*

National Stabilization Administrator

Asserting Nation Is Facing an Inflationary Crisis, Mr. Bowles Tells House Banking and Currency Committee That Continued Price Controls Are Essential to Prevent an Explosion From Inflationary Dynamite. Maintains That New Wage-Price Policy Will Not Lead To Substantial Price Rises and Points Out That Numerous Wage Increases Were Granted Workers Without Employers Seeking Higher Prices. States That "a Speculative Fever Has Taken Hold of Country" That Rises to the Bursting Point. Urges Laws to Control Rents and Real Estate Speculation and Intimates that Some Discontinued Controls Will Be Renewed. Holds Not Unfair for Labor to Accept Temporary Wage Controls.

I am very sorry we have had to ask for several postponements of these hearings. I think all of you know that for the past few weeks we have faced a crisis of major proportions on the stabilization front. It was imperative that Administration policy be clarified before I could come before your Committee to request extension of the stabilization statutes. I appreciate more than I can say the Committee's patience in postponing its hearings.

Chester Bowles

It would be difficult to exaggerate the gravity of the inflationary crisis we face. An expectancy of higher and still higher prices is sweeping the country. The speculative fever is reminiscent of 1929. We can see it in the stock market, in the real estate

*Statement of Mr. Bowles before House Banking and Currency Committee, Feb. 18, 1946.

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Gold as an Investment

By DR. MELCHIOR PALYI

Dr. Palyi Discusses Gold Devaluation Prospects and Holds That Worldwide Abandonment of Gold for Currency Would Not Greatly Affect Its Value. Notes Present Wide Demand for Gold and Resulting High Prices Greatly in Excess of Dollar Value. Holds This Condition Due to Use of Gold as Inflation Hedge, and Contends Rising Mining Costs Can Be Offset by Lower Taxes and Cheaper Processes. Says Lower Interest Rates Increase Mine Values and Concludes That, Although Outlook of Gold Mining Industry Is Varied, Mining Shares Offer a Double Hedge — One Against Currency Devaluation and Another Against Commodity Price Depression.

Aurophobia

Chicago has a remarkable citizen, a former farmer who became a very successful businessman acquiring substantial wealth. Among sundry other things he owns two gold mines, a fact that does not interfere with his strong convictions about the worthlessness of gold. As a matter of fact, he has written a pamphlet against gold and gives public addresses in which he preaches what he calls honest money, based on wheat, in the place of the "dishonest" one based on gold.

Dr. Melchior Palyi

This is an extreme case of a mentality—let's call it aurophobia—which by no means is exceptional. It reaches far beyond the lunatic fringe. It inflicts a thoughtful type of businessman and investor who is most seriously

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Some Brass Tacks of Banking

By HUGH H. McGEE*

Vice-President, Bankers Trust Company of New York

Asserting That the Banking Business Belongs to the Banks and Not the Government, Mr. McGee Urges That Government Credit Agences and "Guarantees" Be Dispensed With and That Banks Cooperate More Extensively With Small Businesses to Improve Their Management. Says Banking Must Learn Again to Stand on Its Own Feet and Accept Responsibilities of Supplying Sound Credit on Personal Basis Without "Committee" Red Tape. Proposes a Scheme for a Bankers' Advisory Service to Management With a View to Increasing the Life Extension of Individual Concerns

Hugh H. McGee

We as banks can exist only as long as we enjoy the confidence of the people. First, their confidence that their deposits with us will be so handled by us that they will be available to them when they need to withdraw them. Secondly, their confidence that we will use them in such a way as to build the economy of our country soundly and constructively; that we will lend these funds to those who possess the integrity and "know-how" which are the basic attributes of any credit risk, and if the credit is to be used for a constructive purpose. I am very happy to talk today with you bankers of Ohio

*An address by Mr. McGee before the Ohio State Bankers Association, Columbus, Ohio, Feb. 12, 1946.

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We Are Nearing the End of The Bull Market in Bonds

By MURRAY SHIELDS*

Vice-President and Economist, Bank of the Manhattan Co.

After Carefully Appraising the Conditions Underlying the Bond Market's 12-Year Record Upswing, Mr. Shields Predicts a Tightening of Money Bringing About "The Postwar Bear Market in Bonds." This Will Occur Because the Supply-and-Demand Factors Respecting Money and Credit Are About to Undergo a Fundamental Change, and Because Our Monetary and Fiscal Policies Have Brought Interest Rates to Levels That Are Untenable Except in Time of War or Depression. Therefore He Recommends That Banks Readjust Their Portfolios for Greater Liquidity, Diversifying Between Short-Term Securities Sufficient to Meet Increased Loan Demands, and High Grade Securities Which Can Be Held to Maturity. Advises Long-Term Investors, Who Are Dependent on Income and Able to Hold to Maturity, to Retain Their Bonds.

Before appraising the outlook it is well to discuss briefly the factors responsible for one of the biggest and longest bull markets in bonds this nation has ever experienced. In dealing with this period, it is convenient to divide it into several phases.

Murray Shields

Phase I—Reflation

Phase one covered roughly the period from early 1933 to the middle of 1936. During this period, the dollar was devalued, the price of gold was written up, an aggressive policy of pump-priming with bank-financed deficits was initiated by the Government, and the Federal Reserve authorities permitted gold

*An address by Mr. Shields before the Queens County Bankers Association, New York, Feb. 14, 1946.

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Reconstruction and the Export-Import Bank

By WILLIAM McC. MARTIN, JR.*

Chairman, Export-Import Bank

Chairman Martin Declares That the Export-Import Bank Is Being Thoroughly Remodeled to Realize Our Opportunities for World Commerce "Which Are Pushing at the Door." He Traces the Institution's Recent Expansion Arising From a Full-Time Directorate, the Increase of Its Lending Power From $700 Million to $3½ Billion, Permission to Lend to Foreign Governments in Default, the Elimination of the Johnson Act, and the Bank's Establishment as an Independent Agency. In the Second Half of 1945 Its Loans Equalled 45% of the Total Extended in the Previous 11 Years of Its Existence. The Bank's Operations Will Supplement, Not Compete With, Private Capital; and It Will Confine Itself to Reconstruction Loans to Meet Emergency Needs, Thus Avoiding Conflict With the Long-Term Functons of the World Bank.

These are crucial days for world trade. The stream of economics and politics is swirling around us as it only does in periods of transition before the course is narrowed and the direction established. It is hard for us to realize that the post-war world is no longer in the future, but is actually nearly five months old. Lend-lease is terminated; reconversion of industry to the needs of civilians is in full swing; shipping is becoming available for peacetime commerce; and our Government has withdrawn from much of its activity in the field of exports and imports. It is obvious that now is the time to agree upon and adopt principles and practices which will promote the growth of world commerce and raise the standards of living of all peoples willing and able to work. Opportunity is once again not only knocking but pushing at the door. It is up to all of us to see that the responsibility which victory has placed upon us is discharged in such a manner that the seeds of another world war may be destroyed before they have a chance to germinate.

Wm. McC. Martin, Jr.

Without, for a moment, minimizing the seriousness of the problems confronting many areas of the world and without, in any way, intending to be a Pollyanna, I am firmly convinced that we are travelling on the right road. In fact, it seems to me that we have already traversed many dangerous hazards and that we have already passed a number of encouraging milestones along the way. The United Nations Organization is functioning—one of its divisions, the Economic and Social Council will soon be hard at work clearing away the obstacles to expanding world trade. The Bretton Woods plan is actually in process of being set up. Finally, and this is my topic, the Export-Import Bank has been remodeled to play its part in meeting the foreign financial needs which the havoc of war have created.

When last May the victory in Europe was achieved, immediate

*An address by Mr. Martin before the Chicago World Trade Conference of the Chicago Association of Commerce, Feb. 18, 1946.

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Utilizing Our Productive Capacity

By HON. HENRY A. WALLACE*

Secretary of Commerce

Asserting That Farm Markets and Farm Prices Depend on Full Employment and Non-Agricultural Production, Secretary Wallace Urges Support of OPA as Avoiding Deflationary Disaster That Followed World War I. Contends Full Employment Bill as Enacted Is Only a Pledge and Provides No Program of Action Which Will Prevent Future Depression. Favors British Loan as Promoting a Healthy World Trade Which Alone Can Insure Prosperity and Calls Upon Every Individual and Organization to Work Together Under the Leadership and Coordination of the Federal Government to Promote "Utilizing All Our Productive Capacity."

The idea of making the most out of what we have to work with is not new to any farmer. Recently most of us with farm backgrounds have been realizing more and more that our welfare depends not only on using our own productive facilities to the best advantage—it depends also on whether or not the rest of the nation is also doing a good job of making the most out of what it has to work with. We have had to realize that the problems of agriculture cannot

Henry A. Wallace

be solved wholly on the farm—that we have to have a market for our crops and that our market is the market basket of the worker in the cities. In other words, to put it briefly, farm markets and farm prices depend on full employment and full production elsewhere.

Everyone knows and agrees that as a nation we can consume more only when we produce more. But the individual producer and consumer thinks directly about money. Whatever he sells he wants to sell high. Whatever he buys he wants to buy cheap.

*An address by Secretary Wallace before the Eighth Annual National Farm Institute, Des Moines, Iowa, Feb. 16, 1946.

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Considers British Loan Good Bargain

Wilbert Ward, President of Bankers Association for Foreign Trade and Vice-President of National City Bank, Says We Will Restore Multilateral Trade and Reestablish a Dollar-Sterling Parity. Doubts Whether Export-Import Bank Loans Sufficiently Protect American Exporters.

Wilbert Ward, President of the Bankers Association for Foreign Trade and Vice-President of The National City Bank of New York, on Feb. 19 met with various groups of Milwaukee foreign traders. On the previous evening he addressed a joint meeting of the International Trade Club and the Milwaukee Exporters Club on the subject of "What a Foreign Trader Should Know." Asked to comment with respect to the proposed loan to Great Britain, Mr. Ward said in part:

Wilbert Ward

The chief benefit we will gain from the proposed credit to the United Kingdom will be that the support thus given will enable the United Kingdom to return to its traditional policy of multilateral trading from which it was forced to depart due to the exigencies of war. This seems to me to afford a fair basis for the negotiation of a business bargain premised on the conviction that in peace as in war our interests are complementary and interlocking; our foreign trade rises and falls with theirs. We are mutually each other's best customer. It is in our best interest, as it is in that of Great Britain, that a mutual beneficial business bargain should be concluded between us. I doubt whether anyone can suggest an

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One-Way Streets or the Rising Market Fallacy

By MAURICE E. PELOUBET*

Treasurer, American Institute of Accountants

Mr. Peloubet, Noting the Human Trait to Abandon Principles When They Do Not Fit the Purposes of Their Proponents, and to Fail to Recollect Past Unfavorable Experiences, Points Out That the Present Securities Market Is Regarded As "A One-Way Street." Holds Speculators and Investors Are Now Fully Protected, and That as Long as Pressures Are Upward, There Is Little That Control or Regulation Can Do When Willing Buyers and Sellers Are Permitted to Trade. Says There Is Nothing Especially Sacred About Free Enterprise But It Does Work and That the Only Means of Escaping Burden of Public Debt and Raising Living Standards Is to Have Greatest Possible Expansion of Production.

A few years ago I was staying at a ranch in Wyoming. One morning several of us were mounted and ready for an all-day trail-trip when the wrangler who was to lead the party rode up. Wranglers always have the best and liveliest horses. This morning the wrangler's horse was particularly lively and began to buck and cut-up generally as he approached the rest of the party. Totally unconcerned, the wrangler turned him into the sagebrush. He let him buck. When he stopped

Maurice E. Peloubet

Then he ran him around until the he made him buck some more.

*An address by Mr. Peloubet before the Philadelphia Chapter of the Pennsylvania Institute of Certified Public Accountants, Philadelphia, Pa., Feb. 19, 1946.

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Dealer in Search of a Guide

SEC Oxford Decision Still Has Dealers in a Ferment. Nature of Controversy Makes Well Intended Help Useless Because Unofficial. Trade Customs and Usages Play Part in Broker and Dealer Relationships. SEC Silence a Public Disservice.

The ferment created by the opinion of the Securities and Exchange Commission in the Oxford case continues to seeth.

Double trouble seems to be in the air.

Because this section is so broad, the Commission's attempt to reenforce its dicta by referring to Section 3(a)(4) proved unfortunate.

It defines a broker as "any person engaged in the business of effecting transactions in securities for the account of others . . ."

Of course, when you are playing with words, the possibilities of construction are numerous and many dealers were fearful all this might ultimately mean that dealers would have to go on an agency basis.

However, in our opinion, this alarm was unfounded.

From the structure and tenor of the Securities and Exchange Act of 1934, its fallacy is patent.

This becomes still clearer when we consider the very

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The Annual Meeting—A Democratic Forum

By LEWIS D. GILBERT

Mr. Gilbert States That Constantly Increasing Attendance of Shareholders at Stockholders Meetings Has Resulted From (1) Their Worries of the Depression Days; (2) the SEC Rules Governing the Solicitation of Proxies; (3) the Cooperation of Management in Making Meetings More Convenient as to Both Time and Location; and (4) the Circulation of the Minutes. He Traces the Growth of Stockholders' Interest in Their Companies, Which He Hails as "One of the Most Hopeful Signs of the Corporate Post-War Era."

The growth of interest in the annual meetings of our large corporations is one of the most hopeful signs of the post war era.

Lewis D. Gilbert

In the days before 1929, it was almost unheard of for a stockholder to appear in person at such a gathering and if he came he was too often made to feel he was not welcome and must not be seen or heard.

Probably one of the best ways of indicating what an old style meeting was like, may be seen from the tale of a Chairman of a large bank who likes to relate that many years ago when he was with an institution long since merged, a shareholder actually came to a meeting and what is more dared to offer a resolution! The subject of the resolution? One to commend the management on the fine work it had done during the year. In consternation the Presiding Officer turned to the bank lawyer and after a whispered conference, he cleared his throat and stated that he regretted that even for such a laudable purpose the motion could not be entertained since the minutes had been drawn up, ratified and approved the day before!

What has brought about the great change? For today the average meeting is now attended by many stockholders of all walks of life and representing all shades of opinion. It is fast becoming one of the few places where people who in the ordinary course of things would never rub elbows, hear views and opinions often differing quite fundamentally from those they are accustomed to hear.

The causes are many and varied—it will suffice here to list a few of them.

(1) The worries of the depressions days.

Editor's Note: Lewis D. Gilbert, a private citizen of New York City, every year attends some 40 meetings of companies in which he holds from 10 to 100 shares. As self-styled spokesman for small stockholder opinion, he claims to have done much to overcome stockholders' traditional inertia. Recently returned from military service, Mr. Gilbert says that he is thoroughly primed to continue his "battle for corporate democracy."

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National Debt Retirement Urged

Dean Madden, Director of Institute of Finance, Says Proper Management of Public Debt Can Prevent Sharp Swings in Business Activity. Holds Treasury, Through Proper Handling of Maturing Obligations, Can Exert Steadying Influence on Inflationary Forces. Contends Interest of Debt Not as Important as Sound Debt Management Policy.

A bulletin entitled "Management of the Public Debt" issued by Dean John T. Madden, Director of the Institute of International Finance of New York University, states: With the completion of the Victory Loan drive in December 1945 came to an end the period of financing World War II, which resulted in a four and one-half-fold increase in the gross direct and guaranteed debt of the Federal Government from $61,363,867,932 on November 30, 1941, to $278,681,970,658 on December 31, 1945. Management of this huge Federal debt in peacetime will differ from the technique and objectives of wartime debt administration. However, the methods and sources utilized in financing the wartime deficits have to a considerable extent predetermined the postwar management of the debt.

Dean J. T. Madden

Problem of Debt Retirement

The first problem that will confront the Treasury will be whether to leave the public debt unchanged or to follow the practice of the past and reduce the public debt as rapidly as possible. After the Civil War the gross public debt of $2,755,763,000 as of June 30, 1866, was gradually reduced to $961,432,000 on June 30, 1893. The First World War caused a sharp increase in the gross public debt from $1,282,044,000 on March 31, 1917, to a peak of $26,596,702,000 on Aug. 31, 1919, but between the latter date and Dec. 31, 1930, the debt was reduced to $16,026,087,000.

The Debt and Business Activity

In analyzing the relationship of the public debt to business activity the bulletin remarks: The administration of the public debt is deemed by many authorities in the field of public finance and credit a suitable means of influencing business activity and of preventing sharp swings in the business cycle. It is generally referred to as the compensatory budget system which is supposed to operate somewhat as follows: During periods of prosperity when business activity is at a high level and employment is satisfactory the Treasury should endeavor to have a surplus and to retire outstanding debt. Since the surplus obtained by the Government is derived from taxes, the utilization of the tax money in retiring outstanding obligations would reduce the volume of deposits if the retired securities were held by the banks. On the other hand, if the obligations retired with the surplus came out of the holdings of investors other than the commercial banks, the volume of bank deposits would remain unchanged. Since it is a more convenient and simpler procedure to pay maturing short-term obligations instead of refinancing them and applying the surplus to retiring securities at their call dates, the Treasury in all probability will employ the surplus tax funds to redeem short-term obligations held by the banks.

On the other hand, during periods of declining business activity, and particularly when there is danger that the decline may be accompanied by a sharp rise in unemployment, the budget should be unbalanced by increasing Government expenditures of a nature likely to stimulate business activity. When the budgetary deficit is met with proceeds from sales of obligations to the commercial banks, it leads to an increase in deposits which are purchasing power. This system has been employed by some European coun-

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Parrish to Admit Wenman

Parrish & Co., 40 Wall Street, New York City, members of the New York Stock Exchange and other leading exchanges, will admit Byrd Wenman, Jr., to partnership on March 1st. Mr. Wenman in the past was a partner in Wenman & Co. and did business as an individual dealer.

Paine Webber to Admit

Paine, Webber, Jackson & Curtis, members of the New York Stock Exchange and other leading Exchanges, will admit William Paine LaCroix to limited partnership on March 1st.

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Increased Production And Inflation

Government Economist Upholds Generalization That Production Relieves Inflationary Pressure Is Correct, but Holds That Alleviating Effect Is Far Less Than Supposed if Increase in Consumer Demand, Which Some Kinds of Production Causes, Is Not Taken Into Consideration.

WASHINGTON, D. C.—In various foreign countries the heritage of wartime inflation of purchasing power in the hands of the people is being attacked by currency contraction, capital levies, special taxation and other monetary devices. In this country, where the problem is not so acute, at least not yet, there has been a great deal of public discussion about the necessity of attacking the inflation danger by increasing the volume of goods on the markets.

Walter S. Salant

The latter method is not as simple as at first sight might appear. When new goods are produced, new purchasing power is generated in the form of payrolls and profits. Thus, the total stock of purchasing power in the public's hands tends thus to be increased, the while the sale of the newly-produced goods is mopping up old purchasing power.

For a discussion of the economic effects of new production vis-a-vis the inflation problem, the "Chronicle's" Washington correspondent turned to Walter Salant, the economic advisor of the Office of Stabilization Administrator. In reply to our questions: (1) whether increased production does not increase the demand for goods as well as the supply of goods and, if so, (2) whether the often repeated statement that production is the cure for inflationary pressure is correct, Mr. Salant replied as follows:

The answers are (1) that increased production does increase demand as well as supply but (2) that, generally speaking, it does reduce excess demand and alleviate inflationary pressure in the economy as a whole because its effect in increasing demand is in general less than its effect in raising supply. Increased production of any particular commodity alleviates inflationary pressure in the market for that commodity (and in the market for its substitutes) although aggravating pressure in other markets.

Pressures May Be Both Relieved And Intensified

If your question refers to the effect of increased production on inflationary pressue in the markets for **consumers goods and services alone,** however, the effect depends upon what kind of production is increased.

Consider first the effect of an increase of ten billion dollars in production of consumers goods. Not only is an additional ten billion dollars worth of supply created but an additional ten billion dollars of gross receipts is available for distribution. The resulting increase in demand for consumers goods, however, is sub-

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The Effect of Foreign Trade on Canadian and U. S. Industry

By GILBERT E. JACKSON*

Fellow, Royal Statistical Society, London

Former Advisor to the Bank of England, Economist of the Bank of Nova Scotia, and Member Canadian War Labor Board.

Canadian Economist Decries the Special Pleading for Individual Interests, Which Has Been the Mainspring of American Conduct in Foreign Trade. Declares That the Canadian and U. S. Tariffs of 1930-1931 Blocking Trade Channels, Climaxed Our Previous "Suicidal" Behavior. Professor Jackson Adduces Statstics Showing That Both in Canada and the United States National Income Largely Depends on Export Industries. Stating That From 1925 Onward the North American Capitalist Has Performed the Job of Global Pump-Priming. He Pleads for the Pending Loan From Canada to Britain, and Urges That Both the U. S. and Canada Conclude a Series of Such Arrangements "While There Is Still Time."

No sooner does one start talking about any postwar markets abroad, than all the questions come up, as to means of payment, trade barriers, comparative price levels and rates of exchange, on the settlement of which, constructively, depend all trading possibilities from henceforth.

Gilbert E. Jackson

Instead, I shall state in general terms the problems as I see them: looking at the wood, as it were, instead of examining the trees.

Almost no product is now marketed, the cost of which does not include some payment to the chemical industry. Thus, almost no branch of our economic life can expand, without benefiting the chemical industry. The converse is equally true, that almost no branch of our economic life can wither, without at least some damage to the chemical industry.

You may remember a great figure in my country, the late Sir Edward Beatty, whom some of us still mourn. Sir Edward was Chairman and President of the Canadian Pacific Railway, and, of course, its spokesman. His most

*An address by Prof. Jackson before the Chemical Market Research Association, New York, Feb. 14, 1946.

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Put & Call Brokers Receive Nominations

S. D. Harnden has been nominated for President of the Put and Call Brokers and Dealers Association, Inc. by the Committee on Nominations. B. M. Balson, of Balson and Durham, and A. A. Feder of Daniel Filer, Inc., were nominated as directors.

Our Reporter's Report

The investment banking fraternity was not particularly impressed with the Treasury's announcement that it will retire approximately $2,770,000,000 of maturing certificates, notes and bonds between March 1 and March 15 next.

That is the bankers did not read into the announcement any concrete indication of a change in the government's cheap money policy. It was accepted merely as a straight action by the Treasury to apply part of its tremendous and unneeded cash balance in a manner designed to reduce its carrying costs.

Since by far the bulk of the securities to be retired are held by commercial banks and only a relatively small part by Reserve central banks or non-bank investors, the overall effect on the money market is viewed as negligible.

The light in which investment bankers see the situation is best indicated by the brisk bidding which marked two important flotations during the week, one a corporate issue, and the other a long-term bond offering by the Port of New York Authority. The latter was sold on a cost basis which set a new low record for bonds of a quasi-public body.

Bankers now are inclined to look for the yield basis on government bonds to get down to a 2% basis, and quite evidently this expectation was in the minds of the group which bid in Southern Pacific's latest $50,000,000 of 2¾s at 99.52.

Cutting Coupons '46 Style

Normally the investor is generally accepted as the party who sits back and "clips his coupons." But the shoe has been on the other foot for a long time now and gives promise of pinching a whole lot more before the investor becomes used to the new style.

For years, or ever since 1935, or thereabouts, corporate issuers have been "clipping" the coupons, that is refunding at steadily lower interest rates, and the end is not yet in sight.

A fortnight ago Southern Pacific refunded $50,000,000 of 40-year 3¾%, marketed only last September, with a new issue, of similar maturity carrying a 2⅞% coupon. The latter were reoffered publicly at 101½ to give the buyer a yield of 2.81%.

This week the company refinanced a block of 3¾s of 50 years maturity, sold as part of the September operation, with an equal amount of new 2¾s of similar maturity. These bonds were reoffered by bankers at 100 to yield 2.75% to the buyer.

Port of N. Y. Authority

On Tuesday the Port of New York Authority opened bids for its offering of $18,757,000 of new 40-year general and refunding bonds. Four banking groups were in the running with the successful syndicate paying the issuer a price of 97.30 for 1¼s for an interest cost to the Authority of 1.358%, by far the lowest in the agency's history.

The price on reoffering was 98¼. The three other bidders sought the bonds as 1⅜s and their tenders ranged from 98.056 to 99.55.

Two Groups to Bid

Should the Northern Pacific Railway, as now expected, undertake to refinance its $55,000,000 of collateral trust 4½s, due 1975, in the near future it is indicated that the project will not suffer for want of at least two competing bids.

Until the other day it was indicated that only one banking syndicate, headed by Halsey, Stuart & Co. Inc., was showing any real interest in this potential business.

But now it develops that Morgan Stanley & Co. and associates, has been doing some quiet figuring on this prospective deal too and intends to be in the field with a rivalling bid when, as and if the refinancing is undertaken.

Does Russia Expect Capitalism to Finance Communism?

By HERBERT M. BRATTER

Washington Observer Contrasts Attitude of Russia Toward Capitalism and the Proposals for a Loan From U. S. and Points Out That in View of Reparations Exacted by Russia From Germany and Other Axis Partners, the Amount Required Has Been Reduced From $6 Billions to $1 Billion. Holds Russia Better Able to Repay Because of Her Gold Than Britain, but Notes That Because Russia's Foreign Trade Is Insignificant, Repayment With Goods May Be Difficult. Sees No Chance of Payment of Czarist Debts.

While Washington is discussing actual and contemplated proposals for large-scale Government lending abroad, including a loan to the Soviet Union, Premier Stalin, broadcasting to his Russian constituents, has again traced a firm front line of "capitalist encirclement" around the USSR. Russia's fourth Five Year Plan is to make the country stronger than ever. To what extent the USSR counts upon American financial and economic assistance in carrying out that plan still remains to be disclosed.

Herbert M. Bratter

There is no doubt that Russia's actions in international conferences during the past few years have served to drain much of the sympathy which the USSR's heroic struggle against the Nazis developed here and elsewhere. Russia's insistence in throwing its new-found weight around may achieve immediate diplomatic "victories," but does not build goodwill, in which Moscow appears not to be interested. Perhaps the Kremlin feels confident that without our goodwill it ultimately can get our help, on the theory that a capitalist country will always export its surplus production rather than voluntarily endure unemployment.

In seeking to understand the extreme suspicion and hatred of foreigners by the Russians, the writer was struck by an incident recorded by Eve Curie in her book, "Journey Among Warriors." Miss Curie while in Russia visited a famous ballerina, Mme. Olga Lepeshinskaya. To Miss Curie the ballerina said: "I am 25—about the age of the Soviet regime. I am a daughter of the October Revolution. I have never known anything else than the fight of the Russian people against capitalism and fascism."

If the United States is to play its "international cooperation" role and help world reconstruction, Russia's claims for attention cannot be overlooked. None of the other United Nations has suffered any greater losses or made greater sacrifices in defending itself against the Axis. It was not surprising, therefore, that Premier Stalin should have expressed interest in a large loan from America during his conversations last Fall with members of the House postwar committee in Moscow, and later with Senator Claude Pepper. On both occasions Stalin put the measure of the USSR's fi-

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Railroad Securities Again at the "Cross-Roads"?

By W. WENDELL REUSS*

Mr. Reuss Enumerates Past and Future Uncertainties Affecting Railroad Earnings and Contends That Despite These Uncertainties There Are Rosier Days Ahead for the Railroads. Sees Possible Freight Rate Rise as Offsetting Wage Increases and Concludes That Railroad Operating Results, Notwithstanding Poor Early 1946 Reports, Will Compare Favorably With Highly Satisfactory 1944 Showings.

Price-wise, railroad security holders just now are confronted with another of those "cross-road" influences that have ben experiencea upon so many occasions in the last three years.

W. Wendell Reuss

In the past, a holder of railroad securities, price-wise, has faced the effects of:

1. The early sweepingly successful gains of the Nazis in Europe;
2. Pearl Harbor;
3. Senator Wheeler's leanings toward a special tax on profits realized from defaulted railroad securities;
4. The uncertainties of the extent and cost of a wage rise for the railroad employees, and what relief, if any, would be afforded by a rate rise;
5. Invasion of Africa (by the Americans);
6. Invasion of Italy and subsequent collapse of Mussolini;
7. "D" Day and the sweeping gains made across Normandy;
8. The demise of President Roosevelt;
9. "V-E" Day for Europe;
10. "V-J" Day for the Pacific.

Further Uncertainties

Now, railroad security holders are faced with strike-reconversion influences—i. e. how long it will be before the automobile-steel-strike effects have been eliminated, reconversion completed and the upward spiral in railroad freight traffic resumed; also, confronting railroad security holders currently is the uncertainty of how much further of a wage rise will finally be accorded railroad

*An address delivered Feb. 18, 1946 by W. Wendell Reuss of McLaughlin, Reuss & Co. under auspices of Buckley Brothers at Hotel Alexander, Hagerstown, Md., before group of representatives of banking and other financial institutions.

(Continued on page 999)

Trends in Public Utility Values

By HAROLD H. YOUNG*

Analyst Points Out That Public Utilities Have Vast Opportunities for Expansion and That the New Business Will More Than Offset Losses Resulting From the Discontinuation of War Time Industrial Load. Notes Improvement in Capitalization Structures of Many Utilities and the Beneficial Effects of Low Interest Rates. Holds Both Preferred and Common Stocks of Many Utilities Furnish Better Returns Than Industrials and That a Fruitful Field for Investment Is in Operating Company Stocks.

Public utility securities have established themselves firmly as among the most desirable mediums of investment. One of the basic reasons is the record of consistent and conspicuous growth in the use of the utility services and this trend promises to continue. Whereas, at the moment, the output of electricity is showing some reduction, this is primarily due to the decline of strictly wartime business. This does not promise to affect earnings seriously because much of the war load was carried at little or no profit. On the other hand, as soon as appliances are back on the market in quantity, the companies can do very aggresive building of their commercial and residential loads, which loads return three or four times as much per kilowatt hour as the industrial load which has been lost. Once the log-jam is broken in the construction industry, hundreds of thousands of new homes will be built, all potential users of great quantities of gas and electricity.

Harold H. Young

The financial structures of utility companies have been greatly strengthened. Credit for this should be divided between the regulatory bodies, especially the Securities & Exchange Commission, and the managements of the companies who have adopted enlightened views on what they should do to make their companies sound. Conspicuous achievements of recent years have included a big increase in business with very little or no increase in outstanding securities so that investment in plant per dollar of revenue has declined sharply; also, funded debt per dollar of revenue has been going down. Many millions of dollars of inflationary items have been removed from plant accounts. Depreciation policies have been much more conservative as reflected in higher annual charges

*Excerpts from an address by Mr. Young, Public Utility Analyst for Eastman, Dillon & Co., before the Bond Club, Philadelphia, Pa., Feb. 18, 1946.

(Continued on page 1004)

Western Securities Co.

KENNEWICK, WASH. — Cecile Bates is forming Western Securities Co. with offices at 10 Avenue C, to engage in a securities business.

Predicts Greater RFC Loans to Small Business

Charles B. Henderson, Chairman of Reconstruction Finance Corporation, States 90% of RFC Loans Have Gone to Small Business. RFC Has Taken Over Smaller War Plants Corporation.

According to a statement released on Feb. 18, by Charles B. Henderson, Chairman of the Reconstruction Finance Corp., a sharp increase in bank loans to small business enterprises is expected during 1946.

"Approximately 90% of all business loan authorizations of RFC have been to small business concerns," Mr. Henderson said. "Nearly one-half of these loans have been in amounts of $10,000 or less."

RFC, on Jan. 28, 1946, took over the loan activities of the Smaller War Plants Corporation. SWPC loan offices are being continued under RFC direction, and SWPC personnel engaged in making loans to small business have been transferred to RFC.

"RFC, in addition to handling its own small business loans, has also serviced all SWPC loans," Mr. Henderson said. "The 31 RFC regional loan agencies, from Feb. 21, 1942, through Dec. 31 last—a period of three years and ten and one-third months—authorized a total of 6,661 loans aggregating $220,378,000 to small businesses, or an average of about $33,000 per loan. Thus, the transfer of SWPC's loan business to RFC will not necessitate any fundamental change in RFC loan operations."

Managers of all RFC loan agencies have been instructed to push forward vigorously the small business loan program of the Government.

George Dean Rejoins H. Wood as Vice-Pres.

ST. PAUL, Minn.—Harold E. Wood & Co., First National Bank Building, announce that George W. Dean, Lieutenant USNR, has returned to the firm as a vice-president. Added to the sales department are Herman E. Aulmann, Jr., 1st Lieutenant U. S. Army Air Corps, and Robert D. Lacey, formerly Lieutenant Commander USNR.

Francis H. Hassing, formerly Lieutenant USNR, has become associated with the firm as head of the analytical department.

Rambo-Keen Elects New Officers

PHILADELPHIA, PA. — Announcement is made of the election of the following new officers of the Philadelphia investment firm of Rambo, Keen, Close & Kerner, Inc.: Joseph B. Keen, Chairman of the Board; L. Paul Close, President; and Russell W. Schaffer, Vice-President. Other officers, who were reelected are: Ormond Rambo, Jr., Raymund J. Kerner and Edmund J. Davis, Vice-Presidents, Harry F. Green, Treasurer, and Harold Barr, Secretary.

W. W. Wells & Co. Opens

W. Worthington Wells is engaging in an investment business from offices at 200 West 72d St. New York City, under the firm name of W. W. Wells & Co.

Public Utility Securities

Comparatively Little Difference Between Listed and Unlisted Electric-Gas Stocks

The accompanying table of electric-gas operating company stocks listed on the Stock Exchange, on the Curb and Over-Counter (including out-of-town exchanges) indicates relatively little difference between the three groups. As might be expected, however, the issues listed on the Exchange tend toward greater uniformity and sell at a somewhat higher average price-earnings ratio than the Curb and unlisted issues. The yield on "big board" stocks would be somewhat lower than the curb issues if Missouri Public Service, with its very low yield, is omitted from the latter group—this would raise the average yield to nearly 4.5%, or about the same as the over-counter group.

Pennsylvania Power & Light has been excluded from the Stock Exchange list because it is somewhat unseasoned, the dividend rate has not yet been officially indicated, and the stock is apparently discounting somewhat the anticipated large tax savings in 1946.

Utility stocks have been somewhat "easier" recently, presumably due to general market irregularities and perhaps to fears regarding rate cuts. A number of states are investigating the rate situation, but no particularly drastic rate orders have yet been issued. Pacific Gas & Electric has been ordered to reduce natural gas rates by $3,500,000. Indiana Governor Gates and the Public Service Commission have "invited" utilities in that state to reduce rates about $25-30,000,000 a year, in order to pass on to customers the savings resulting from abolition of excess profits taxes.

Yields on utility common stocks continue attractive as compared with those on prime industrial equities. Hirsch & Co., in a review of the utility stocks, recently pointed out that the average dividend record for utilities is much more favorable than for industrial and rail stocks. In the years 1920-40 average dividends on utility stocks never dropped more than 38% below peak year payments, while the decline on industrials average as high as 71% of peak year payments, and on rails 86%.

The utility group contains a large number of long dividend records including Washington Gas Light (1867), Consolidated Edison (1893), Boston Edison (1897), Commonwealth Edison (1890), Cleveland Elec. Illum. (1902), Philadelphia Electric (1902), Pacific Lighting (1909), Pacific Gas & Electric (1919), North American (1909), and American Light & Traction (1904). It would be hard to match these records in the industrial list.

	Price About	Dividend Rate	Yield About	Share Earnings	Price-Earn. Ratios
Listed on N. Y. Stock Exchange:					
Central Hudson Gas & Electric	13	$0.48	3.7%	$0.56	23.2
Commonwealth Edison	33	1.40	4.3	1.80	18.4
Consolidated Edison N. Y.	35	1.60	4.6	1.74	20.1
Detroit Edison	27	1.20	4.5	1.08	25.0
Florida Power Corp.	18	.80	4.5	1.02	17.6
Houston Lighting	89	3.60	4.0	4.64	19.2
Idaho Power	42	1.60	3.8	2.92	14.4
Indianapolis Power & Light	29	1.20	4.1	1.90	15.2
Pacific Gas & Electric	45	2.00	4.5	2.17	20.8
Philadelphia Electric	29	1.20	4.2	1.59	18.3
Public Service of Colorado	37	1.65	4.5	2.53	14.6
Southern California Edison	37	1.50	4.1	1.72	21.5
Averages			4.2%		19.0
Listed on New York Curb:					
California Electric Power	13	$0.60	4.6%	$1.04	12.5
Cleveland Electric Illuminating	46	2.00	4.4	1.95	23.7
Consolidated Gas (Baltimore)	87	3.60	4.2	4.41	19.8
Duke Power	103	4.00	3.9	4.75	21.7
Hartford Electric Light	72	2.75	3.8	3.29	21.9
Missouri Public Service	30	.60	2.0	2.90	10.4
Montana Dakota Utilities	13	.60	4.6	.95	13.7
Mountain States Power	32	1.50	4.7	2.10	15.3
Pennsylvania Water & Power	84	4.00	4.8	4.97	16.9
Tampa Electric	34	1.60	4.7	1.99	17.1
Averages			4.2%		17.3

(Continued on page 997)

The Foreign Trade Outlook

By JOHN ABBINK*

Chairman, National Foreign Trade Council

Mr. Abbink Points Out That Despite World-Wide Demand for American Products, There Is No Exporters' Eldorado in Sight. Favors Voluntary Allotments of Goods for Overseas by Exporters in Order to Forestall Danger of Disruption of Consumption Demands and Expanding Interference by Government in Our Economy. Sees Short-Term Prospect of U. S. Export Totals More Than Twice the Prewar Level, and a Still Larger Expansion in a Later Period. Favors U. S.-British Financial Accord as Promoting Foreign Trade and Holds Cost of Loan, Even if Not Repaid, Will Be Insignificant to Taxpayers. Looks for Favorable Developments From Coming International Trade Conference and Says Problem of Retaining South American Trade "May Soon Become Acute."

When the record of this era in business history is written, it will doubtless indicate the futility of economic analysis and forecast during a period of widespread unrest. At no time, in our generation certainly, has there been more confusion of thought as to what may impend immediately, even in our own country; nor less fact on which to base a projection for the international future that would be better than a hopeful guess.

John Abbink

Consequently, I hope you will not expect me to follow too literally the title your committee assigned for my remarks at the beginning of this program. Instead of making highly speculative predictions from fragmentary and sometimes controversial data, I propose to offer some comment on prevailing problems and phenomena in foreign trade, and on obvious developments and trends that I hope will prove worthy of the time we spend in discussion, permitting each of you to draw such conclusions as may seem justified.

No Exporters' Eldorado

On one point all probably will agree—the demand for products of every kind is world wide, and unprecedented. In happier circumstances this might be considered the exporters' Eldorado, with overseas customers clamoring for shipment of fantastic orders, and no terms barred. Actually, the situation inspires considerable apprehension, because the impact of world demand added to pressure from insistent buyers at home leads to the threat of prolonged government controls. Now that the emergency has ended which required wartime integration of our whole economy under competent directors drafted temporarily into the public service, it is characteristic of the political figures who replace them in Washington that they offer statistical excuse for continued regulation. Without question the productive capacity of the United States will be put under considerable strain over the coming months to fill domestic and overseas requirements, but the stress can be greatly relieved and much more quickly overcome if existing bureaucratic restrictions are reduced immediately to a sensible minimum, and there is an end to talk of indefinite regimentation. Business is far better able than government to allocate products, whether of industry or agriculture. It has every incentive to be fair, because its future depends upon satisfied customers, and a comparative few months of all-out production freed from inexpert restriction will greatly ease what now seems to be an extremely tight situation.

It is surprising to note that there are a few business men who urge the retention of controls contrived during the past several years, in the hope that they will be spared the onus of self-imposed rationing. They feel it would be pleasanter to hide behind a Washington directive than to apportion shipments on an equitable basis themselves. They

(Continued on page 992)

*Address by Mr. Abbink before the Chicago World Trade Conference, Chicago, Feb. 18, 1946.

British Loan Opposed

Senators Wheeler and Johnson Broadcast Opinions. Wheeler Asserts State Department Appears More Interested in Foreign Nations Than in Our Own Welfare. Johnson Proposes Financing Loan Through Private Sources. Both Are of Opinion Congress Will Defeat Measure.

In a broadcast over the National Broadcasting Co. network on Feb. 16, Senator Burton K. Wheeler (D.), of Montana, and Senator Edwin C. Johnson (D.), of Colorado, were interviewed regarding the proposed loan to Great Britain. Both Senators expressed op-

Sen. Burt. K. Wheeler Sen. E. C. Johnson

position to the form of the proposal and both expressed the view that there was an overwhelming sentiment against the measure and that it was doubtful whether it would receive the approval of Congress.

In his opening remarks, Senator Johnson stated that "in presenting the proposal for a British loan, the State Department and the Treasury have not been frank with the Congress and the country. Mr. Vinson makes the bold statement that the British loan 'is in no way a precedent for other loans,' and yet every American school boy should know that almost every European and Asiatic nation wants a similar loan, and that the British loan will and must set the pattern for all of these loans. It is my opinion that our State and Treasury officials who are now planning huge loans to all the world are using the British loan to start an avalanche of foreign loans. It is the foot in the door, the camel's nose in the tent. The British loan is indeed a precedent, a mighty bad precedent."

Senator Wheeler expressed the view that a loan of three or four billion to Great Britain "is necessarily going to put Britain on a sound basis" while Senator Johnson stated that Britain's problem "was chronic" and that a loan can merely overcome a temporary difficulty.

Both Democratic Senators were of the strong opinion that if the loan is granted it would be a precedent for application for loans from other countries, which our Government could not deny. Said Senator Wheeler:

"When I was in Europe recently, not only were the British saying that they had to have a loan, but France, Italy, Greece, Turkey —almost every country on the continents of Europe and Asia indicated they would insist upon a loan in order, as they say, to build up world trade and to free the economy of the world. Moreover, there are the South American countries to be considered as well."

And to this, Senator Johnson added:

"We are asked to loan Socialist Britain four billion dollars, and Nationalistic China 2 billion dollars, and Socialist Communist France two and a half billion, plus one to six billion for Communist Russia—a grand total of 10 to 15 billion to finance nations that publicly and officially denounce capitalism. The free enterprise system of America is in open conflict with the closed and controlled economies of Europe. They are the bitter trade rivals of this capitalistic democracy."

Regarding the value of maintaining our trade to Britain as a motive for granting the loan, Senator Johnson replied that, "they'll trade with us anyhow if we have what they want and they have what we require. There is no sentiment or charity in business. Let's take a look at Russia. In a recent speech Marshal Stalin condemned capitalism in no uncertain terms, but he did not condemn American capital. He would like to borrow all of it he could lay his hands on. That would weaken us and strengthen Communism. Also Britain wants our capital to aid her in her conversion to Socialism. Why this capitalistic democracy deliberately should cut its own throat to promote antagonistic political and economic systems is beyond me."

In this connection, Senator Wheeler's comment was:

"I have been told that the reason we should make this loan to

(Continued on page 994)

Wall Street Riders Hold 7th Gymkhana

The Wall Street Riding Club held its Seventh Annual Gymkhana on Friday, Feb. 15, 1946 at Aylward's Riding Academy, 32 West 67th Street, New York City.

There were plenty of thrills and a few spills as the members vied for the coveted ribbons before an enthusiastic gallery, and the results were as follows:

Balloon Race—Gordon Goff.

Saddling Race — Manfred Sobernheim.

Musical Egg—Emily Richards.

Honeymoon Race — Team of Frances M. Weller, Christian Isengard.

Musical Stalls—Ruth Hamilton.

Miss Frances M. Weller of Harry Downs & Co., President of the Club, attended to the arrangements and there was a party for members and their friends held following the events.

Kenneth Gordon to Join T. L. Watson Co.

The firm of Gordon & Walther will be dissolved on March 1st, 1946. Kenneth B. Gordon the senior partner of the firm will on that date become a general partner of the firm of T. L. Watson & Co. members of the New York Stock and Curb Exchanges, 40 Wall Street, New York City.

Customers' brokers and employees of Gordon & Walther will also become associated with T. L. Watson & Co.

SCHENLEY DISTILLERS CORPORATION

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

SCHENLEY DISTILLERS CORP.

The President's Order

By MARK MERIT

The President has instructed certain agencies of the Government to put into effect a number of emergency measures restricting the use of wheat and other grains by producers who use such commodities in the manufacture of their products.

One of these restrictions affects the production of alcoholic beverages. While our business is rather broadly diversified, these restrictions will, of course, affect us, since the distillation of alcoholic beverages from grain, is still our principal function.

How do we feel about it? The answer is quite simple. We're going to face the situation realistically. The shooting war is won and over—but there's yet another "war" to win. We were privileged to play a part, along with other manufacturers, in the production of material for war, and we're prepared now to abide by the principle that "First things come first."

The temporary dislocations in the industries affected and the temporary sacrifices by the American consuming public "will," quoting the President's recommendation, "be a small price to pay for saving lives, mitigating suffering in liberated countries, and preventing starvation among our former enemies, to help establish a firmer foundation for peace."

FREE—*Send a postcard or letter to* MARK MERIT OF SCHENLEY DISTILLERS CORP., *350 Fifth Ave., N. Y. 1, N.Y., and you will receive a booklet containing reprints of earlier articles on various subjects in this series.*

Real Estate Securities

"Bullish Factors Still Prevail"

Tuesday of this week, when we saw the declines of the stock market wipe out all the gains of 1946, it set us wondering. We found real estate bonds selling at 80 that we had recommended in this column at 4½ back in 1942. We saw bonds selling at 104 that we recommended at 29 in 1943, bonds selling at 88 that we recommended at 39 in 1944 and bonds selling at 76 that we recommended at 50 in 1945. Would real estate bonds decline to their low prices of the 1930's in the event of a stock market collapse? We think not.

In the first place, the decline in real estate values the last time did not occur for almost a year and one-half after the stock market crash of 1929. The reason for this was that the income of the properties were not affected until about 1931 because of existing leases made during prosperous times which did not expire, generally maintaining real estate income.

At the time of the 1929 stock market crash, New York was "over-built." There were more apartments and offices than tenants. This condition certainly does not exist now. New York has had a construction holiday for many years and now the existing buildings are 100% rented with tenants clamoring for additional living and commercial quarters. The depression halted construction as far back as 1930 and during the war almost no new building was possible.

With building materials and labor now so much higher in price, it doesn't seem logical that many new buildings will be erected to compete with present structures.

OPA expires in June of 1946. It is possible that rent control will then be assumed by the State where it properly belongs. Under State control it would seem reasonable to expect a proper adjustment of rentals to meet increases in operating charges, adequate labor and sufficient supplies for maintenance and repairs.

Fixed charges of real estate properties securing real estate bonds have for the most part been taken care of by reorganizations and large sinking fund operations. This factor is one of the main reasons for our continued bullishness for real estate bonds. Take 165 Broadway, for instance. Since reorganization in 1939, $950,000 worth of bonds have been retired, and the Hotel St. George, which since 1938 retired $1,300,000 of its bonds.

We again repeat our advice—when buying real estate securities, select those bonds which carry with them stock representing a share in the ownership of the property. Real profits will be made in real estate equities. According to Charles F. Noyes, considered one of the most leading experts in the real estate profession—real estate prices today average possibly 60% of the values of 1932 and in his opinion, five years from now we will wonder why such low prices prevailed in real estate in 1946.

Starkweather Opens Washington Branch Under M. Exnicios

WASHINGTON, D. C.—Starkweather & Co., members New York Stock Exchange, announce the opening of a Washington, D. C. office at 1420 New York Avenue, N. W.

Marshall O. Exnicios, formerly a lieutenant colonel in the Air Corps, will manage the office. Mr. Exnicios in the past was a partner in Ferris, Exnicios & Co.

Stroud & Co. to Hold Annual Cocktail Party

PHILADELPHIA, PA.—Stroud & Co., Inc., 123 South Broad Street, will hold their annual cocktail party at their offices this afternoon, Feb. 21, just before the annual dinner of the Investment Traders Association of Philadelphia. Invitation is extended to all to drop in while in Philadelphia.

McDaniel Lewis Adds Wm. D. Croom to Staff

GREENSBORO, N. C.—William D. Croom, of Raleigh, N. C., recently out of the Army, is now associated with McDaniel Lewis & Co., Jefferson Building (investment dealers). Mr. Croom's friends will remember him as former athlete at the University of North Carolina and later as a securities salesman covering eastern North Carolina. In his new work Mr. Croom will reside in Greensboro and will specialize in the municipal field as well as trading corporate securities.

Livingstone in New Location

SAN FRANCISCO, Calif.—Livingstone & Co. announce that their offices hereafter will be located at 317 Montgomery Street.

Price Relationships And the Food Markets

By HON. CLINTON P. ANDERSON*
Secretary of Agriculture

Secretary Anderson, Asserting That Government Has a Great Responsibility for Fair Price Relationships, Calls Attention to Postwar Food Shortages and Maintains New Price Adjustments Are Essential. Holds Policy of Favoring Grain Feeding Must Be Abandoned, in Order to Export Grain and That Price Relationships Between Grain and Meats Will Be Altered to Meet Changed Conditions. Says an Agricultural Production Pattern Must Be Followed to Give a Balanced National Economy, and Urges More Production of Essential Items. Holds There Should Be No Fear of Agricultural Surpluses.

Clinton P. Anderson

I particularly welcome the opportunity to discuss the topic assigned to me: "Price Relationships as They Affect Markets for Food." This subject bears directly on real problems that exist in agriculture right now and also on questions of fundamental importance to agriculture in the future. . . .

I'm tempted to wish I were an economist . . . so I could tell you what OUGHT to be done and let it go at that. I could do that quite comfortably. But, actually I am in the less comfortable situation of being responsible for doing a good many of the things that need to be done. The Government necessarily at the present time has a great responsibility for price relationships among agricultural commodities and between farm and non-farm products. Moreover, price relationships largely determine, first, how well we meet our immediate food demands and, second, how our markets hold up in the long run.

American agriculture has been and still is going through a period of swiftly changing demands. Each time demand has changed, price

*An address by Secretary Anderson before the National Farm Institute, Des Moines, Iowa, Feb. 15, 1946.

(Continued on page 993)

Resist Post-War Overexpansion, Hotel Industry Leaders Warn

Pointing to the Widely Harmful Results Caused by the Boom of the Nineteen-Twenties, Hotel Executives Strongly Urge Against Careless Building and Capitalization of the Present Extraordinary Volume of Business. Repetition of Investors' Disastrous Experience Is Feared. President Kleeman of Colonial Trust Co. Warns of the Dangers to the Banking System Resulting From Overexpansion.

NEW YORK CITY, FEB. 20—Banking and hotel industry leaders today warned strongly against investing carelessly in new hotels, pointing out that the savings of countless investors were wiped out in the aftermath of the wild building boom that followed the first World War. At that time hotel occupancy closely paralleled today's capacity level. Hundreds of new hotels were built throughout the nation, but within a short time declines in business volume and property values resulted in a collapse in the price of their securities and in a major contribution to the general financial disaster.

The warnings were sounded by J. E. Frawley, President, American Hotel Association; Arthur S. Kleeman, President, Colonial Trust Co., New York City; J. P. Herndon, Vice President, Hilton Hotels of America, Inc., and Frank L. Andrews, Chairman, Public Relations Committee, American Hotel Association. The group met at the Roosevelt Hotel under the auspices of the American Hotel Association, which recently completed a thorough study of the hotel industry's financial structure.

Mr. Frawley contended that many cities need properly planned and wisely financed hotels. However, he emphasized that present national hotel occupancy of 90% is abnormal and not a valid barometer for the future. He said: "By the time the new hotels could be completed, the unprecedented volume of guests created by wartime conditions, such as military and government travel, will have receded to the point where unwarranted new construction might easily lead to a recurrence of the financial catastrophe which followed World War I.

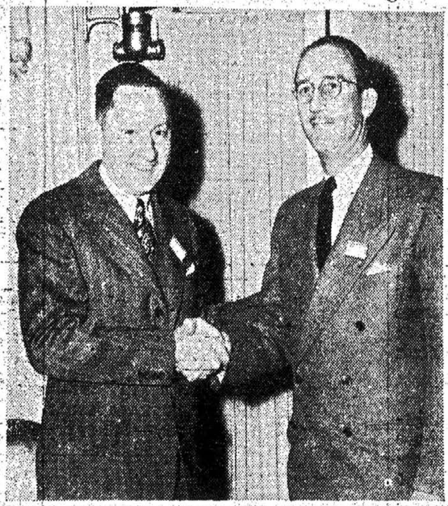
"As a result of overbuilding," he continued, "the guest room supply in the '30's far exceeded demands and ultimately more than 81% of the nation's hotels were forced into financial reorganization and first mortgage bonds on leading hotels sold for as little as 15 cents on the dollar."

(Continued on page 997)

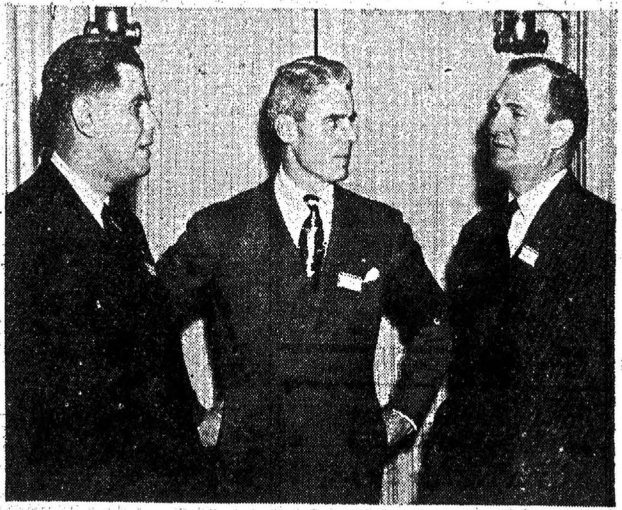
"Tri-City" Council Meeting of N. S. T. A. Entertained By Security Traders of St. Louis

Council Completes Meetings in Chicago, Kansas City & St. Louis

Al Silberberg, Merrill Lynch, Pierce, Fenner & Beane; Harold H. Hunter, Baum, Bernheimer Co.; Bates Hufaker, Merrill Lynch, Pierce, Fenner & Beane; Arthur I. Webster, E. W. Price & Co.; Ben B. Schifman, Kansas City Star.



Henry Arnold and Wm. Perry Brown.

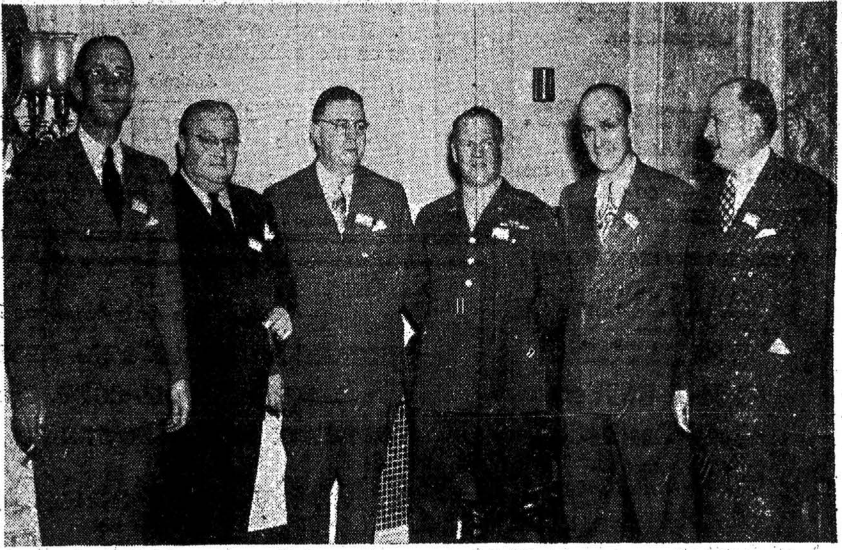


Harry Beecroft, Beecroft, Cole & Co., Topeka; Hoyt Purcell, Martin-Holloway-Purcell; Mark A. Lucas, Lucas Farrell & Co.

B. F. Piercy, Stern Brothers & Co.; Frank North, Barret, Fitch & Co.; Don Seltsam, Seltsam & Co., Topeka, Kans.; Loren McCoy, Commerce Trust Co.; Al Sawyer, H. O. Peet & Co.

Harold B. Smith, Collin, Norton & Co., New York; Wm. C. Kegley, Rogers & Tracy, Chicago; Henry Arnold, Clair S. Hall & Co., Cleveland; William A. Anderson, Hickey & Co., Chicago; T. Geoffrey Horsfield, Wm. J. Mericka & Co., New York.

Paul I. Moreland, Moreland & Co., Detroit; Paul Yarrow, Chicago; Clair Hall, Clair S. Hall & Co., Cleveland; Arthur I. Webster.



Wm. Perry Brown, Newman, Brown & Co., New Orleans; Harold Smith; Ed. Welch, Sincere & Co., Chicago; Major Herbert H. Blizzard; R. Victor Mosely, Stroud & Co., Philadelphia; Arthur I. Webster.

Dealer-Broker Investment Recommendations and Literature

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

"Frisco" Arbitrage — memorandum—Stern & Co., 120 Broadway, New York 5, N. Y.

Geared to the News—brochure of comment and review containing brief analyses of **Philip Carey Manufacturing Co.; Sargent & Co.; The Upson Company; Lawrence Portland Cement Co.; The Parker Appliance Co.; Pettibone Mulliken Corp.; Armstrong Rubber Co.; Ohio Leather Co.; American Furniture Co.; Punta Alegre Sugar Corp.; Haytian Corporation of America; Latrobe Electric Steel Co.; Ray-O-Vac Company; Fort Pitt Bridge Works and Welch Grape Juice Co.**—Strauss Bros., 32 Broadway, New York 4, N. Y.

Nineteen New York City Banks—Breakdown of holdings, U. S. Government Bonds, by maturity categories; breakdown of sources of gross income—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

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.

Position of the Canadian Dollar—critical discussion of interest to investors in Canadian internal payment securities — Brawley, Cathers and Co., 25 King Street, West, Toronto, Ont., Canada.

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

This Is the Road to Stock Market Success—By George Seamans—A new edition revised and rewritten to take into full account the present market position right up to the time of going to press—Seamans-Blake, Inc., Dept. C-1, C-2, 841 West Washington Blvd., Chicago 7, Ill.—$3.00 with privilege of returning for refund within fifteen days.

Aetna Standard—report on interesting outlook from domestic and foreign markets for leading designer and manufacturer of heavy industries equipment—Luckhurst & Co., 40 Exchange Place, New York 5, N. Y.

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

American Service Co.—Circular—Adams & Co., 231 South La Salle Street, Chicago 4, Ill. Also available is a recent circular on **E. & G. Brooke Iron Co.; Michigan Steel Casting Company** and **National Terminals Corp.**

American Woolen Company—detailed analysis—Penington, Colket & Co., 70 Pine Street, New York 5, N. Y.

Bost, Inc.—detailed circular on situation—Hardy & Hardy, 11 Broadway, New York 4, N. Y.

Chicago & Southern Airlines—Bulletin of interesting news items affecting the company—Scherck, Richter Company, Landreth Building, St. Louis 2, Mo.

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; General Tin; Upson Co.; New Jersey Worsted Mills.**

C. H. Dutton—detailed analysis—Moreland & Co., Penobscot Building, Detroit 26, Mich.

Electromaster Inc. — Recent report — **Mercier, McDowell & Dolphyn,** Buhl Building, Detroit 26, Mich.

Also available a report on **Sheller Manufacturing Corp.**

Federal Water & Gas Corporation—Memorandum—J. G. White & Company, Inc., 37 Wall Street, New York 5, N. Y.

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

Franklin Railway Supply Co.—Analysis—W. J. Banigan & Co., 50 Broadway, New York 4, N. Y.

General Box — Analysis — Caswell & Co., 120 South La Salle Street, Chicago 3, Ill. Also available is a study of **Mississippi Glass Co.**

Getchell Mine, Inc.—Brief memorandum—L. H. Rothchild & Co., 52 Wall Street, New York 5, N. Y.

Great American Industries—Circular—J. F. Reilly & Co., Inc., 40 Exchange Place, New York 5, N. Y.

Homestake Mining Company—current analysis—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

Also available is a leaflet of research comment on several situations.

Jonas & Naumburg Corporation—late memorandum—Syle and Company, 19 Rector Street, 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.**

Lehigh Valley Railroad—Circular—McLaughlin, Reuss & Co., 1 Wall Street, New York 5, N. Y.

Lipe-Rollway Corp—Circular—Herrick, Waddell & Co., Inc., 55 Liberty Street, New York 5, N. Y.

Maryland Casualty Co. — Analysis of interesting situation — Sills, Minton & Co., Inc., 209 South La Salle Street, Chicago 4, Ill.

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

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

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

Miller Manufacturing Co.—Analysis of current situation and prospects for 1946—Comstock & Co., 231 South La Salle Street, Chicago 4, Ill.

Motorola—descriptive circular—Seligman, Luketkin & Co., 41 Broad Street, New York 4, N. Y.

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

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.

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

Also available is a circular on **Rockwood & Co.**

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

Also for dealers only is an analysis of **National Radiator Co.**

Robbins & Myers, Inc.—revised bulletin—Doyle, O'Connor & Co., Inc., 135 South La Salle Street, Chicago 3, Ill.

Rockwood & Co.—circular—Hoit Rose & Troster, 74 Trinity Place, New York 6, N. Y.

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.

Snyder Tool & Engineering Company — memorandum — B. S. Lichtenstein & Co., 99 Wall Street, New York 5, N. Y.

Soya Corporation of America—analysis—Peter Morgan & Co., 31 Nassau Street, New York 5, N. Y.

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

Also available is a report on **Koehring Co.**

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

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

Textiles, Inc. — Memorandum — Buckley Bros., 1529 Walnut Street, Philadelphia 2, Pa. Also available are memoranda on **Redd Pump** and **Osgood Co.**

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.; Motorola.**

Vicana Sugar Co.—Analysis—Zippin & Company, Inc., 208 South La Salle Street, Chicago 4, Ill.

West Virginia Pulp & Paper—study of outlook—Goodbody & Co., 115 Broadway, New York 6, N. Y.

Show Cause Order Signed by Circuit Court of Appeals

SEC Directed to Explain Why It Should Not Be Compelled to Enter an Order in Proceedings Before Dealing With NASD By-Law Amendments Which Require Registration of Salesmen, Traders, Etc.

NEW YORK, Feb. 15—Judge Jerome N. Frank, formerly Chairman of the Securities and Exchange Commission, and now an Appellate Judge attached to the United States Circuit Court of Appeals, for the Second Circuit, has just signed an order to show cause directed to the Securities and Exchange Commission and based upon the application of some 30 security dealers throughout the nation, who are represented by Abraham M. Metz, and Edward A. Kole, of New York City.

The petitioners seek mandamus requiring the Commission to enter an order disposing of the proceedings heretofore held at Philadelphia.

These proceedings were set down by the SEC of its own motion in order to determine whether certain proposed amendments to the by-laws of the National Association of Securities Dealers were in the public interest.

Purport of Amendments

By these amendments the NASD sought the registration of some thirty thousand salesmen, traders, partners, etc., of its member firms, who thereafter would be under the jurisdiction of the Association with respect to their trade conduct.

These by-laws further empowered NASD Governors to submit future by-laws to its membership, which would control profits, commissions, and other charges.

Petition Is a Renewal

Application for similar relief was made by the petitioners through their counsel first to the SEC.

When the SEC refused to enter an order, a similar application was made to the United States District Court in New York.

Opposing such petition the Securities and Exchange Commission claimed that the District Court was without jurisdiction and that if any court had jurisdiction it would be the United States Circuit Court of Appeals, whereupon the petitioners were given leave to withdraw their petition from the District Court and filed the instant one with the United States Circuit Court of Appeals for the Second Circuit.

The application will be heard on the 4th day of March, at the United States Court House, Foley Square, New York City.

Bond Club of Chicago Elects New Officers

CHICAGO, ILL.—John S. Loomis of the Illinois Company was elected President of the Bond Club of Chicago, succeeding Julien H. Collins, of Julien Collins & Company, at the group's thirty-fifth annual meeting and dinner.

John S. Loomis

Other officers named were: James J. McNulty, Ames, Emerich & Co., Secretary; Lee H. Ostrander, William Blair & Co., Treasurer; Directors for one year, in addition to the officers: George S. Channer, Jr., Channer Securities Co.; Julien H. Collins; James H. Howe, Farwell, Chapman & Co.; Richard A. Kebbon, Kebbon, McCormick & Co.; George L. Martin, Burns & Corbett, Inc.; and Richard W. Simmons, Lee Higginson Corp.

G. A. Saxton Opens Pittsburgh Branch

PITTSBURGH, PA.—G. A. Saxton & Co., Inc., of New York, has opened a branch office in the Jenkins Arcade Building, under the direction of James M. Ferney, who recently returned from the armed forces overseas. Before military service, Mr. Ferney was connected with several investment houses in Pittsburgh.

Luncheon Meeting of La Salle Street Women

La Salle Street Women were addressed by Miss Eloise ReQua at its Feb. 20th luncheon meeting in the West Rooms of the Central YMCA, 19 South La Salle St., Chicago. Her subject was "Women in Russia." Miss ReQua is Secretary and Director of the International Relations Library, which she founded in 1932. A graduate of Bryn Mawr College, she later studied in the School of International Studies, Geneva, Switzerland, and did graduate work in foreign trade and languages at Bryn Mawr and the University of Chicago.

Lawr. Wallwork Rejoins Staff of Goodbody in Cgo.

CHICAGO, Ill. — Lawrence Wallwork, who has been on leave of absence from Goodbody & Co. engaged in war work, has again become associated with the firm. Leonard Paidar, partner, announced, in their office at 105 West Adams Street.

Howard Calkins Is V.-P. of Albert Frank Agency

Howard W. Calkins, who became associated with the Albert Frank-Guenther Law advertising agency last November after 10 years on the staff of The New York "Times," has been elected a Vice-President of the agency, it was announced yesterday.

NSTA Notes

THE OXFORD CASE

The SEC Release No. 3769 in the Oxford Company, Incorporated, revocation, has naturally caused considerable concern in the minds of members of the National Security Traders Association as to what effect this will have on their methods of conducting business. The NSTA, at a meeting of its Officers and Executive Committee held in Chicago on Jan. 30, came to certain conclusions as a result of this meeting and previous study, consultation and discussions.

These are only opinions; they are not based on legal advice, and in the final analysis each firm must be responsible for its own business practices and procedures. It is appreciated, however, that a great majority of small dealers, particularly those who do not at all times maintain a position or inventory of securities, are sorely in need of information and clarification of this highly involved subject. The following is, therefore, submitted in the hope that it may prove of help and guidance in determining the procedure to follow in daily business transactions:

1. All concerns dealing in securities, unless they are 100% brokers, could be affected by the provisions outlined in the Oxford Case.

2. The essential thing is to make a clear distinction as to whether you are properly acting as "Principal" or "Agent." This is nothing new. It is based on common law, the Securities Act and the Commission Rules.

3. You have no option to act as either "Agent" or "Principal." You must determine the nature of the transaction from the facts and your understanding with the customer. This is not a matter to be determined by your discretion. All firms are responsible to determine whether their salesmen actually "offered" securities or obtained an "order" to buy or sell.

4. Where positions are habitually maintained, the relation of the dealer as "Principal" would seem to be reasonably clear, although great care should be exercised that the customer is intelligently aware of your status, and is not directly or indirectly instructing you to act as his "Agent."

5. Short Positions—there would appear to be no reason why short sales cannot be consummated where conditions are as set forth in Paragraph 4.

6. Profits—the question of profits, either as "Principal" or "Agent" is not a major factor in this instance. The disclosure of commission as "Agent" and the justification of prices as "Principal" are in accordance with the rules and decisions covering such matters.

7. Dealers' Sales Without Inventory—the presence or lack of inventory is not the sole determining factor as to whether a dealer is acting as "Principal" or "Agent." The method of making the sale, the full and complete understanding of the customer as to your status in the matter, and the history and background of previous business relationships are all factors to be considered in each case. If further information is desired or there is doubt as to the handling of some particular transaction, local affiliates should be consulted.

Walter W. Crawford to Be Betts Partner

CHICAGO, ILL.—As of March 1, Walter W. Crawford will be admitted to partnership in Betts, Borland & Co., 111 South La Salle Street, members of the New York and Chicago Stock Exchanges. In the past he was a partner in Alfred L. Baker & Co.

Chicago Exchange Closing Feb. 22 and Feb. 23

CHICAGO, ILL.—The Chicago Stock Exchange will not be open for business Friday, Feb. 22, 1946 (Washington's birthday) and Saturday, Feb. 23, 1946.

Michigan Brevities

Electromaster, Inc., has decided to sell 200,000 shares of additional common stock to the public through underwriters to provide funds for plant expansion and working capital. Proceeds are expected to amount to about $750,000.

The company also authorized the issuance of one additional share of common for each of the 200,000 shares now outstanding, in accordance with the two for one split up approved late in January.

* * *

McDonald, Moore & Co. and Ohio associates have bought two new issues of Ohio school district unlimited tax bonds: $250,000 Jackson Township local, Franklin County, and $275,000 Madison Township local, Montgomery County. The Jackson district, located near Columbus is due serially from 1947-71 and is being offered with yields from 0.50% to 1.20%; while the Madison District, located near Dayton, is due serially from 1947-69 and is being offered to yield from 0.50% to 1.25%. Both are exempt from all present federal taxes.

The Detroit Stock Exchange trading last month reached a ten year high with 956,784 shares changing hands.

In 1936, the month of January established an alltime high when more than 1,200,000 shares were traded.

The January, 1946 volume compares with 840,510 in December and 500,194 in January a year ago.

William G. Woolfolk, Chairman of the Michigan Consolidated Gas Co., has joined the growing ranks of corporation executives who believe that an annual report to the stockholders should contain something more about the character of the company than is shown in balance sheets and income statements. His annual report, released for publication Jan. 31, not only reveals net income for the year ended Dec. 31, 1945, of $2,904,987, but it contains a display of pictures of the company's operating facilities and photographs of the varied uses of its products from the gas-fired equipment used in the manufacture of potato chips and steel castings to the use of gas in the home, which the report says "is the heart of our business."

The 20-page booklet is printed in color and carries 60 illustrations, including charts showing the growth of the company for the past 40 years, during which time the number of customers increased from 100,000 to approximately 600,000, and the number of miles of main from 500 miles to 4,500 miles. On the back cover appear pictures of the company offices in Detroit, Grand Rapids, Ann Arbor, Muskegon, Ludington, Big Rapids, Belding, Greenville and Mt. Pleasant.

Although the Michigan Consolidated's new construction was limited by war restrictions during the past year, the company was able to extend its facilities by construction of distribution mains, services, meters, natural gas production, underground storage and transmission plant costing $1,967,600.

An outline of the proposed new Michigan-Wisconsin Pipe Line Co. to supply Michigan Consolidated Gas Co. with its requirements for natural gas in excess of deliveries by Panhandle Eastern Pipeline Co. and, after the year 1951, to supply substantially all of the natural gas requirements of the company in this state is one of the features of the book. Hearings on the application of Michigan-Wisconsin to the Federal Power Commission for a certificate of public convenience and necessity are now in progress.

* * *

The Divco Corp., of Detroit, Mich. for the year ended Oct. 31, 1945 reported net earnings after all charges, including provision for Federal taxes of $383,778, equal to $1.70 per share on 225,000 shares of common stock outstanding. In the preceding year net earnings were $135,439 or 60 cents a share. Net sales for 1945 were $3,566,369. Company reported orders on hand exceeding $13,500,000 as of Jan. 28, 1946.

* * *

Gross revenues of Detroit Edison Co. in 1945 totalled $85,117,152, an increase of $1,629,635, or 1.9% over the previous year. Net income for 1945 was equal to $1.25 per common share. Dividends declared amounted to $1.20 per share.

The report indicates that the company has regained much of the business it lost due to the end of the war. In December, 1944, when both wars were in progress, Edison had 718,865 residence and farm customers. Michigan stockholders totalling 14,615 now own more than 39% of the company's outstanding 6,361,300 shares of stock.

Baker, Simonds Detroit Exch. Member for Quarter of Century

DETROIT, MICH. — Baker, Simonds & Co., Buhl Building, well known Detroit investment house, was honored by the Detroit Stock Exchange for having completed 25 years of membership in the exchange.

In answer to the congratulatory message of Exchange President Charles Parcells, Winslow Howarth, vice president of the firm said:

We are especially proud as we enter our second quarter century of membership, of the fact that we started the year with the record of adding four from the armed services and four men engaged in war work."

Detroit Clearing Group Elects New Officers

DETROIT, MICH. — George R. Tait, Vice-President of the Manufacturers National Bank of Detroit, has been elected President of the Detroit Clearing House Association, succeeding T. Allen Smith, Vice-President of the Commonwealth Bank.

C. T. Fisher, Jr., President of National Bank of Detroit, was named First Vice-President, and Joseph M. Dodge, President of the Detroit Bank, was named Second Vice-President.

John C. Calhoun, Assistant Cashier of the Manufacturers, was elected Secretary-Treasurer.

Connecticut Brevities

The Russell Manufacturing Company showed total operating income of $878,611 for the fiscal year ended Nov. 30, 1945, compared with $718,625 for the preceding fiscal year. Net income of $365,065 compared with $263,950 earned during the previous 12 months. Earnings on the common stock were $4.52 and $3.27, respectively. While the income account for 1945 is subject to renegotiation of government contracts, the company does not expect that a refund will be required.

The balance sheet as of Nov. 30, 1945, showed net working capital of $3,082,035 compared to $2,355,069 on Nov. 30, 1944.

Indicated book value at the end of the 1945 fiscal year was $48.12, against $45.23 for the preceding year.

* * *

A recent report to the SEC shows that for the quarter ended Dec. 31, 1945, the Electric Boat Company of Groton, Connecticut, had total sales of $5,830,572.

* * *

Veeder-Root, Inc. has let a contract for the building of 50,000 square feet additional to the plant at Hartford.

* * *

McKesson & Robbins, Inc., whose chief drug manufacturing unit is located in Fairfield, showed net profit of $4,050,485 for the six months ended Dec. 31, 1945, which compared with $2,258,892 for the corresponding period in 1944. On a per share basis, earnings were $2.22 and $1.16, respectively.

Net sales for the six months ended Dec. 31, 1945, were $164,253,812, compared to $152,014,144 for the corresponding period a year ago.

Consolidated net profit for the quarter ended Dec. 31, 1945, was $2,348,060 or $1.31 a share, compared with $1,187,602 or 61c a share for the corresponding period of 1944.

* * *

As the year ended Dec. 31, 1945, the Phoenix (Fire) Insurance Company showed total admitted assets of $81,187,140 which represented an increase of $7,228,921 over the preceding year-end. Special reserves of $14,000,000 were $5,000,000 greater than at the end of 1944.

Surplus of $42,389,665 compared with $4,585,763 as of Dec. 31, 1944 while unearned premiums of $12,989,301 compared with $11,904,268.

Liquidating value of $112,165 per share showed an increase of $10.40 a share over the 1944 year-end value.

All of the affiliated companies likewise showed increases.

* * *

According to a report filed with the SEC, United Aircraft Corporation had sales and operating revenues totalling $73,235,054 for the quarter ended Dec. 31, 1945. At the year-end, the company had a backlog of war contracts aggregating $83,482,178.

* * *

For the year ended Dec. 31, 1945, the First National Bank & Trust Company of New Haven had net income equal to $10.61 a share which compares with $15.50 for the preceding year.

* * *

The Southern New England Telephone Company reported net income of $2,690,927 or $6.70 a share for the year 1945 against $2,525,776 or $6.31 a share for 1944. Total revenue of $32,932,263 compared with $30,435,963 the preceding year. Long distance and toll calls increased 14%. Net available for dividends for the month of December 1945 was the highest monthly total on record—$292,117.

* * *

During the year 1945, the Security Insurance Company of New Haven and wholly owned subsidiaries reported net premiums written of $10,860,830 compared with $9,494,740 in 1944.

Total admitted assets of the Security Insurance Company increased from $17,739,392 to $19,553,562 as of Dec. 31, 1945. Using market values for securities, these figures would be increased by $162,019 and $232,087 respectively. Liquidating value per share at the end of 1945 was $51.50 compared to $46.58 at the end of the preceding year.

Corresponding increases were reported by its subsidiaries—the East & West Insurance Company, and the Connecticut Indemnity Company.

* * *

According to a preliminary report for the year ended Dec. 31, 1945, Bigelow-Sanford Carpet Company showed a net profit of $890,677 after estimated taxes of $660,000. This compares with a net of $1,025,750 in 1944. Indicated earnings on the common are $2.37 compared with $2.81 per share for 1944.

Net sales for 1945 were $34,679,455—some 12% less than the preceding year. Civilian sales totalled $13,494,411 against $11,824,202 in 1944, while war sales declined to $21,185,044 from $27,593,459.

Cooley & Co. Will Admit John Moran

HARTFORD, CONN.—Cooley & Company, 100 Pearl Street, members of the New York Stock Exchange, will admit John F. Moran to partnership on Feb. 28. Mr. Moran has been associated with the firm for a number of years as cashier.

Hearing Is Postponed

The hearing of charges that Van Alstyne, Noel & Co., investment firm, had violated the Securities Act of 1933 was postponed until March 1st the Securities and Exchange Commission announced. The hearing, originally scheduled for February 14th, was postponed at the request of attorneys for the firm.

The SEC charged that Van Alstyne, Noel & Co. sold shares of Higgins, Inc. before the registration statement became effective.

Missouri Brevities

The Ely & Walker Dry Goods Co. for the fiscal year ended Nov. 30, 1945 shows consolidated net income of $2,939,306, equal to $6.42 per common share. This compares with a net income of $2,557,236 before contingency reserves, equal to $5.53 per share, or $1,535,986 after reserves, equal to $3.15 per share, for the year 1944. The statement shows no such reserve set up out of the 1945 earnings. Moreover, company reduced its standing contingency reserves by $3,691,294 as of Nov. 30, 1945, which, with $1,043,647 balance of net income after all dividends, increased surplus account to $12,399,618 from $6,812,665 as of the close of the preceding year. Net sales were $89,396,747 a decrease of $2,831,443.

The Ely company has just acquired the Calhoun Cotton Mills at Calhoun Falls, S. C., formerly operated by Gossett Mills. The plant has $48,000 spindles.

* * *

The United States Circuit Court of Appeals in St. Louis, Mo., on Feb. 8 affirmed a District Court order by Federal Judge George H. Moore approving the reorganization plan of the St. Louis-San Francisco Ry. and numerous subsidiaries. The ruling climaxed a 12-year reorganization plan following the railroad's petition of bankruptcy in May, 1933.

In its opinion the court overruled contentions by the debtor railroad company and two minor complaints that stockholders and unsecured creditors should be given an equity in the reorganized railroad.

The principal contention was that the railroad's capitalization should be increased above the amount recommended by the Interstate Commerce Commission to allow for consideration of claims of stockholders and unsecured creditors. Under the reorganization plan capitalization was reduced from approximately $480,000,000 to $247,000,000.

The court observed that the plan has been accepted by more than two-thirds of the secured creditors and bondholders and confirmed by the District Court. "Certainly in those circumstances there should be no further delay in this proceeding which already has been pending for more than 12 years," the opinion stated.

* * *

The operations of the Curtis Manufacturing Co. of St. Louis, Mo. for the fiscal year ended Nov. 30, 1945 resulted in a profit of $539,617 before provision for income and excess profits taxes. After providing $351,341 for such taxes there remained $188,276, equivalent to 97 cents per share on 193,365 shares of common stock. This compares with a net income of $280,637 or $1.45 per common share for the preceding year.

The net current assets as of Nov. 30, 1945 totalled $1,886,598 compared with $1,771,645 in 1944.

* * *

Typical of the war job Missouri-Kansas-Texas RR. (Katy) did, and is still doing is gleaned from the following statistics:

In 1939, only 612,000 people rode Katy trains. In 1942, the first full year of war, this figure jumped to 1,660,318. By 1943, it had reached 2,600,492 and by 1944, the total passenger traffic reached 2,776,205. The figures for 1945 are not available, but it is believed that a new record was set last year.

* * *

The Missouri Portland Cement Co.'s audited statement for the year ended Dec. 31, 1945 shows a net income of $103,998, equal to 36 cents per share on 287,206 capital shares, as against a net of $124,752 or 44 cents per share on 282,406 shares for the preceding year. Net sales for the year totalled $3,515,932 as against $4,650,632 in 1944.

Over-the-Counter Dealings in Listed Securities

Dealer Points Out All-Round Advantages in Listed Stock Trading by Over-the-Counter Dealers.

Editor, Commercial and Financial Chronicle:

The writer knows that you would be doing your readers and the securities business a real service if you would point out the possibilities of the Over-the-Counter market in listed securities, in which the undersigned has specialized for more than 25 years gaining customers thereby in 29 States and Canada.

Even "in the trade" we have found that many firms overlook or ignore the over-the-counter market in listed securities and particularly with reference to "Big Board" stocks. Almost invariably when we contact any dealer on big board active stocks he will immediately say, "Oh that's all on the Board" and hang up, without taking the trouble to even glance at the National Quotation "sheets" at his elbow which would very frequently show him that there was an over-the-counter market in the security in question.

As the over-the-counter market in listed securities must of necessity compete with the Exchange market, it follows that net results to the customer must equal or better those obtainable on an Exchange, else there would be no transaction. Nor need such over-the-counter trading be to the detriment of the "member-firm", for often that firm has a "limited order" as to "price" as well as "time" and might avoid its loss by doing the business over-the-counter. The benefit to the over-the-counter dealer is obvious; and the customer of course saves odd lot differentials and Federal odd lot "buying" tax of as much as 6 cents per share, as well as the small SEC tax on sales which as a nuisance costs the brokers in extra bookkeeping probably almost as much as the SEC receives.

In short, in the over-the-counter trading of listed securities all concerned must profit, and this fact we think is being "missed" by many individual traders and is unquestionably being missed by a great many dealers, else we wouldn't daily see trades on the Exchanges which even a small concern like our own, could have bettered over-the-counter.

A. O. Van Suetendeal & Co.
By A. O. VAN SUETENDAEL
Yonkers, N. Y.

A Clearing House to Detect Unethical Stock Transactions

By HON. D. D. MURPHY
Securities Commissioner of South Carolina
First Vice-President of Nat'l Association of Securities Administrators

Prominent State Securities Administrator Recommends That a Central Organization Be Set Up to Aid in Exchange of Information Regularly Concerning Unethical Stock Salesmen and Fraudulent Stock Transactions.

Since that happy day of Aug. 14, 1945, when the greatest war in all history finally came to its conclusion, numerous issues of stock have been submitted to the State Administrators for registration. It is noted that a large number of these registrations are for new corporations which apparently have a solid foundation and which, if given the proper opportunity and protection, will blossom into paying propositions to the investors.

D. D. Murphy

A large number of the citizens investing in these issues will be the people who derive their living from the great weekly, semimonthly, and monthly pay rolls of the country and who have meager knowledge of investment practices. It is common knowledge that these people depend largely on the salesmen for advice and information concerning the investment of their earnings and it is a very simple matter for the unethical salesmen to take every advantage of them and cause them great loss. In order that these investors have the protection to which they are entitled, it is necessary that the various State Departments and the federal regulatory body governing securities should exert every effort in determining that the registration of securities issues, dealers, brokers, and salesmen be handled with great care. In the pre-war years

(Continued on page 997)

Missouri Personnels

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, MO.—**Dudley M. McBride** has been added to the staff of **H. O. Peet & Company**, 23 West 10th Street.

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, MO.—**Earl C. Meier** is now with **Slayton & Co., Inc.**

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO.—**Andrew H. Strong** has become associated with **Dempsey, Tegeler & Co.**, 407 North Eighth Street. In the past he was with Newhard, Cook & Co.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO.—**Elmer H. Stuerman** is now affiliated with **Herrick, Waddell & Co., Inc.**, 418 Locust Street.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO.—**James T. Farris** has joined the staff of **McCourtney-Breckenridge & Co.**, Boatmen's Bank Building.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO.—**William J. Jones** is with **Slayton & Company, Inc.**, 111 North Fourt Street.

Van Alstyne Noel Will Admit E. A. Walsh

Edward A. Walsh will be admitted to partnership in Van Alstyne, Noel & Co., 52 Wall Street, New York City, members of the New York Stock Exchange, on Feb. 28. Mr. Walsh has been with the firm for some years as cashier.

Andre de Saint-Phalle Expanding Operations

Preparing for broader operations, the New York Stock Exchange firm of Andre de Saint-Phalle & Co., 25 Broad Street, New York City, announces the admission to general partnership, in charge of underwriting and marketing of new issues, of David C. Moss; the return from military service of the firm's partner, Carel Van Heukelom, and the association with the firm in the research department of C. F. Blanchard. Mr. Moss is a director of Anchorage Homes, Inc., formerly was president of Akloh Corporation, product and research development company, and previously was president of the investment banking firm of Moss, Pratt & Co., Inc.

Friedman Brokaw to Admit Two Partners

ST. LOUIS, MO.—Friedman, Brokaw & Samish, 711 St. Charles Street, members of the New York, St. Louis and Chicago Stock Exchanges, will admit David I. Kramer and Robert C. Lesser to partnership in the firm on March 1. Both have been with Friedman, Brokaw & Samish for some years.

Oil Industry Outlook

By MICHAEL PESCATELLO

Analyst Recounts Changes in Oil Production Due to War and Calls Attention to Substantial Increase in Both the Domestic and Foreign Output. Says Middle East Oil, Because of Its Large Volume and Low Cost, Is Likely to Set World Price, and That Enlargement of Transportation Facilities Will Intensify Competition for Markets. Sees Need for Balancing Production and Use of Gasoline and Fuel Oils, and Looks for Chemical By-Products to Become of Increasing Importance in Industry. Concludes Outlook for Industry Will Depend Largely on Balancing Supply With Demand, but That There Is No Question as to Favorable Future Position of Oil Industry.

The outlook for the oil industry in its first full year of peacetime operations cannot be disassociated from the major influences of the war. These will require readjustments of a magnitude probably never before faced by the industry.


Michael Pescatello

At the peak of the war in 1945 the demand from military sources equalled a daily rate of 1,600,000 barrels of petroleum or approximately one-third of the 5,000,000 barrels per day top rate of production. This increased production came from two areas, Texas and California, while in other parts of the country the output of oil actually showed a decline. This is evidenced in the following summary:

In view of these differences it is apparent that the major readjustments required to be made will be concentrated chiefly in Texas and California.

As a result of the very heavy demands there were important withdraws of crude oil from already developed reserves. This means, then, that in order to replenish reserves and keep pace with similar requirements, extensive exploration and development in the producing branch of the industry must be undertaken. In contrast to the years prior to the

DAILY CRUDE OIL PRODUCTION—U. S.—000 bbls.

	1941	3rd Quarter 1945	Change Bbls.	Change %
Texas	1,385	2,185	+800	+58
California	631	950	+319	+50
All Other	1,826	1,765	— 61	— 4
	3,842	4,900		

(Continued on page 996)

Ford Disputes Bowles

Denies Making Application for Higher Car Price Ceilings. Asserts He Stated Costs of Producing Cars Would Increase 55%.

Henry Ford II, head of Ford Motor Company, on February 20 made public a telegram he sent Representative Brent Spence, Chairman of the House Banking and Currency Committee in which he denied that his company had asked OPA for an increase of 55% in the price of Ford cars. Chester Bowles, of OPA, in his testimony before the same committee had stated that last summer Mr. Ford had asked for this increase.


Henry Ford, 2nd

"What Mr. Bowles had to say on this point and the manner in which he chose to say it," Mr. Ford said in his telegram, "left the impression that we had secretly applied for a 55 per cent increase in existing price ceilings. Actually, we have applied for no price relief on any of our cars since OPA ceilings were established."

And he added:

"In making public our estimate of last summer that motor cars would cost 55% more to make during the first postwar year than they cost in 1941, Mr. Bowles failed to make clear that these estimates were submitted to OPA before OPA had announced any price regulations on new cars—more than a month before OPA had given us the basis on which price ceilings were to be calculated."

Continuing, Ford pointed out that "the statement of Mr. Bowles in this respect does not reflect all the facts. He does not make it clear that manufacturers who supply our suppliers with parts do have price ceilings. He also ignores the fact that parts for trucks and all automotive replacement parts are still subject to ceiling prices.

"The OPA supplementary order of Aug. 29, 1945, to which Mr. Bowles referred, exempts passenger car original equipment from price ceilings but specifically excepts tires, batteries, radios, ferrous and nonferrous castings. The regulation also states samples under which such items as glass, electrical wire, forgings, upholstery and similar items are not classified as parts unless at least partially fabricated."

Mr. Ford pointed out to Rep. Spence that his attitude on present price controls, and the effect of these controls on the Ford Company "already have been expressed publicly to the Director of War Mobilization and Reconversion on Jan. 29, and again in an address in San Francisco on Feb. 8." (See the "Chronicle" Feb. 14, page 839.)

"We estimated for example, in speaking of production costs," Mr. Ford stated, "that our most popular model, which had cost $512 to make in 1941, would cost us, under postwar conditions, about $935. These figures do not include cost of advertising and selling or any profit. We found in November, before we reached scheduled production, that it was costing us $963 to make this model.

"Since then we have cut that cost somewhat by increased production efficiency, but in the meantime we have added $41,000,000 to our annual bill for wages, and still have to absorb increased costs to us and our suppliers due to the new price of steel." (The Ford Co. recently agreed to a wage increase of 18 cents an hour for approximately 100,000 production employees.)

"Our OPA price to dealers on this model is $728.

"We do not want to get into public arguments with OPA or any other government agency at this time, especially since the President late last week announced a new wage-price policy. However, I have stated publicly my opinion that inflation is based on scarcity and that the way to prevent inflationary prices of manufactured products is to produce goods for people to buy with the money they have to spend.

"We at Ford Motor Co. are going to act in that belief.

"Our job at Ford Motor Co. always has been to make more and more products at lower and lower prices so that more and more people can afford them. We look forward to the time when American industry can get back to this job under the constant stimulus by free competition."

Halsey, Stuart Wins So. Pacific Bond Issue On 2.768% Basis

Halsey, Stuart & Co., Inc., headed a large group of investment bankers that won the award Feb. 18 of $50,000,000 Southern Pacific Railroad 2¾%, first mortgage bonds, Series F, due Jan. 1, 1996, and immediately reoffered the bonds at 100% and accrued interest, subject to Interstate Commerce Commission approval. The winning bid was 99.52%, a net interest cost basis to the carrier of 2.768%. A competing bid of 98.4199 was submitted by Kuhn, Loeb & Co. for a similar coupon. The interest cost on the present issue is lower than the one of 2.847% netted Feb. 4 on the sale of $50,000,000 Series E 2⅞% bonds due Jan. 1, 1986, which was won by Kuhn, Loeb & Co.

Proceeds of the sale of the bonds, together with such other funds as may be necessary, to be paid by the Southern Pacific Co. to the Railroad Company in reimbursement of open account advances, will be applied by the latter to the redemption, on or about May 15, 1946, of $50,000,000 of its first mortgage bonds, 3¾% Series C, due Jan. 1, 1996, at 103½% of their principal amount and accrued interest. Holders of the bonds of Series C will be invited to present their bonds in advance of the redemption date for the payment of the redemption price thereof and interest to the redemption date.

Sinking fund redemption price is par. Other than for the sinking fund, the bonds are redeemable at prices ranging from 104¼% to par.

Income of the Southern Pacific Railroad Company available for fixed charges for the year ended Dec. 31, 1945 amounted to $18,941,234, compared with $19,621,094 in the preceding year. For the years 1943 and 1942 income available for fixed charges amounted to $25,867,901 and $35,033,565, respectively. The railroad company had total funded debt unmatured of $150,000,000 on Dec. 31, 1945.

Southern Pacific RR.'s common stock is owned entirely by Southern Pacific Co. and its railroad properties are leased to the latter. The properties consist of approximately 3,302 miles of road (first main track) in California, Arizona and New Mexico, of which approximately 2,988 miles are subject to the lien of its first mortgage.

"Florida—A United State"

By Leonard K. Thomson
President, Florida State Chamber of Commerce

Mr. Thomson Calls Attention to the Recent Industrial Development of the State, Particularly in the Processing of Florida's Own Products. Points Out That, in Addition to Broad Diversified Industrial Development, Florida Is a Workers' Paradise and That Temperatures Never Rise to a Point of Discomfort. Says Permanent Population is Growing Rapidly, Occurring Mainly in Large Industrial Centers, and Is Leading to a Diversified and Flexible Economy. Notes Rapid Reduction in Mortgage Debts and Asserts Florida's Financial Institutions Are Capable of Affording Funds for Industrial Expansion.

Florida—playground of the nation—is on the verge of a great industrial development. Paradoxical as this conception may appear, the cause may be attributed largely to the selfsame elements of climate that developed its recreational attractions. In increasing numbers people are learning that Florida is a good place in which to work as well as to play. Florida's role as an industrial State has not yet assumed the proportions of a real boom, but a clearly defined trend has been established. Certainly, it will never supplant Pittsburgh as a steel center, nor Detroit in the automotive field. Nor would its citizens want to see such a transformation. Fortunately, the type of industries Florida can logically attract are the kinds Florida wants; processing and finished manufacture of its raw materials, the yield of its prolific forests, golden groves, rich farms, products of the sea and of its mines.


Leonard K. Thomson

Like many another Southern State Florida has long been pouring its raw materials out for others to process or manufacture. This has been true of its timber, crude naval stores, phosphate rock, limestone, kaolin and fullers earth, its unending flow of citrus fruits and winter vegetables, its fresh shrimp and oysters.

Processing of Florida's Products

Astounding future opportunities for industry and agriculture lie in increased processing of native raw materials. In 1944 some 867,000 tons of civilian goods which might well be made in Florida, in whole or in part, were supplied by out-of-State manufacturers. Floridians fail by some $450,000,000 annually to provide the local market for manufactured goods. Included in this tonnage were food products, textiles and apparel, furniture and other wood products, chemicals, leathers, ceramics, machinery and transportation equipment. By the same token, new fields of manufacture that hold great promise in Florida include ceramics, plastics, phosphate finishing, processing of ramie, essential oils, paints and seafood by-products.

Over the past several years science, engineering and business acumen, backed by millions of Florida dollars, have combined increasingly to utilize this vast natural wealth.

Meantime, all the essentials of a broadly diversified industrial development are here and in abundance. For, added to the advantages of a climate favorable to manufacturing war materials and valuable by-products, are other factors that determine industrial

(Continued on page 995)

Canadian Exchanges Raise Margins

Toronto Exchange Fixes Minimum of 50% on Shares Above $2, While Montreal Exchange Requires Same Margin for Shares Selling Above $1.00. Full Cash Required on Low Price Shares.

In line with margin regulations in the United States, the principal Canadian Stock Exchanges, on Feb. 18, announced new minimum margin requirements. J. B. White, President of the Toronto Stock Exchange, issued a statement in which he stated that a 50% margin will be required on all stock selling at $2 a share and over and that no margin transactions will be permitted in shares selling under that figure. Previously, the minimum rate was fixed at 40% for securities selling at $2 and under $4, 33⅓% for $4 up to $40 priced shares and 30% at $40 and over.

On Feb. 16, the Montreal Stock Exchange and the Montreal Curb announced that full cash would be required on all stocks selling at $1.00 or under and 50% on all shares above this price.

According to Mr. White's statement, "all existing margin accounts are required to be brought up to the 50-per-cent basis within a period of four months," "while there is no suggestion that the amount of credit being used in the security market is dangerous at present, it is thought that now is the time to take precautionary methods to see that such does not occur.

"It is pointed out that these are the minimum margins on regulations of the exchange and in no way prohibit member firms putting their requirements on a higher basis, a practice which is already in effect in many cases."

Mr. White said new margin rates also would apply on exchanges at Montreal, Winnipeg, Vancouver and Calgary.

Hearn Streat Dead

Hearn W. Streat died at St. Vincent's Hospital on Feb. 19 after a short illness. His age was 61. Long active in civic and financial affairs, Mr. Streat spent his entire business career with Blair & Co., Inc., investment banking house, which he served as Vice-Chairman until his retirement in 1941. At the time of his death he was a director of Blair & Co., American Bantam Car Company and the Empire Electric Brake Company. Mr. Streat started with Blair & Co. in 1889 as a runner and worked his way up through the sales and syndicate end of the business. In 1920 when William Salomon & Co. was merged with Blair, he was made a junior partner and soon after he became a Vice-President. From 1939 to 1941 he actively headed the firm as Vice-Chairman of the Board.

Over many years Mr. Streat was active in the Investment Bankers Association and he served on almost all of the important committees. He was Secretary-Treasurer of the association's New York group at the time of his death.

Attacks New Wage-Price Policy

Wason, President of NAM, Holds It Is Inflationary. Contends That Free Collective Bargaining Cannot Exist When Government Says Beforehand What the Wages Can Be.

Robert R. Wason, President of the National Association of Manufacturers, on Feb. 15, issued the following statement on the new wage-price formula adopted by the Administration:

Robert R. Wason

The announcement of the new wage-price formula is an admission of the failure of price control. It is a confession that it is impossible, under Government-inspired demands for wage increases regardless of productivity on the one hand and the shackles of price control on the other, to get that record-breaking volume of production which was, and is, the only answer to inflation.

American industry agrees wholeheartedly with President Truman's statement that "production is our salvation." But unfortunately under this new formula it will still not be possible to get the production that is necessary for the country's "salvation."

Under the new order every wage contract, even those made since V-J Day, will have to be reviewed in the light of the new "standards" set up by the President. Every price—and there are millions of them—will have to be "redetermined" by OPA. This is not the way to get all-out production.

The President says that last August "the determination of wages was returned to free collective bargaining within the framework of the present price level"; that "labor and management were set free to adjust wage rates to whatever extent was possible without raising prices." The truth is that there is no such thing as "free collective bargaining" when government says beforehand what the wage increases are to be. Under present conditions collective bargaining is a mere sham—a means for forcing one or the other of the parties involved to accept a predetermined wage increase.

Under the new formula these conditions are unchanged. Government still proposes to say what wages shall be, under what conditions production can be carried on, what industry shall be permitted to charge for its products, and what profits investors are to be allowed to receive. To enforce these orders "priorities and allocations powers will be used vigorously . . . there will be strict enforcement of inventory controls . . . the resources of the Treasury and Justice Department will be called upon. . . ."

This means that basically this new order establishes a "managed economy" without benefit of Congressional debate and approval. American industry is convinced that such a program of detailed government management and direction of the economic life of this nation is not in the public interest. It will lead to less, not more production; to fewer, not more jobs; to a lower, not a higher standard of living. It is the road to the perpetuation and extension of government control; not the road to the restoration of freedom and individual opportunity.

For months the NAM has been emphasizing that inflation cannot be prevented if these wage and price policies are continued. We have urged the adoption of a sound national labor policy by Congress to restore genuine collective bargaining and promote industrial peace. We have urged the reduction of government expenditures to a level at which the budget can be balanced without unbearable taxes. We have urged the removal of price ceilings which cripple production.

These recommendations have not been made in order to enable business to get higher profits. They have been made in the sincere belief that only in this way could the country be protected against inflation.

We have felt that this fight against inflation must be won. Business does not prosper from inflation. Business prospers by turning out goods at prices which represent honest values, not by speculating on inventories which it must do when there is inflation.

American industry is going to continue this fight against inflation to protect all the American people. It is going to continue to fight for the right to produce; to produce under conditions which are fair to labor; fair to those who have risked their savings by investment in American industry, and above all, fair to the American consumer.

F. L. Blewer Resumes As Burnet Partner

W. E. Burnet & Co., 11 Wall Street, New York City, members of the New York Stock Exchange, announce that Lt. Col. Francis L. Blewer, GSC, has been released from active service with the armed forces and has resumed his duties as a general partner of the firm.

Lt. Col. F. L. Blewer

Col. Blewer, who was on military leave of absence for more than three years, had been assigned since June, 1944, to duty with the War Department General Staff, serving in the Civil Affairs Division of the Office of the Chief of Staff. During recent months he was Executive of the Economics and Supply branch of that division, where he was concerned with financial, civilian supply and other economic problems of areas occupied by U. S. forces, including Germany, Austria, Japan and Korea.

Connected with Wall Street since 1921, Col. Blewer has been a general partner of W. E. Burnet & Co. since June 1, 1935. Prior to that he was with Harris Forbes & Company and The Chase-Harris Forbes Corporation.

Railroad Securities

There has been considerable excitement in rail circles recently over the proposed probe into railroad reorganizations by the Senate Interstate Commerce Committee. Coming on top of the so-called Reed Bill in the House, which would return most of the roads now reorganizing under Section 77 back to the old stockholders without capital revision, the action of the Senate Committee is taken as holding out considerable hope to junior bondholders and stockholders of the reorganization roads. Particular interest centers around Senator Wheeler's remarks, as quoted in the press, to the effect that earnings of many of these roads have been sufficient to accumulate large cash balances, placing the roads in a solvent position.

Some statistics were cited purporting to show the cash balances some of the bankrupt roads could have had at the end of 1944 even if all interest had been paid during the trusteeship period. It is interesting to examine some of these figures and speculate on just how they may have been arrived at. Rock Island and Missouri Pacific are cases in point. It is claimed that even had these two roads paid all of their interest Rock Island would have had a cash surplus of some $34,000,000 and Missouri Pacific roundly $31,000,000 at the end of 1944. Naturally these would have been increased by the high earnings reported in 1945.

Chicago, Rock Island & Pacific has been in the bankruptcy court since mid-1933. The annual report for 1944 showed accrued unpaid interest of $151,115,000. Before allowing for payments of cash in the latter part of 1945 (cash payments as provided in the reorganization plan) this unpaid interest would be indicated at roundly $165,000,000. During the trusteeship period through 1945 the company reported earnings of approximately $144,000,000 available for charges. Allowing for interest actually paid during trusteeship (on equipments, etc.) it is indicated that there would have been somewhat less than $140,000,000 earnings available for the $165,000,000 of interest that was allowed to accumulate unpaid. Even if the road had not had to spend substantial sums on property improvements (it is doubtful if there would have been much, if any, earnings if the properties had not been improved) it is difficult to see just how the substantial "cash surplus" could have been built up under these conditions if the interest had been paid.

Even with the non-payment of interest the company had net working capital of less than $62,000,000 on Nov. 30, 1945. If the reorganization plan were abandoned and cash payments made last year were applied against back interest the matured unpaid interest at the end of 1945 would be indicated in excess of $130,000,000. Certainly some working capital would have to be retained, so it is difficult to see just how the interest obligation could be substantially reduced even if the plan were turned down. Just as obviously this obligation for unpaid interest still has a claim on the properties and earnings superior to that of the old stockholders.

Estimated matured unpaid interest of Missouri Pacific as of the end of last year is in excess of $170,000,000. In this instance, however, there is at least a partial offset in the fact that Missouri Pacific has utilized some of its war earnings for the payment of the principal of some of the senior claims. Such payments, exclusive of equipment trust obligations, ran close to $49,000,000. Even with the principal payments the net increase in claims coming ahead of the stocks is indicated in excess of $121,000,000. In comparison, the road reported net working capital of less than $62,000,000. These figures just do not add up to any result such as an indicated "cash surplus" of some $31,000,000 after payment of all interest and before including the favorable earnings of 1945.

It is quite possible that a thorough investigation of reorganization procedure is called for, particularly with respect to the long delays experienced under Section 77. It is not possible in the light of available statistics to justify a claim of solvency for these roads, nor is it possible in this way to legislate intrinsic worth into any railroad security.

Build Up Reserves

By ROGER W. BABSON

Mr. Babson Characterizes as Gambling, Borrowing and Spending Merely in Anticipation of Inflation. Points Out the Value of Reserves to Business Man and to Wage Earner. Holds That During Troublesome Years Ahead, Physical and Spiritual as Well as Monetary Reserves Will Be Needed.

Too many people are careless with their money today, both in connection with investing and spending. Some "wise boys" are even unnecessarily borrowing money with the idea of paying up their mortgages with "phony" money when, as, and if inflation becomes rampant. Such policies are the biggest kind of gambling.

Roger W. Babson

Advice to Small Businessmen

Big business, which has had experience in Germany, France and other countries that have really suffered from inflation, will not get caught. It has learned from sad experience the great need of large reserves during an inflation period. In fact, as inflation advances every concern should **more than proportionally** increase its reserves.

This especially applies to small businessmen who have not extensive credit facilities. They now fail to realize that when inflation gets well under way it will be very difficult to get credit either from banks or from wholesalers. As prices will then be going up without notice, and goods will be worth more than money, wholesalers will give no credits. All goods must be bought on a strictly cash basis. This means that everyone will need more working capital than at present.

Advice to Wage Workers

Wage workers also need to lay up reserves during the next two or three years as well as do their employers. Systematically save a portion of your weekly wages. Some day you will be confronted with a lot of unemployment. Now is the time for you and your family to prepare for it and lay a reserve aside in bank accounts or Victory Bonds.

Don't be content to build up only money reserves. When unemployment starts in again the least efficient workers will be let go first. Those who show the most interest in, and knowledge of, their work will be kept and promoted. Ask your boss to recommend some trade paper to which you can subscribe or some correspondence course which will help you. Store up knowledge in your head as well as money in the bank.

What About Inventories?

The average retailer now is carrying only a portion of the items normally carried. Moreover, the supplies of these items are much less than normal. Putting these two factors together it will be seen that much more capital will be required to carry a normal inventory as inflation progresses.

Certain big corporations now have the reserves to weather the inflation storm; but this is not so with the small merchant or manufacturer. Many small stores will some day be crowded out. This will not be due to "bigness" but because the large concerns are now saving their profits and are paying small dividends while the little ones are pulling out all their profits for their families to spend foolishly.

What Are the Best Reserves?

There are many ways for small businessmen to store up reserves. What I have said above to wage workers applies also to shopkeepers and little manufacturers. Now is the time to spend money and hours on study to become more efficient in your own line. Of course, money in the bank is always a good reserve. Non-perishable and standard inventories are good reserves to have stored away.

During the troublesome years that business will some day encounter, other reserves than money or merchandise will be needed. Looking back over my 50 years in active business, I am greatly impressed with the relationship between physical reserves and business success. Unknown men who have the physical reserves to "take the gaff" rather than the "brilliant leaders" are the ones who survive panics and depressions.

Let's Not Forget Spiritual Reserves

I must say a word about all-important spiritual reserves. There is an old saying: "Troubles never come singly." When things are going well it is easy to forget God and the Church and Prayer. Then when troubles come we complain because we cannot quickly get that all-powerful help from Faith for which we are so hungry. To enjoy spiritual help in time of trouble, we must build it up in our daily lives when things are going well. Before going to bed tonight read in your Bible how Jesus ended up His famous Sermon on the Mount as told in Matthew, Chapter 7: verses 24-29.

National Debt Retirement Urged

(Continued from page 960)

tries since 1932 and in this country since 1934. It remains to be seen, however, whether the Government will in the future adhere to the compensatory budget system. If it does there should be a substantial reduction in the total public debt during the years of high business activity.

Once labor and management have compounded their controversies, business activity during the next few years is bound to be at a very high level. The demand for all kinds of commodities is very great and the amount of purchasing power in the hands of the people is greater than ever before in the history of the nation. As a result of these two factors national production as well as income are bound to be high, accompanied by satisfactory employment. Under such conditions Government revenue ought to exceed expenditure and the surplus should be used to retire the debt. Redemption of Federal obligations held by the banks is deemed to be imperative since it would reduce the volume of bank deposits, which are considered larger than the amount needed for business purposes.

Question of Floating Debt

In discussing the management of the floating debt the bulletin states: The need for a large floating debt is today perhaps greater than ever before because the liquidity of the banks and the fluidity of the money market depend mainly on the short-term Government security market. Since the volume of deposits has increased at a much faster rate than the capital resources of the banks, many institutions have adopted a policy of investing a large portion of their deposits in Government securities with a maturity up to one year because such obligations are considered as carrying no risk. Many banks which have experienced an increase in deposits percentwise greater than the average increase for the country as a whole, and mindful that a decline in deposits may take place in the not distant future, have adopted a policy of holding a larger volume of short-term Government obligations of properly spaced maturities in order to be able to meet withdrawals of deposits as, if, and when they occur. Moreover, a very large percentage of Federal, State, and municipal deposits, including deposits on account of sales of Government securities (war loan account), are invested in short-term Government obligations. These factors alone make it imperative that the Treasury maintain a larger floating debt than was the case prior to 1941.

Debt Cost to Taxpayers

In considering the cost of the public debt to the taxpayer the bulletin remarks: While the sharp increase in the public debt was not accompanied by a corresponding increase in the interest burden due primarily to the general reduction in interest rates and the increase in the amount of the floating debt, arguments have been presented in favor of a further reduction in the rate on certificates of indebtedness.

There are, however, vital reasons against a change in the rate structure and particularly against a further reduction in the rate of certificates of indebtedness. If the rate on certificates were reduced, it would force the banks more and more into medium- and long-term Government obligations. The price of the latter has increased already very materially during the last few months and there is at the present time no Government obligation which the banks may purchase to yield 2% to call and before taxes. A reduction in the rate on certificates would be followed by a further increase in the price of medium- and long-term bank-eligible Government obligations and thus widen still more the gap between the price on these obligations and that of obligations not eligible for commercial banks. Since a large number of banks, particularly the small institutions throughout the country, operate with a considerable amount of time deposits, they could ill afford to invest in low return yielding Government bonds and would be forced to acquire corporate bonds. The yield on high-grade corporate bonds has witnessed already a material decline and was 2.52% in the week ended Dec. 29, 1945. Increased purchases of these bonds by commercial banks would drive the yield even lower. This in turn would force some of these institutions to acquire bonds of a lower quality. Since prices of many of these bonds fluctuate with business conditions, the banks would be in a difficult position during the next decline in business activity.

Furthermore, a decline in the yield of corporate bonds would intensify the competition for mortgages accompanied not merely by a further decrease in interest rates but also an increase in appraised values which may cause serious difficulties in the future. Therefore, in considering the advantages and disadvantages that may accrue from a reduction in the rate on certificates of indebtedness, the conclusion is warranted that the disadvantages to the country as a whole would outweigh the advantages.

The main concern of the Treasury in administering the public debt should be not merely the cost to the taxpayer but also the effect which changes in the types of obligations and their ownership have on business activity, on the banks, and the money market. Proper management of the debt requires that the Treasury first ascertain the volume of deposits needed for legitimate purposes. While obviously this is not an easy task yet sufficient data are available to the Federal authorities to obtain a satisfactory answer. Once it is found that the volume of bank deposits is too large or, to put it differently, that too large a portion of the outstanding public debt has been monetized, it would be the duty of the Treasury to take measures through funding operations to convert part of the short-term obligations now held by the commercial banks into long-term bonds with maturities and interest rates that would appeal to institutional investors.

Conclusions

In conclusion the bulletin states: With a war legacy of 278 billion dollars of Federal debt the problem of managing the public debt is of the utmost importance. If the Administration should continue to practice the principles embodied in the so-called compensatory budget system, then it is highly desirable that the Federal budget be balanced as soon as possible and that serious efforts be made to retire a portion of the public debt. The fact that the Federal Government will have an estimated deficit of over 4 billion dollars in the first full post-war fiscal year 1946-47, when business activity is bound to be at a very high level, is discouraging. During the year 1946 about 71 billion dollars of Government obligations come due. Through proper handling of these maturing obligations the Treasury can exert a great influence on the inflationary forces menacing the country as well as on the money market.

While the cost of carrying the public debt is of considerable importance, particularly since the annual interest charge is already over 5 billion dollars, this element must not be permitted to become the determining factor in devising a sound debt management policy. Of greater importance than the cost of carrying the public debt is the urgent need to prevent a further sharp increase in the volume of bank deposits. The return flow of currency from circulation, the inflow of gold, and a moderate rise in the volume of bank loans will lead to an increase in deposits. At least to some extent this increase could and should be counteracted by the Treasury by funding maturing obligations into long-term bonds offered to the public and particularly to the large institutional investors. Such a measure would not merely tend to prevent a further increase in the volume of bank deposits but would also halt the constant decline in bond yields. If the decline should persist there is a serious danger that financial institutions, especially the small banks, may be forced more and more into credit bonds. Such a development is obviously not desirable.

Too much concern has been shown by the monetary authorities about the growing earnings of the commercial banks. It is doubtful whether the earnings, particularly of small banks, will continue to mount, especially in view of the certainty that expenditures are bound to increase. Under present conditions banks operating with savings deposits find the return on Government obligations inadequate and endeavor to obtain satisfactory yields by investing in corporate bonds and real estate mortgages. It might be advisable for the Treasury to refinance a relatively small portion of the maturing obligations into bank-eligible medium-term bonds carying 1¼ and 1½% interest. While such procedure would increase the cost of the public debt to the taxpayer, the amount on the whole is insignificant, however, when contrasted with the danger involved in the present policy of refinancing all maturities with certificates of indebtedness.

The Treasury should also consider carefully the advisability of continuing to issue obligations redeemable at the option of the owner. While such securities have admirable features and offer a riskless investment which has an anti-inflationary effect on the national economy, the existence of such a large amount of demand claims against the Treasury constitutes a peril to sound debt management. Further studies about the contemplated use of the United States savings bonds by their owners would guide the Treasury in adopting a definite policy.

Edward Walsh to Open

Edward D. Walsh is forming Edward D. Walsh Co. with offices at 115 Broadway, New York City, to engage in the investment business. Mr. Walsh has been serving in the U. S. Army. Prior to military duty he was with James Vanderbeck of New York as bond trader.

Municipal News and Notes

The Chemical Bank & Trust Co., New York, is now distributing the 12th edition of their annual survey of municipal bond prices and yields, a study constituting a valuable case history of the phenomenal rise in valuations of local government securities since the depression year of 1933. The pattern is clearly established in the trend of prices for the 200 individual State and local issues used in the survey, which represent bonds of all States having debt publicly outstanding and one or more pivotal issues of cities or counties in each State.

During the period covered by this survey, state and municipal prices, as measured by an average of approximately 100 bonds maturing in from 10 to 25 years, rose from 90⅞ in December 1933 to 134¾ at the close of 1945, yield coincidentally declining from 5.29% to 1.47%, a new all-time high. The advance in 1945 alone was from an average price of 133⅛, with a change in yield during the year from 1.61% to 1.47%.

Comparison of individual issues with the average in 1945 shows gains ranging up to 10% points for such obligations as New York City 4¼s, 1981, with only slightly smaller advances registered for such issues as Port of New York Authority 2s, 1974, up 10¾ points, New York Rapid Transit 3s, 1980, and Metropolitan Water District 3½s, 1981, both up 8¾ points, State of Arkansas 3¾s, 1962, up 7¾ points, and such others as City of Philadelphia 4s, 1966, City of Detroit 3¾s, 1962, State of Rhode Island 4s, 1977, City of Los Angeles, 4¾s, 1960, and City of Galveston 5s, 1963, all up 4 points or more during the year.

Over the entire period covered by the survey, such sweeping advances as nearly 80 points for City of Cleveland 5½s, 1964, and approximately similar gains for the obligations of the cities of Detroit, Newark, Birmingham, Little Rock, Arkansas, and Raleigh, North Carolina, testify to the breath of the rise in municipal prices since the depression year 1933.

The bank in a supplemental tabulation sets forth prices and yields for 20 issues selected to give weight to geographical factors. Despite the steady shortening of maturities in this group, the average price rose from 92¼ in 1933 to 125¾ in 1945 and the average yield declined to 1.16% from 5.18%.

The tabulation is widely distributed among banks, insurance companies, and other investing institutions throughout the country and is regarded as a valuable reference for purposes of investment comparisons, appraisals, and price records.

Port Authority Awards Bonds to Blyth Group at Record Low Interest Cost

The Port of New York Authority achieved a record low interest cost for the $18,757,000 general and refunding bonds, eleventh series, awarded on Tuesday to a syndicate headed by Blyth & Co., Inc., New York. The group, outbidding three other accounts which sought the loan, purchased the bonds at 1¼s, at a price of 97.30, representing a net interest cost to the authority of 1.358%, based on an average life of 25 years.

The terms not only reflected a new low cost on Authority financing but, in the opinion of Chairman Howard S. Cullman, also establishes a record of similar maturities of any authority or revenue bonds. Thus the New York-New Jersey agency appears to have achieved, at the present time, a pre-eminent position in the revenue bond market.

Moreover, a comparable tribute to the soundness and attractiveness of the agency's obligations from investors was evidenced in the fact that Blyth & Co. and associated underwriters succeeded in disposing of all but $7,254,000 bonds of the new issue of $18,757,000 before the close of business on the day of the award. The offering price to investors was 98.25 and the bonds mature March 1, 1986, and are not redeemable prior to March 1, 1951.

The $18,250,581 derived in this latest financing operation will be used by the Port Authority for various purposes, with $14,000,000 being employed in the redemption of outstanding series H notes; $2,350,000 for additional improvements to the Holland Tunnel; $1,623,000 to repay the State of New York in connection with the acquisition of the Port Authority Grain Terminal, and $304,000 for improvements to the terminal.

Each of the three unsuccessful bidders specified a coupon rate of 1⅜%, with the second high bid of 99.55 for $18,333,000 bonds, or a 1.393% net cost, being named by the Mellon Securities Corp. and Associates. A Halsey, Stuart & Co., combination was in third position, with a tender of 99.219 for $18,394,000 bonds, or a net cost of 1.406%. Final offer of 98.056 for $18,612,000 bonds, or a net cost of 1.453%, was entered by Harriman Ripley & Co., Inc., and Associates.

Although the bonds are not slated to mature until 1986, the life of the loan for the purpose of determining the net interest cost was mutually agreed upon by the contesting groups as 25 years, in view of the redemption schedule set forth in the sinking fund.

The lowest previous interest cost on Port Authority long-term borrowing was established in April, 1945, when an issue of $12,000,000 1½s, maturing in 1985, was sold to a Blyth & Co. account on terms which reduced the actual interest average to 1.53%. This offering was speedily placed with investors at a price of par, which contrasts with the reoffering price of 98.25 set for the current award.

The new bonds will have the benefit of a sinking fund, commencing in 1950, sufficient to retire the entire issue by maturity. They are subject to redemption prior to March 1, 1956, only through the operation of the sinking fund. Redemption prices decrease from 101% if the bonds are redeemed in the period beginning March 1, 1951, and ending Sept. 1, 1960, to 100½% during the five year period ending Sept. 1, 1965, and 100% thereafter to maturity.

Outstanding funded debt of the Port Authority, giving effect to the present financing, is $187,877,000 of which $180,377,000 comprises general and refunding bonds. All general and refunding bonds are equally secured by a pledge of the net revenues of the George Washington Bridge, the Holland Tunnel, the Bayonne Bridge, the Arthur Kill Bridges (Outerbridge Crossing and Goethals Bridge), the Lincoln Tunnel and Port Authority Inland Terminal No. 1 (Port Authority Building), the Port Authority Grain Terminal and any additional facilities which may be financed by the issue of general and refunding bonds.

In 1945 the Port Authority had gross operating revenue, exclusive of revenues of the Port Authority Grain Terminal, of $19,116,481 compared with $17,557,509 in 1944; net operating revenue after operating and general expense was $13,215,952 and net revenue available for debt service $14,344,445, leaving a balance of $9,471,359.

Los Angeles Offering Large Revenue Issue

With the Port Authority financing now completed, syndicates are now being organized for the purpose of competing for the biggest revenue offering now facing the market, the $19,750,000 Los Angeles, Calif., Department of Water and Power electric plant refunding revenue bonds. This loan will also be disposed of via competitive bidding, and bids will be opened at 10 a.m. (Pacific time) on March 5.

The bonds will be dated March 1, 1946 and mature serially on March 1 from 1947 to 1975 incl., and none of them will be subject to optional redemption on or prior to March 1, 1951. Bidder may name a single or a combination of interest rates on the issue.

In view of the spectacular success that attended the Port Authority award, the expectation is that the forthcoming Los Angeles undertaking will be equally well received.

Small Cities to Use Reserves and Bond Issues For Public Improvements

Small cities will finance more public works improvements from cash reserves than from any other single revenue source during 1946, with general bonds and revenue bonds second and third respectively as methods of financing, the International City Manager's Association reports.

The Association points out that the large number of utility projects planned for 1946 probably accounts for this reliance on cash reserves which were built up during the war.

A survey of the plans of small cities between 5,000 and 10,000 population indicated that 113, or 30% of the 369 cities reporting on a method of financing will use cash reserves to fiance their projects.

Seventy-one cities intend to issue general bonds, 48 will issue revenue bonds, and 28 will use current tax revenues. Only two cities will levy special assessments and three will depend upon federal or state aid.

Two or more methods of financing will be used by 63 cities, the more frequent combination being reserves plus current taxes, revenue bonds, or general bonds.

Of interest to city officials are the methods cities will use in financing various kinds of public works including water and sewage utilities and other utilities.

Cash reserves will pay for 49% of the 91 water utility projects for which the method of financing was indicated. Of the remaining water-projects 18% will be financed from general bond issues, and 11% from current tax levies. A few projects will be financed by a combination of two methods. Reserve funds, for example, will pay for exending water lines in Weslaco, Tex.; building a water softening plant in Webster City, Ia.; enlarging the water reservoir in Clifton Forge, Va.; and doubling the capacity of the filter basin and pumps in Cartersville Ga.

Of the 86 sewerage improvements whose financing was reported, 31% will be financed from general bond issues, 30% out of acumulated funds, 22% with revenue bonds, 11% from current taxes, and the remainder from special asessments or utility reserves plus state aid. For example, general bonds will pay for sewage disposal plants in Waynesboro, Va.; Woodward and Duncan, Okla.; and Pittsburg, Calif. Revenue bonds will be used to build such plants in Bozeman, Mont., Jacksonville and Kerrville, Tex., and Ocala, Fla. St. Joseph and Mt. Pleasant, Mich., will rely on current tax revenues to pay for their sewage disposal plants.

Light and power plants, incinerators, and airports make up the remainder of the utility improvements scheduled for early construction. Sixty per cent of the electric power plants will be built or enlarged out of utility reserves, while 15% will be financed through revenue bonds. Incinerators will be built in 14 cities, principally from accumulated funds with four financed by general bond issue. Airport projects are reported by 21 cities with financing almost equally divided between revenue bonds, accumulated funds, and general bonds.

Ohio Municipal Bond Index Again Advances

J. A. White & Co., Cincinnati, reporting a further strengthening in the Ohio municipal market for the week ended Feb. 14, stated that the firm's index of the yield on 20 Ohio bonds rose from 1.18% to 1.17% during the period. The indices for 10 high grade bonds and for 10 lower grade bonds rose similarly from yields of 1.04% and 1.32%, respectively, to 1.03% and 1.31%.

Donald MacKinnon Add Henry Wells to Staff

Donald MacKinnon & Co., General Motors Building, New York City, specialists in United States Government, state and municipal bonds, announce that Henry Grady Wells Jr. is now associated with the firm in its municipal bond department. Mr. Wells has been in the municipal bond field since 1936, first with Graham, Parsons & Co. and later with Harris Trust and Savings Bank.

Pepy Sturnagle Rejoins Staff of Strauss Bros.

Pepy Sturnagle will again become associated with Strauss Bros., 32 Broadway, New York City, in their trading department, after several years leave.

The Annual Meeting—A Democratic Forum

(Continued from page 960)

(2) The SEC proxy rules governing the solicitation of proxies.

(3) The increasing cooperation of more and more managements now seeing to it that meetings are held in accessible locations and at convenient times to insure that they will become public forums, and not merely dry legal gatherings.

(4) The sending out of post-meeting reports.

The Work of the Pioneers

We will now take up these factors seriatim: It was in the days of the great depression of the thirties that the champions of the new capitalism first began to be noted at annual meetings. They were not phased or worried by the defenders of the old order who persisted in the delusion that here were merely some publicity seekers or men with "socialistic" leanings.

Nor were they to be intimidated by steam roller methods those in charge of the meetings tried to employ. They demanded the right to know what had taken place during the year; they insisted on seeing the lists of the stockholders to find out who were their fellow-shareholders and especially what amount of stock those who directed the enterprises held. They began offering suggestions as to policies and improvements—their right as collective owners of the enterprise; they did not hesitate to discuss bonus, salary, option and pension questions which until then had for some absurd reason been considered as confidential information and not to be discussed by mere mortals. And so, slowly but surely many of the ideas expressed at first from the floor of the meetings began to be incorporated into management policies.

The SEC Reforms

Fully cognizant of the desire by more and more stockholders for full disclosure of the affairs of their corporations, so that intelligent voting might take place on issues to be presented by both management and investors having no connection with the management, the Securities and Exchange Commission promulgated certain rules governing this voting. The Commission, of course, as right and proper, never takes sides as to the merits of the proposals up for discussion; that is a matter entirely in the hands of the shareholders. What it has undertaken to do is to see that all pertinent information is given the voters; that adequate space for a "Yes" or "No" vote is on the ballot, and that in the case of independent proposals space therefor be allotted in the corporation proxy statement. The latter, it must be remembered, is paid for by the corporation and not by the management. The reasons for the introduction of the proposed resolution or by-law amendments may be briefly listed.

All this has resulted in large minority votes recorded in opposition to controversial managerial proposals and to ever-increasing minority votes of hundreds of thousands of shares in favor of minority proposals even when disaproved of by management. The net result has been to make management for the first time conscious of the potent force of the stockholders of the country. These large minority votes have made most managements desirous of cooperating with the stockholders and they now try to meet any reasonable proposals advanced. This avoids needless ballotting on the same issues each year.

Location of the Meeting

One of the issues which the independent stockholders have been most insistent on, has been that the meetings take place in convenient and accessible locations. As a yardstick, the stockholders have adopted the viewpoint that the place where the executive business of the corporation is transacted is the place where the stockholders should meet. Where for technical reasons, this is not practical, several managements of large corporations have adopted the policy of having the shareholders conveyed by means of buses from the executive offices to the meeting place. Notice of the management offer of transportation is carried in the official proxy notice and all wishing to attend and accept the offer are requested to inform the Secretary of the Corporation. The result, of course, has been to bring about gatherings of hundreds of stockholders in place of the proverbial handful of prior years.

This has naturally done much to insure that all shades of opinion are heard from the floor and has helped to quicken general interest in the meetings, since questions will occur to one stockholder which will not come to the mind of another. This evidences the great advantage of collective questioning over the old style private questioning of corporate officials. The latter, of course, is and should be used for lengthy questioning of a specific nature, but for general questions there is no better place than the democratic forum of the annual meeting.

Another step taken to solve the problem of accessible localities whereby stockholders may collectively meet for discussion is provided by the supplemental regional meeting which in pre-war days began to come into increased favor—and deservedly so. It is to be expected that as transportation difficulties of the war period come to a conclusion, this trend will again be resumed.

The Post-Meeting Report

Even the most accessible meeting place however can only result in the gathering together of several hundreds of the thousands and even hundreds of thousands of shareholders in some of our large corporations.

Realizing fully that this was patently unfair to those who for business or geographical reasons could not attend and yet were interested in following the discussions of their corporation's affairs, one of the largest American corporations took the bull by the horns and boldly began the practice of sending a complete, factual, and impartial report of what took place to all the stockholders of the corporation. Omitted were only irrelevant discussion, unparliamentary language, and similar material, which have no place in a report of this kind.

A number of other corporations have since followed this policy, which has met with increasing stockholder favor, because for the first time stockholder reports and business are discussed in the language of the man in the street. This year, once again, a goodly number of other corporations will start the program of sending some kind of post-meeting report to the stockholders and at other meetings where the management still opposes this step, floor fights over the alleged issue of a free corporate press will take place.

Probably another reason for the increasing popularity of these reports, not only from the stockholder's viewpoint but from management's as well, is that they act as a checkup on the type of views expressed from the floor. After all, the stockholder addressing the Chair is only expressing his individual viewpoint; but when it is printed and carried in the post-meeting report, the management can see from the letters coming to it from those who received the report, just how much weight should be given the opinions which were expressed. In other words it becomes an excellent Gallup Poll of the stockholder opinion.

These reforms have done much to improve the calibre of the stockholders meeting and it is interesting to note how the stockholders themselves prevent abuse of their newly found privileges. Oratory is discouraged—whether of the left or of the right. The stockholders want the facts not lengthy speeches. They are concerned with the affairs of their corporation, not the affairs of the nation, except as they are immediately related to the administration of their common property. Woe betide the stockholder who wanders far afield. No chairman has to attempt to make the stockholder desist; the meeting itself soon makes its impatience clearly perceptible.

On the other hand any attempts by the chair or "company" stockholders to suppress legitimate and reasonable discussion of the business before the house is equally resented by the independently minded stockholders, who are now making the annual meeting a yearly habit and attempts to resort to steamroller tactics, when entirely unjustified, generally boomerang.

All the problems of insuring corporate democracy at the annual meeting have not yet been solved. No one should forget that most Americans want the evolutionary not the revolutionary methods of reform. In the years which are ahead further gradual steps to insure this goal will be taken. A maximum of good will and understanding by all those who own the commonly-owned corporation—no longer the monopoly of the few—will do much to insure the continued success of the American industrial system.

Four Rejoin Staff of Brundage, Story, Rose

Brundage, Story and Rose, New York City, investment counsellors, announce that Comdr. Dwight C. Rose, USNR, has been readmitted as a general partner of the firm and that Lieut. Robert W. Hinton, A. A. F.; Lieut. Comdr. John S. Nichols, USNR, and Comdr. Harold A. Waterworth USNR, have resumed their duties as associates of the firm.

Comdr. Rose, who recently returned after four years of active service with the Navy, is President of the Investment Counsel Association of America. Comdr Waterworth is in charge of the firm's Philadelphia office.

Kadelburg With Schapiro

Howard T. Kadelburg, previously connected with Lazard Freres & Co. is now associated with M. A. Schapiro & Co., Inc., 1 Wall Street, New York City.

W. A. Forrester to Join Lazard Freres

William A. Forrester, Jr., has resigned as Vice-President of The National City Bank of New York to become a general partner of Lazard Freres & Co., 44 Wall Street, New York City, members of the New York Stock Exchange, in charge of the buying department, effective March 1, 1946. Mr. Forrester was with The National City Company from 1928 to 1933, and with The National City Bank from 1933 to the present time.

W. A. Forrester, Jr.

Willard York Opens Branch

HARLINGEN, TEX. — Willard York Company, San Antonio investment firm, has opened a branch office at 210 East Harrison Street under the management of Rexford P. Olson.

Bank and Insurance Stocks

By E. A. VAN DEUSEN

This Week — Bank Stocks

Bank stocks have been lagging this year, despite the favorable reports presented to stockholders at the annual meetings in January. As measured by the American Banker Index, they have declined 1.6%, compared with the 3.0% advance of high grade industrial stocks, as measured by the Dow Jones Industrial Average.

The following table shows the market action of 17 leading New York City bank stocks, from Dec. 31, 1945 to Feb. 13, 1946. Their average decline has been 2.3%. Five of the 17, however, have shown moderate appreciation, viz: Bankers Trust, Continental Bank & Trust, Corn Exchange, Manufacturers Trust and New York Trust.

	Asked Price 12-31-1945	Asked Price 2-13-1946	Per Cent Change
Bank of Manhattan	35⅛	34	—3.2%
Bank of New York	478	462	—3.3
Bankers Trust	52¼	54½	+4.3
Central Hanover	128	120½	—5.9
Chase National	49⅛	45⅛	—8.1
Chemical Bank & Trust	54½	51¼	—6.0
Commercial National Bank & Trust	52¾	51¼	—2.8
Continental Bank & Trust	22⅝	23¼	+2.8
Corn Exchange	64½	65¼	+1.2
First National	2,095	1,970	—6.0
Guaranty Trust	375	371	—1.1
Irving Trust	21⅛	20⅝	—2.4
Manufacturers Trust	64¾	65½	+1.2
National City	51⅝	49¼	—4.6
New York Trust	116¼	116½	+0.2
Public National Bank & Trust	48¾	48	—1.5
United States Trust	840	810	—3.6
Average of 17			—2.3%
American Banker Index	50.7	49.9	—1.6%
Dow Jones Industrial Average	192.91	198.74	+3.0%

TABLE II

	Asked Price 2-13-46	Book Value 12-31-45	Net Oper. Earnings 1945	Dividend Rate	Mkt. to Book Value	Earning Yield	Dividend Yield
Bank of Manhattan	34	$30.26	$3.12	$1.20	1.12	9.2%	3.5%
Bank of New York	462	436.20	33.31	14.00	1.06	7.2	3.0
Bankers Trust	54½	47.77	3.39	1.80	1.14	6.2	3.3
Central Hanover	120½	112.63	8.79	4.00	1.07	7.3	3.3
Chase National	45⅛	40.57	2.36	1.60	1.11	5.2	3.5
Chemical Bank & Trust	51¼	40.02	3.07	1.80	1.28	6.0	3.5
Commercial Nat. B. & T.	51¼	54.82	4.57	1.60	0.93	8.9	3.1
Continental Bk. & Tr.	23¼	22.67	1.77	0.80	1.03	7.6	3.4
Corn Exchange	65¼	53.34	5.43	2.40	1.22	8.3	3.7
First National	1,970	1,333.79	98.65	80.00	1.48	5.0	4.1
Guaranty Trust	371	347.42	19.06	12.00	1.07	5.1	3.2
Irving Trust	20⅝	22.08	1.32	0.80	0.93	6.4	3.9
Manufacturers Trust	65½	54.85	5.32	2.40	1.19	8.1	3.7
National City	49¼	44.59	2.84	1.60	1.10	5.8	3.2
New York Trust	116½	99.82	7.94	4.00	1.17	6.8	3.4
Public Nat'l Bk. & Tr.	48	48.89	4.76	1.50	0.98	9.9	3.1
United States Fire	810	767.74	46.42	35.00	1.06	5.7	4.3
Average of 17 banks					1.11	7.0%	3.5%

A second table is appended which shows book-values, net operating earnings (exclusive of security profits and recoveries) and current annual dividend rates, in relation to current market prices.

It will be observed that all but three stocks are selling at a premium to book value, the average ratio being 1.11. Commercial, Irving and Public are priced at a moderate discount from book value.

Average annual dividend yield is 3.5%, ranging from a low of 3.0% for Bank of New York to 4.3% for United States Trust. Average earning yield is 7.0%, which shows that the average dividend coverage by net operating earnings, exclusive of security profits, is 2.0.

It is of interest to compare the 3.5% yield with that of high grade corporate bonds, as quoted by Standard & Poor, as follows:

Rating	Composite	Industrial	Rails	Utilities
A1+	2.58%	2.42%	2.75%	2.51%
A1	2.75	2.55	2.97	2.63
A	3.02	2.79	3.25	2.90
B1+	3.09	2.84	3.29	3.02

It is significant that since V-J Day there has been a steady rise in commercial borrowings. New York Federal Reserve member banks reported total commercial, industrial and agricultural loans at $2,186,000,000 on August 15, 1945; On January 2, 1946 they totaled $2,830,000,000 and on February 13, 1946, $2,898,000,000, which constitutes a new peak on the present basis of reporting. The increase since August 15 is $712,000,000, equivalent to approximately 32.5%.

Reports of member banks for 101 cities show a similar trend, though their increase in commercial loans, which have risen from $5,949,000,000 to $7,342,000,000, is approximately 23.5%.

The significance of this upward trend in commercial loans, so far as bank earnings are concerned, lies in the fact that the rate of return is higher on such loans than on Government loans (securities). For example, Banker's Trust reported earning 1.70% on loans in 1945 vs. 1.29% on securities. Chase reported 1.26% on total loans and investments vs. 1.09% on Governments; Irving Trust, 1.75% on loans vs. 1.42% on Governments, and Corn Exchange, 2.79% on loans compared with 1.62% on Governments.

Indications point to the probability that this upward trend in commercial borrowings will be sustained for some time.

Loan Ratification Delay

(Continued from first page)

mism concerning the alleged certainty of ratification at an early date. Lord Halifax's reports are understood to have been the main basis of this optimism. He sought to reassure the Government not to take American opposition to the loan too seriously, and is said to have expressed the hope that the ratification would be effected without amendment by the end of March. Now according to recent Washington reports it appears possible that Congress will not even begin the examination of the Agreement till much later in the year. As a reaction to the earlier unwarranted optimism there is now a wave of pessimism bordering on defeatism. It is now doubted whether the Agreement will be ratified before the autumn, if at all.

The gravity of the situation caused by the delay and uncertainty of the ratification could hardly be exaggerated. The British dollar reserve is dwindling rapidly, and in the circumstances the Government is unable to take really effective measures to stop the drain. Indeed, Britain is getting the worst of both worlds. Had the negotiations broken down, or had Congress rejected the Agreement outright, the Government would at least know how it stands and could make arrangements accordingly. It would be possible to negotiate a smaller but by no means inconsiderable loan with the Import-Export Bank, and American private exporting interests are known to be prepared to finance their exports to Britain in order to safeguard their British markets. As it is the Treasury does not want to avail itself of such sources of dollars, for fear that to do so might antagonize Congress and would prejudice the chances of ratification. Nor is Britain in a position any longer to derive the full benefit of the existence of the Sterling Area arrangement. Even though under the Washington agreement that arrangement may continue for 12 months after the ratification of the loan, in practice the impending change is casting its shadow before itself. Under the Agreement the sterling balances will have to be scaled down and, apart from the amount released in dollars immediately, they would have to be blocked until such time as Britain can afford to release them in dollars. It is hardly surprising in the circumstances that Sterling Area countries and other countries holding sterling balances are not at all keen on acquiring more sterling between now and the dissolution of the Sterling Area. Although the total of such balances is still on the increase, holders are becoming more and more reluctant to increase their holding.

In the absence of the Loan Agreement, the Treasury would be in a position to discriminate between war and post-war balances. It could block war-time balances, and make post-war balances freely usable for the purchase of British goods or for transfers within the Sterling Area. Since the amount of post-war balances is not unduly large, holders would be willing under such a scheme to increase their holdings, and Britain would be able to pay in sterling for a large part of her import surplus. As it is, she can now buy less for sterling and has to spend more dollars in consequence in order to secure indispensable imports. Clearly, she is getting the worst of both worlds: she has to face the disadvantages of the loan without having derived so far any benefit from it.

The only way in which Britain can defend her balance of payments during the transition period pending ratification is through a drastic curtailment of her imports, especially from the United States. This was not done so long as it appeared as though ratification would be effected shortly. Now that it seems that the Agreement will not be ratified for some months, and may not be ratified at all, the Government is understood to intend to apply some drastic measures in that direction. The import of American films is expected to be reduced, in spite of fears of an anti-British Hollywood propaganda that might result from antagonizing Hollywood. The reduction of British purchases of American tobacco and oil is also under consideration. Traveling abroad will be forbidden, except in instances when the journey is likely to yield much more dollars than the amount spent on it.

Even allowing for these measures, the dollar deficit is expected to remain formidable, and before the summer the dollar reserve is likely to dwindle down to a most inadequate level. Strong pressure is brought to bear on the Government, therefore, to induce it to recover its freedom of action to make arrangements within the Sterling Area and other bilateral arrangements aiming at safeguarding its foreign exchange reserve. The Government is pressed to denounce the Washington agreement unless it is ratified within the next month or two. Unless the prospects of ratification improve, this pressure, which is supported also from within the Cabinet, might become difficult to resist.

Now Zimmerman & Co.

Prankard & Zimmermann, accountants and auditors, announce that the firm name has been changed to Zimmermann & Company. Harry I. Prankard, 2nd, has withdrawn from the firm.

Some Brass Tacks of Banking

(Continued from first page)
about what I think of as "Some Brass Tacks of Banking."

You have one of the great states of the union and one of the outstanding industrial states of the nation.

I think that it would be interesting to explore your batting average in banking.

To serve your great economy, financially, in Ohio, the record shows that you have 681 banks, with aggregate capital funds of 386 million dollars, aggregate deposits of nearly $7,000,000,000, and that you are lending, in the aggregate, about $1,250,000,000. Since your loans represent 17% of your deposits, this is somewhat below the country-wide average of 18.54%. In New York State the average of loans to deposits is 23.4%. This, however, includes New York City, with a good many out of state loans, which probably distorts the figure from a comparable point of view.

It is interesting to observe that 80% of your banks are lending to agriculture for production and operating requirements of its farmers, which means that you are competing forthrightly with one of the most aggressive governmental credit agencies which we have, namely, the PCA.

This would seem to demonstrate quite clearly that these banks know the agricultural business and believe in it. It does stir the imagination, however, to wonder if they are doing as aggressive a job in amount as they might be doing. This is truly banking at its grass roots, not only figuratively but literally.

It is also inspiring to note that the banks were lending to 73,000 or 31% of the 233,000 farmers in Ohio, whereas only 9,000 or 4% of the farmers were borrowing from the PCA. The obvious query would seem to be—are only 31% of the Ohio farmers good production and operating credit risks? I am inclined to believe that in the light of Ohio's great agricultural production that those other 69% of the Ohio farmers represent a lot of potentially good bank credit risks in their production and operating endeavors. When you ponder the fact that our government has just issued orders to divert some of the sources of our alcoholic supply to provide food for the starving Armenians, Greeks, etc. in Europe, I think that agricultural production has an obvious market and needs all the help which we can give to it—to say nothing of those of us who have not yet joined the WCTU.

Having grown up on the prairies—and being one of the few bankers in Wall Street who ever lived and worked on a farm, and also never yet having joined the WCTU, I feel, with some modesty, that I have some understanding of agriculture and its requirements. In my judgment, when we are dealing with a farmer who knows his business, we are in partnership with the Lord. I know of no better partner. He will never let you down on average.

I wonder if all of you are alert to your opportunities in the field of credit? I wonder also if all of you are truly alert to your obligation to the economy of this great state?

I am one of those who believe that the era of sitting in a bank in a frock coat and waiting for our clients to come in and try to get a loan from us, has definitely passed.

We must use the soles of our shoes more and the seats of our trousers less. We must go out and merchandise our credit, and, in doing so, must learn to be resourceful enough to adjust our credit methods to the requirements of industry.

You all know the old story of the girl who asked, "Mother, mother, may I go in to swim?" The mother replied, "Yes, my darling daughter — hang your clothes on a hickory limb, but don't go near the water." We, in the banking business, must learn to go confidently into the water—but, in order to do so, we must know how to swim, and—as I made bold to tell the state supervisors of banks a few weeks ago—their examiners may have to get some bathing suits and take some lessons in swimming, in order that they may better understand and appraise what we are trying to do.

Banking Business Belongs to Banks

The banking business of this country belongs in the banks and not in the government. On June 30, 1945, the government credit agencies were lending to our clients $5,544,000,000. On September 30, 1945, they were lending $5,409,000,000. The figure is gradually coming down, but not rapidly enough. We must keep at this.

Over the past twelve years our government has created some 45 credit agencies with which we, in privately chartered banking, have been in active competition. At the time of the creation of each of these agencies there was always some alleged emergency which was used to justify it. A governmentally minded individual once told me that these agencies stood in the same position as a fire department—They were there and ready when, as and if a fire should break out. The trouble is that the analogy ends at just that point. A real fire department goes home, or back to the fire engine house when the fire is out, and does not hang around and spray cold water over everything within reach in efforts at self-perpetuation, as do some of these credit agencies of the government. One of the most difficult of them with which to compete went out of existence by executive order of the President on the 28th day of last month.

The only means by which we can get the banking business of this country back into the banks, where it belongs, is to go out aggressively and get it, and, in doing so, we must have the talent—the understanding — the ability—and the courage to know how to deal with such business.

It will serve us no purpose to sit quietly and comfortably at our desks and to publish advertisements in our newspapers characterising ourselves as "The Neighborly Bank" or "The Friendly Bank," etc. We must do as all the rest of industry in this country has learned to do and is doing—get out of our chairs and go out and get the business.

A Definition of Bank Credit

Now, let us talk a little bit about the subject of credit. The best definition of credit that I have ever seen is "Man's faith in man." What is faith? Faith is the cornerstone on which our forbears developed and built this great country of ours. Faith is that impelling spiritual force which led over 11,000,000 members of our armed forces to start at a very low point in the late war and turn the very serious reverses which we had suffered pretty much all over the world into a world-wide unquestioned military victory. If we succeed in winning the peace, and thus, in some degree, justifying the casualties of 1,000,000 of our manhood in this past war, it will be because we shall have developed the kind of faith which led them in great numbers to the last full measure of devotion—the giving of their lives. It is just unthinkable that we will not do this. This faith must be an unconquerable belief rooted in our very hearts and souls—a belief in our own country, a belief in the private enterprise system, which, over many years, had developed in this country the greatest and most successful economy and the highest standard of living on the face of the earth—a belief, not only in ourselves, but a belief in all of our fellow beings who are worthy of it.

Now, as to faith in credit — basically it is that same kind of faith—that same kind of belief—in the people with whom we deal—first, that they are people of integrity and that they are people who have a will to repay their obligations, and, secondly, that they are people who have some "know-how" or understanding of the business or industry in which they are engaged. Thirdly, our belief that the uses to which they will put the proceeds of the credit which we extend will serve the economy of the community and of the nation.

There are many people—and a lot of them are in the banking business—who have the idea that credit is some kind of mystery. There are also many people who believe that credit can be determined by the use of a slide rule and a lot of ratios. I am proud to say that I am not one of these. I very strongly believe that there are such things as "horse sense" loans—loans made without any mysterious waving of wands, but based on the integrity of the borrower—his "know-how" of his business—the worthiness of the proposed use of the credit—and plain, honest, intelligent and courageous moral judgment by the lender as to the amount of credit which can be loaned under the circumstances with substantial expectation that it will serve the borrower's purpose and that it will be repaid according to the terms of the loan.

I do not mean to depreciate in any way the educational advantages of ratios to the young fellows starting to work in the credit departments of our banks any more than I would decry the educational advantages of learning the alphabet and the multiplication tables in grammar school. What I do decry is the idea, which many have, that credit—which is a matter of human judgment can be dealt with by ratios, any more than that the designing of a bridge can be dealt with by multiplication tables or the alphabet.

It may well be that I do many things backwards. Certainly, in dealing with the matter of credit, it has been my practice, for a long time, to first satisfy myself about its basic factors—namely, integrity and "know-how"—before I begin to explore the figures. Regardless of how good the figures are, dishonest or inept management can get you, as a lender into trouble. On the other hand, an honest competent management can keep you out of trouble, without possessing great financial substance.

Many of your banks, I know, are not large banks as expressed in figures. You smaller banks, however, are the banks who are standing in the outposts—on the firing line. You are the banks which, by reason of the relatively small size of your communities can, should, and in most cases, do know well the human and moral characteristics of the managers of business in your local areas. You should, in that manager's eyes, be his banker. When faced with a credit problem which is greater than your lending limit, or not in keeping with your local experience, but one to people on whom you have a favorable judgment, you should be able to turn readily and confidently to your correspondent banks and have from them promptly and whole-heartedly, the benefit of whatever of their experience they may be able to contribute as well as their support in the making of the loan. If this is not the case, you have the wrong correspondent banks and you should promptly get others who will readily serve you some purpose. The very backbone of our privately chartered banking system in this country consists of the correspondent banking relationships between the banks across the country. During the depression and new deal days of deficit financing, our banks were surfeited with deposits. There was little that a bank could do for its correspondents other than to get them theatre tickets and railway transportation. We must re-energize our correspondent banking relationships over the country and make them virile and cooperative, as they were over a period of so many years prior to the 1930's.

Vicious Effect of Government Loan-Guarantees

While on this subject of credit, I must mention the vicious effect of the government guarantees of commercial loans. During the era of war production there were many instances in which this was justified, to some degree. On the other hand, there were very many instances where it was not justified. This government guarantee of our commercial loans was one of the greatest opiates which has ever been administered. It dulled the thinking, weakened the moral courage and sapped the aggressiveness of many of our bankers. You may not realize the fact that when the Japaneses moved into China in strength, one of the first things they did was to develop the opium habit on a great scale, for the obvious purpose of reducing to subjection great numbers of the Chinese, who, on their own, as I know from having lived in that part of the world, are normally a stalwart people.

Bank's Obligation to Provide Credit

We in banking must learn again to stand on our own feet in the field of credit—to do a courageous job, and also to do it intelligently. Second only to our primary obligation of safeguarding the deposits of our customers is our obligation to provide credit courageously and wisely to deserving industry.

I suggest that one of our most prevalent faults today in banking is that we are too smug—that we, on many occasions, lack the patience and the will to take a credit request as presented to us, and—drawing on our experience in our own business,—undertake to make

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Mutual Funds

Putting It on the Line

"Wars always bring inflation," writes **Keystone Co.** in the current issue of Keynotes. "Every major war in our history has been accompanied or followed by an inflationary rise in prices.

"And the causes are always the same—government deficit financing, inflationary expansion of the money supply, rising costs of production and shortages of goods.

"All these conditions are present today. In the past five years the national debt has increased 520%, and the money supply has increased 150%. Wage and other production costs are rising, and shortages exist in virtually every type of consumer and durable goods.

"The present policy of freezing prices and stopping production will lead inevitably to disorderly inflation. The only solution is to allow prices to rise sufficiently to stimulate production. Business then will boom, and we will have an orderly inflation, which will be automatically controlled as shortages are supplied and competition brings prices back to normal levels."

College Investments

Vance, Sanders in a recent issue of Brevits refers to the interest shown in the subject of college investments at the Second Annual Forum on open-end investment companies sponsored by this firm last December. In recognition of this interest, Vance, Sanders lists the types of investment securities held by a number of the larger colleges as of June 30, 1945. Here are the figures:

	Total Stocks and Bonds	Common Stocks	Per Cent of Common Stocks To Total
Brown University	$9,068,237	$4,348,014	47.9
California (University of)	28,611,941	6,181,114	21.6
Dartmouth College	17,930,380	7,773,225	43.4
Johns Hopkins University	29,959,786	10,073,224	33.6
Mass. Institute of Technology	33,778,879	12,821,259	38.0
Harvard University	156,164,359	56,002,449	35.9
Princeton University	38,604,697	13,940,154	36.1
Radcliffe College	5,266,203	1,924,990	36.6
Rochester (University of)	48,403,601	20,571,530	42.5
Smith College	6,019,250	1,891,072	31.4
*Wellesley College	12,320,446	4,551,470	36.9
Williams College	10,295,900	3,764,688	36.6
Yale University	91,098,353	31,762,362	34.9
Totals	$487,522,032	$175,605,551	36.0

*As of 9-29-1945.

Value of Competent Management

Hugh W. Long & Co., in a new folder on **Fundamental Investors** brings up to date the comparison of this Fund's performance with the performance of a $500,000 investment in 20 high-grade common stocks selected by a large eastern bank for investment by an estate.

The investment was made at the end of 1940 and the period therefore covers approximately five years. During this time the $500,000 investment advanced to $696,706.11 in market value and paid a total of $126,949.58 in dividends. A similar investment in Fundamental Investors, after all costs, could have been sold at the end of the period for $993,912.96 after payment of $180,065.28 in dividends.

Thus, the net difference on this $500,000 investment over a period of five years was $350,322.55 in favor of Fundamental Investors.

Profits vs. Income

Distributors Group has made available to dealers its revised leaflet "The Advantages of Profits Over Income—Two Reasons Why You Should Invest for Appreciation." Reason No. 1 has to do with the declining purchasing power of the dollar and a chart shows graphically what has happened to the dollar since 1939. It is now worth less than 75¢.

Reason No. 2 is based on the fact that "profits on investments held more than six months are taxed under present laws at no more than half the rate which applies to dividends and ordinary income." A chart compares the value of $10,000 of such profits with $10,000 of dividends or other income to an investor whose total taxable income is $30,000. In this example, the investor keeps $7,500 of his $10,000 profits but only $4,338 of his $10,000 dividends or other income. Thus, in the example given, the investor's profits are worth $3,162 more net to him than an equal amount of dividends or other income.

Record Sales for Investors Syndicate

The month of January, 1946 was the best "new business" January in the history of **Investors Syndicate.** A face amount of $7,907,000 in new business was written during the month, compared with $4,181,000 a year ago.

Investors Mutual, Investors Selective Fund and **Investors Stock Fund,** for whom Investors Syndicate acts as principal underwriter and investment manager, also reached a new sales peak in January amounting in the aggregate to $2,874,000, compared with $2,203,000 in January, 1945.

War Surpluses

In this week's Investment Timing service **National Securities & Research Corp.** discusses the problem of war surpluses and concludes that they are not a serious threat to industry. A table of Government war surpluses is presented showing a total prospective inventory of $52.3 billion. While this figure might appear ominously large to American business, the analysis reveals that only about $5 billion is made up of consumer goods which may be sold in this country, compared with an annual normal volume here of $75 billion.

Prankard to Head Lord-Abbett Funds

Following the untimely death of Mr. Andrew J. Lord, the Boards of Directors of **Affiliated Fund, American Business Shares** and **Union Trusteed Funds** have elected Mr. Harry I. Prankard, 2nd. President and a Director of all three funds. Mr. Prankard, was heretofore senior partner of the accounting firm of Prankard & Zimmermann.

Mr. Leon Abbett was elevated to the Presidency of **Lord, Abbett** and Mr. Prankard was elected Executive Vice President of that firm.

The Building Industry

Calvin Bullock analyzes the building industry in the current issue of Perspective. Of especial interest is a chart comparing the trend of building costs with the trend of rents in large cities. This chart illustrates clearly one of the fundamental obstacles now standing in the way of an all-out building program. Building costs have risen so high in relation to rents in large cities that an increase in one or a reduction in the other will have to be brought about in order to create the necessary background for a protracted building boom. In the long run it is believed that such a development is inevitable.

"Whether or not the market has already discounted too much and too soon in the case of individual issues, the outlook for a building revival is so brilliant both as to magnitude and duration that the building shares should continue to command well-deserved attention from intelligent investors."

Fidelity Fund

The annual report of **Fidelity Fund** reveals an increase in net assets from $5,237,715 to $10,328,779 during the year 1945. Unrealized appreciation on securities owned amounted to $2,380,074 on Dec. 31, 1945.

Formula Plan Investing

Keystone Co. discusses investing by a formula plan in a recent issue of Keynotes. "Formula Plan investing removes the emotional factors from investment management. In its simplest terms, it is merely a method of changing the proportions of Defensive and Aggressive securities in the investment portfolio according to the level of the market."

A long term chart of the stock market is presented which indicates that at their current levels stock prices are now entering the upper third of their long term range.

Railroad Equipment Stocks

In a new folder on **Railroad Equipment Shares,** the sponsor, **Distributors Group,** writes that there is "good value" available in selected stocks of the railroad equipment industry.

The folder states that "a common stock offers you good value if by its purchase you are getting earnings for less than you could buy them elsewhere." A "price list" of earnings is then given which shows that per dollar of cost selected railroad equipment stocks today afford estimated earnings of about 8¢ in 1946 and 14¢ in 1947 as compared with 6¢ and 7¢ respectively for the Dow-Jones 30 Industrial Stocks.

New York Letter

Hugh W. Long & Co.'s February issue of the New York Letter presents an interesting chart comparing the 1924-1928 movement in the Dow-Jones Industrial Average with that which has occurred since 1942. The comparison to date is rather striking and shows that, while in the former period the move went from about 100 to about 300, the current move has so far traversed only about half that distance.

Mutual Fund Literature

Hugh W. Long & Co.—Memorandum on **Fundamental Investors** entitled "Yardstick for Judging Management"; a revised brochure on **Fundamental Investors** giving statistitcs on the Fund from its inception; revised Prospectus dated Feb. 1, 1946 on **Manhattan Bond Fund;** February portfolio folder on **Manhattan Bond Fund** . . . **Broad Street Sales Corp.**—Folders giving "Record of Management, Liquidating Values, Dividends" on **Broad Street Investing Corp.** and **National Investors;** a booklet on **National Investors** entitled "Highlights of the Portfolio." . . . **Distributors Group**—Current monthly Investment Report on **Group Securities, Inc.;** revised folder on **Steel Shares;** current issue of Steel News; portfolio folder for February on **Low Priced Shares** . . . **National Securities & Research Corp.**—Current National Notes memorandum, "Items of Interest"; revised folders on **National Securities Speculative Series** and on **First Mutual Trust Fund** . . . **Calvin Bullock**—Revised booklet "A Brief Description of Dividend Shares" . . . **Keystone Co.**—Revised portfolio folders on **Keystone Bond Funds B-1, B-2, B-3 and B-4.** . . . **Selected Investments Co.**—Current issue of "These Things Seemed Important" . . . **Lord, Abbett**—Investment Bulletin on **Union Bond Fund C.**

Dividends

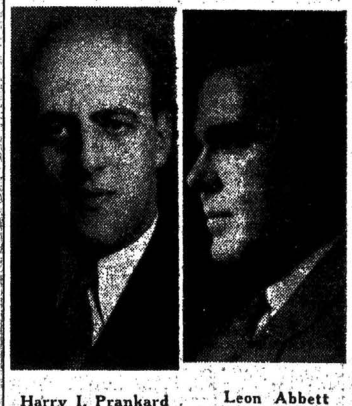
Group Securities, Inc.—The following quarterly dividends, payable Feb. 28, 1946 to shareholders of record Feb. 15:

Class—	For First Quarter Regular	Extra	Total
Agricultural	.03	.07	.10
Automobile	.05	.05	.10
Aviation	.09	.06	.15
Building	.05	.07	.12
Chemical	.04	.04	.08
Electrical Equip.	.04	.11	.15
Food	.02	.05	.07
Fully Adminis.	.05	.08	.13
General Bond	.08	.04	.12
Industrial Mach.	.04	.08	.12
Institutional Bond	.10	.01	.11
Investing Co.	--	.10	.10
Low Priced	.04	.07	.11
Merchandising	.08	.08	.16
Mining	.04	.04	.08
Petroleum	.04	.04	.08
Railroad Bond	.04	.01	.05
Railroad Equip.	.05	.03	.08
Railroad Stock	.04	.06	.10
Steel	.04	.03	.07
Tobacco	.05	--	.05
Utilities	.02	.06	.08

Institutional Securities, Ltd.—A dividend of 2¾¢ per share payable March 31, 1946 to Bank Group shareholders of record Feb. 28.

Prankard Pres. of Lord-Abbett Inv. Cos.; Leon Abbett Heads Lord, Abbett & Co.

Harry I. Prankard 2nd has been elected President and director of the Lord-Abbett investing companies to fill the vacancy caused by the accidental death, a week ago, of Andrew J. Lord. Leon Abbett has been elected President of the sponsoring company, Lord, Abbett & Co., Inc., 63 Wall Street, New York City.



Harry I. Prankard . Leon Abbett

The three investing companies which Mr. Prankard will direct are Affiliated Fund, Inc., American Business Shares, Inc., and Union Trusteed Funds, Inc., with combined assets exceeding $80,000,000.

Mr. Prankard, who has also been elected Executive Vice-President of Lord, Abbett & Co., Inc., was formerly senior partner of Prankard & Zimmermann, certified public accountants of New York and Boston, and for the past 17 years has specialized in accounting and tax problems of investing companies. He has been serving as Chairman of the advisory committee on investment company accounting of the American Institute of Accountants, and as a member of the committee on investment trust accounting of the New York State Society of Certified Public Accountants. He is author of the section on investment trust accounting in "Contemporary Accounting," official reference book of the American Institute of Accountants.

Mr. Abbett was one of the founders of Lord, Abbett & Co., Inc., 17 years ago, and has heretofore served as Executive Vice-President.

C. Russell Lea Now Is With Reynolds & Co.

Reynolds & Co., 120 Broadway, New York City, members New York Stock Exchange, announces that C. Russell Lea, formerly commander, USNR., has been released from active duty and is now associated with them.

Some Brass Tacks of Banking

(Continued from page 979)

it bankable. Too many people find it simpler to just say "No" as politely and tactfully as they know how.

In my own operations in my own bank which cover our business in a considerable part of the United States and—we have no loan, discount or credit committees,—I have had for a number of years, two rules for the nine lending officers who work with me. First, any proposed loan that any two of them agree should be made, they may go directly ahead and make. In the doing of this, they may talk it over with me, or not, as they choose. Second, if all nine of them should, by any chance, agree that a loan should not be made, they can, under no circumstances say "No" to the proposed borrower until they have talked it over with me. These rules have worked very well, and are at the present time in full force and effect. I think that two heads are better than one, but that 20 heads are not. Smugness—lack of patience—unwillingness to explore a proposed loan—the tendency to be guided by first impressions—are not, I think, sound, nor in keeping with our great heritage in banking.

In an effort to offset the effects of government guarantee and to bring to bear on requests for credit collective talent and experience and the facility for spreading credit risks,—banking in this country, out of its own thinking and out of its own resources, has created 47 Bank Credit Groups which cover every area of these United States, two of which you have here in the State of Ohio. To my way of thinking, the local banks are like the lineman in a football team. If an opposing player gets by the line, or through it, he is still faced with the secondary defense — generally the backs. This secondary defense corresponds to the correspondent banks in our banking system. If the opposing runner succeeds in getting either through or around the line of play and also by the secondary defense, he is still faced with the problem of getting by the safety man—generally the quarterback, who plays well behind the team. In my simple analogy, the Bank Credit Group is that quarterback or safety man.

Banking is a Risk Business

In New York I happen to be the Chairman of the Bank credit Group which has committed to it $101,000,000. In the Second Federal Reserve District I have not yet encountered a proposed loan from a local bank which has not been dealt with in cooperation with the local bank, either by some of the members of the Bank Credit Group in their individual capacities or else by the Bank Credit Group itself.

I urge, that regardless of the size of your bank, or of the community in which it is located, you do not turn aside, or turn over to our governmental agencies requests for credit without first talking them over with your correspondent banks or the Bank Credit Group serving the area in which you are located, always assuming, of course, that you, as the banker of the proposed borrower, have faith in his integrity and his "know-how." These two attributes are basic in any credit risk.

Let us also stop this idea of thinking of a "risk loan" as being a bad loan. Banking is a risk business. There are many forms of risks other than banking. Every business indulges in risks in its operations every day. Every time we walk across the street, we take a risk, but only rarely are we run over by trucks, street cars or taxicabs, if we have our eyes open and our wits about us.

Now, if I may, let me turn for a few moments to this much headlined little business man. Curiously enough, we hear most about him from people occupying political offices. He is a great headline getter for them and they live by headlines. To read and hear what they have to say, we would almost be forced to the conclusion that this little business man is someone who, like Venus, or Minerva, has suddenly sprung, full-grown.

Banking and Little Business

The little business man is as old as is this country and its antecedent colonies. He is the man who made this country big over the years. Do you realize that, of our 15,000 banks in this country, some 70% have lending limits of $15,000 or less and that these banks are located in almost every town, village and hamlet of this country? The banking business itself is "little business" incarnate. Banks have grown up, not only with little business, but in dependence upon little business. Almost every former little business in this country, which has grown to great stature, has done so by the implementation, along the road, of its banks. What nonsense for these people to say that banks have no interest in the little business man!

The mortality rate in little business has been extraordinarily high in this country for many years. The figures are available over a period of a great many years to anyone who will take the trouble to look them up. He thinks it is credit. The outstanding feature of this great mortality is that it has been caused, in very great part, by ineptitude or inadequacy of management in small business.

Over the period of the past 40 years, the medical profession and research in medical laboratories have increased longevity of human life about 15%. This has not been the case with business life. The average life of a business enterprise in this country is still between 5½ and 6 years, with the greatest percentage of failures in the first three years. In my opinion, the next great forward step in the economy of this country will be a substantial improvement in the adequacy of business management. What a magnificent and inspiring thing it would be if our banks would bestir themselves sufficiently to become an important factor in implementing this accomplishment! We have many facilities in this country to which these small businesses—and indeed, medium-sized businesses as well—can turn for first class managerial advice. It is a curious fact that so few of them do it. It is a good deal like the horse—we can lead him to water, but cannot make him drink. There is an amazingly fine opportunity just now—when so many people are starting new businesses and others, with improvident management, are only able to struggle along in their existing businesses—to induce these people to take advantage of the opportunities for improving some one of the phases of their respective managements with a view to raising the average of the skill of the whole management in any concern, large or small. Every one of these concerns banks with some bank. We must make it our business to know these clients of ours better, to have the talent ourselves to recognize the weaknesses in management and to urge these people to go and seek the benefit of skilled advisors in that particular field. As to those enterprises in this country—regardless of their size—who are seekers of credit, an educational program such as this would vastly improve the whole credit structure of the country.

As to those enterprises which are not seekers of credit, such improvement in management will enable them to more adequately and more profitably discharge their obligation to the economy in whatever industry they may be.

How many of your clients do you think really know their operating costs and are not just guessing at them?

How many of your customers really know and understand the purchasing methods in their industries—or in the industries which form the sources of their raw material supplies—and thereby benefit from the savings which come with a knowledge as to how to conduct their purchasing operations?

How many of your clients have any justifiable reason, instead of guesswork, for the amount of inventory they carry—which, if too large, burdens them with the added cost and market hazard of carrying it?

How many of your people have a really full understanding of the problems in selling their products? How many of them know their markets? How many of them understand the value and the methods of proper merchandising, proper packaging, etc. — knowledge of all of which would tend to increase their volume of sales and thereby spread their overhead costs, to their definite advantage?

How many of your clients know, or even reasonably understand, the implications of their income taxes and are thereby enabled to take fully and wholly legal advantage and benefit of that knowledge? How many of your clients know anything about a budget or a cash forecast? Contrast the business death-rate with the improvement in the human life-span, which since 1921 has been about 4%.

Laboratories for Small Business

The medical profession developed medical laboratories, on the premise that it had a greater obligation to the human race than just easing its pains—and so developed the whole trend toward preventive medicine, with the result that the human life-span has increased from 100 deaths per 100,000 in 1921 to 96 per 100,000 in 1943. Tuberculosis was at its lowest death rate in 1944. Most people go to a general practitioner, who points the way to a proper specialist.

Parallel in business: example, the cost accountant—his name is legion. They are scattered all over the land. Like every other calling, some are more skilled than others. Where do they go to find them? The banks would be the logical place—either having the knowledge or knowing where to find out.

We in the banks must learn to become in a sense the general practitioner—the father confessor, of you please. Every business regardless of its size has a bank account somewhere with some bank. Bankers must develop some degree of proficiency as general practitioners in respect to problems of business health. Most of us, through long experience, can or should be able to do at least a little diagnosing of our own.

The banks with their contacts with business of all kinds must undertake to develop within themselves the ability to become general practitioners, to continue the analogy—business counsellors, if you please.

Then when you encounter specific weaknesses through diagnosis, the thing to do is to turn your customers to the men who are highly skilled in their respective specialties.

This kind of service would by no means be an unselfish thing for banks to do, or to encourage their clients to do—because the better the degree of management, obviously the better the credit structure of business, which is in the very definite interest of commercial banking.

This would not contemplate, in my thinking, the urging of this line of action only on people who are seekers of credit—it should be urged on all of our clients. There is a fundamental reason for this—because the better the quality of management in business, the better the product, presumably the lower the price, the broader the market, the greater the employment and the higher the prosperity for all. In reality, this goes to the very core of the American philosophy of achieving higher living standards through higher standards of productive efficiency—a principle which is alone possible in a democracy—and is the very essence of a private-enterprise economy.

This trend toward the improvement of standards and effectiveness in business management must be urged and implemented. And I hold that in this effort the banks should equip themselves to lead and to cooperate fully with business. Business has a right to look to the banks for financial leadership. We must assume this responsibility—or government will assume it by our default.

A very great deal of thought has been given in my own state to the practicability of a state-wide laboratory job on this subject of inducing business to take advantage of the many means available to it to improve the quality of management. My best guess would be that this will in all likelihood be initiated by selecting a medium-sized city in our state and working out a highly intensive and forthright appeal and performance with the businesses in that city.

The result of that effort, which can hardly be less than successful, would provide the urge for business in other cities and communities in New York State to undertake the same educational steps.

Are our business managements smarter than successful men in the professions? Are business men determined not to want to develop a greater mastery of their own calling in life? Based on my own experience, I am convinced that business men are open-minded, ambitious and looking for every possible means of improving their batting average.

Let us try not to fool any of the people any of the time—but to do a really aggressive job of performance which will be a real help to our economy, a credit to banking and a complete answer to our critics, whether sincere, crackpot or political.

Weld Re-Elected Head Of Commodity Exch.

The Board of Governors of Commodity Exchange, Inc., at a recent meeting re-elected Philip B. Weld of Harris, Upham & Co. as President and re-elected Floyd Y. Keeler of Orvis Brothers & Co. as Treasurer.

The following Vice-Presidents were also re-elected: Commission House Group, Richard F. Teichgraeber; Hide Group, Edward L. McKendrew; Metal Group, Ivan Reitler; Silk Group, Paolino Gerli.

Securities Salesman's Corner

By JOHN DUTTON

The other day we had a visit from an old friend who lived in Boston. He told us a story of how he got his brother a job as a security salesman, and of the unusual success this new salesman had achieved. Here is an idea for a small firm that wishes to increase its business—but first you have to have the right kind of a brother—or maybe a cousin.

Anyway, this new salesman had been (of all things) a drug clerk. He made a small salary, lived in a typical New York apartment, went to his work every day, and that was that. His brother had quite a large clientele of security buyers. In addition, the head of this firm also had a number of smaller accounts that were becoming too much of a chore for him to service properly. The two of them got together and decided to give the former drug clerk a chance to make a go of selling securities. He did—he made a total of $10,000 in commissions the first six months he was in the business.

If you have a small firm you can take on one salesman and sometimes do a better job with this one man than you could accomplish if you tried out several of them. The plan here was very simple. Both the head of this firm and the salesman culled out a number of the smaller accounts (and some prospects) which they no longer could handle properly, and they turned them over to the new salesman. This gave him a good start. In addition they worked with him—taught him the business—helped him over the rough spots and watched every move he made for the first few months. They were careful in the selection of securities which he sold to these customers. The rest was easy. This fellow had a good business background to begin with—he had common sense—and he had a sales training in the drug business. Once he found out that you could make big earnings selling securities he dug into his job with the sort of vigor that produced results.

It seems that this would be a good time to add some service men who would like to learn the business of selling securities. If you have the small accounts (and who doesn't today) why not turn them over to one of these fellows and let them go to work developing a business. If there ever was a time to break in new men in the sales force THIS IS IT. Anyone that can't make the grade now is just too lazy, or too unfitted for the job, to make good at almost anything. You can find out in two weeks at the most, whether or not a new man will make good in this business. If he doesn't begin to show promise within this period of time he should be persuaded to give up the idea of selling securities. Almost anyone can sell securities today. Why not get yourself another salesman?

NYSE Bond Brokers Association Elects

The association of Bonk Brokers of the New York Stock Exchange has elected the following Officers and Board of Governors for 1946-1947:

President— Roland L. DeHaan, Mabon & Co.

Vice-President — C. Peabody Mohun, Stern, Lauer & Co.

Secretary-Treasurer — John Wasserman, Asiel & Co.

Board of Governors (in addition to officers): Douglas G. Bonner, Bonner & Gregory; Arthur Cowen, Jr., Cowen & Co.; Howard M. Ernst, Ernst & Co.; Maurice A. Gilmartin, Jr., Charles E. Quincey & Co.; Thomas J. Hickey, Vilas & Hickey; Samuel L. Hornstein, Carl M. Loeb, Rhoades & Co.; Sylvester P. Larkin, Pflugfelder, Bampton & Rust; John F. McLaughlin, McLaughlin, Reuss & Co.; Kenneth A. Roome, Hardy & Co.; Clarence E. Weigold, Struthers & Dean.

Members of the Nominating Committee for 1946 are: Anthony J. Bailey, Robert G. Johnson & Co.; Edwin F. Dodge, Abraham & Co.; Nathan Shulman, Herzfeld & Stern; Walter F. Seeholzer, Sagar & Seeholzer, and John J. Trask, Francis I. duPont & Co.

L. A. Macomber Dies

Lewis A. Macomber, after 66 years of consecutive employment with H. Hentz & Co., died Tuesday, February 12th. Born 81 years ago in Hempstead, L. I., Mr. Macomber started working for the New York Stock Exchange firm as a messenger boy in 1879. He was associated in the commodity department of the firm at the time of his death.

We Are Nearing the End of The Bull Market in Bonds

(Continued from page 958)

imports to expand bank reserves to a point well beyond the ability of the banks to make use of the funds. This combination of circumstances placed the banking system in a position where further forced liquidation of bond holdings was no longer necessary, and the banks were able not only to absorb the bulk of the new offerings of the Government, but also to enter the bond market aggressively on the buying side. As a result, prices of bonds rose and yields fell; yields on high grade long-term corporate bonds declined from about 4½% to about 3¼%, while yields on long-term Treasury bonds declined from about 3¼% to about 2½%.

Phase II—The Anti-Inflation Interlude

The second phase represented a temporary reversal of the monetary policies followed in the first period. Alarmed by inflationary developments in the commodity and stock markets, the Federal Reserve officials raised the reserve requirements of member banks, cut excess reserves from about $3 billions to less than $1 billion, and thereby precipitated a short-lived, but severe decline in the bond market in the early part of 1937. Yields on high grade long-term corporate bonds rose to about a 3.40% basis and yields on long-term United States Governments to about a 2.80% basis.

Phase III—Renewed Reflation

Phase three, which extended roughly from the spring of 1938 until outbreak of the war, represented a return to the basic easy money conditions of phase one. The banking authorities added to the pressure of money over-supply by reducing member bank reserve requirements from their peak levels; but the impetus for increasing ease in the money market came chiefly from the deluge of gold imports representing the flight of European capital in the face of recurrent war threats. During this phase, bond yields continued to decline with only minor interruptions until yields on high grade corporates were under 3% and yields on long-term (partially tax-exempt) Treasurys were below 2¼%.

Phase IV—War Time Stability

During the war, the new capital market was largely pre-empted by the Government, which developed a policy of holding interest rates on new issues of taxable Treasury obligations to a well defined pattern of ⅜% on 90-day Bills, ⅞% on one-year Certificates, 2% on eight to ten-year issues and 2½% on longest-term marketable bonds. Throughout this period the banking system served as an agency of residual credit, and it supplied to the Treasury all funds necessary for the prosecution of the war over and above those forthcoming from other sources. To make this possible, the Federal Reserve Banks added tremendous amounts of Government securities to their portfolios, thereby expanding the reserves of the banking system, which were maintained at a level near $1 billion in excess of legal requirements. In addition the Federal Reserve Banks agreed to purchase Treasury bills at a fixed price, which gave the banks access to unlimited amounts of funds with which to purchase bonds. And in order to anchor the whole range of yields to a low level, the Federal Reserve Board established a preferential discount rate of ½% on United States Government securities maturing in one year or less. Closely coordinated with this policy of maintaining an unlimited supply of funds, the Treasury contrived, in its offerings of new securities, to meet the demands of the market for issues of different maturities and specifications appropriate to various classes of investors. In this manner, despite the tremendous borrowing needs of the Treasury, it was possible to maintain relative stability of rates on the pattern established early in the war period.

Phase V—Starvation of the Market

In the past 12 months, the bond market has experienced another dramatic down-turn in yields. Medium-term fully taxable United States Government obligations moved from 2% to a 1¼% yield basis and the longest-term unrestricted Treasury issue from a 2½% to a 2% basis. This new upsurge in Government bond prices resulted primarily from competitive bidding for outstanding issues by institutional investors and this in turn had its origin in two developments.

In the first place, the Treasury adopted a policy of what has been commonly referred to as starving and/or threatening to starve the market for intermediate and long-term Treasury obligations. Early in the war, the Treasury established rigid restrictions as to the purchase by commercial banks of new issues of long-term Treasury obligations. Later, similar restrictions were extended to all new issues with a maturity of more than ten years. But in the Seventh Drive, no offering of ten-year obligations was made, the longest-term eligible issue being a 5½-year 1½% bond, and in the Victory Drive no bank-eligible securities with a maturity of more than one year were offered. Since the banks were kept supplied with reserves, these measures have tended to deflect commercial bank buying of such issues into the open market and thus to exert pressure on the yield structure in the intermediate and long-term issues.

In the second place, there has been a growing conviction that "maturity doesn't mean anything any more," and that intermediate and long-term bonds involve no more risk of price decline than shorter term, lower-yielding issues. This idea apparently is based on the assumption, which certain Government authorities fostered and others did not disclaim, that regardless of how much yields declined, the Federal Reserve Banks could be counted on to use all the resources at their command to prevent them from rising. Thus Federal Reserve policy came to be completely subordinated to the desire of the Treasury to drive interest rates on its obligations to ever lower levels.

Summary of Forces Making for Bull Market in Bonds

The 12-year bull market in bonds has thus resulted from a unique combination of circumstances and policies. The general environment of the market was one in which the supply of funds seeking investment was repeatedly out-running the demand, with consequent pressure on the rate structure. Deposit reflation, following the severe deflation of the early '30s, was succeeded by deliberate inflation in an effort to force business revival. This was aided and abetted by tremendous gold imports, as foreign capital poured into the United States from a war-inflamed world. With our domestic economy in a state of chronic depression during the '30s, with little incentive for expansion of production or for the initiation of new ventures, the demand for new capital by private enterprise remained at abnormally low levels throughout the period. The demand for funds came principally from the Government, which simultaneously was adding to the supply of funds by a continuous expansion in bank borrowing. Finally, an involuntary expansion in bank credit, which was a necessary concomitant of financing the war, brought an unprecedented increase in the supply of money. Once unleashed, this tremendous increase in money supply, based on Government borrowing from the banks, remained as an actual and potential source of demand for investment media by those who controlled it. Thus there has existed during the 12 years since 1933, a condition in which the demand for investment securities, as compared with the supply of such securities coming on to the market, was kept in relative unbalance.

The Prospect

So much for a necessarily brief and perhaps inadequate appraisal of the conditions responsible for our 12-year bull market in bonds. Now let us look at the alignment of forces which is likely to prevail in the investment market during the years ahead.

Changes so fundamental in character are in process of formation that an end to the bull market in bonds appears to be not far away; and within a period of months thereafter we should witness the beginning of a long period of rising bond yields. This is not to say that the forces responsible for the bull market have yet been fully spent, for gold imports are not unlikely and they, together with a return of currency from circulation, could further increase the supply of funds seeking investment. In this setting, if no offsetting action is taken by our banking authorities, if they continue to temporize with potentially dangerous issues, and if the Treasury continues its present policy of starving the market for intermediate and long maturities and of refunding all issues that come up for call or for maturity into one year Certificates, the stage may well be set for a further and final spasm of decline in bond yields.

The Need for Anti-Inflation Policies

But this phase is not likely to last very long because our fiscal and banking authorities are fast approaching one of the great dilemmas of the times, namely, how to maintain interest rates at inordinately low levels and at the same time to control the tremendous inflationary forces which have accumulated as the result of past policies.

During the war, the uses to which people could put their funds were limited not only by the practical unavailability of goods, but by rationing and by the self-restraint and patriotic response of an embattled nation. So-called "savings" of the people were high and it was much easier to channel these funds into investment in United States Government securities than will be the case in the months and years ahead.

The full impact of the inflationary forces resulting from past policies has just begun to appear. To mention only a few pieces of evidence, inflation has shown itself in black markets, on the labor-management front, in soaring real estate prices, and in a sharp rise in the stock market. Recognition of its threat to economic stability was recently acknowledged by Mr. Eccles, Chairman of the Board of Governors of the Federal Reserve System, in as clear a statement of the problem as we have had from any Government official. The direction in which we are moving suggests that circumstances are likely soon to force the hand of the Federal Reserve and in the course of time it probably will have no alternative but to tighten the reserve position of the banks so that the fires of inflation will not be fed by a steady stream of newly created bank credit. The significant point is that the *direction* of Government policy is likely to be reversed and instead of a long series of measures designed purposely to bring lower and lower interest rates, as has been the case since the early '30s, we are likely soon to see in Federal Reserve and perhaps even in Treasury policy, a reflection of the urgency of preventing the money-inflation of the war period from having a response in price-inflation in the post-war period.

Basic Factors of Capital Supply and Demand are Changing

Whatever may be the direction of Government policy, the basic conditions governing the supply of and demand for funds in the investment markets are likely soon to be such as to bring about a change in the trends of interest rates and bond prices. Much of the New Deal program of economic reform was based upon the belief that the source of the nation's ills was to be found in over-saving. According to this school of thought, the remedy lay in redistributing or leveling down the flow of purchasing power from the high income to the low income groups by steeply progressive taxation and by increasing the wages of labor as opposed to the profits of industry. Whatever the merits of this view, we have in fact witnessed a significant shift in the savings-investment relationship. The bulk of our savings has always come from the high income groups, and I doubt if anyone will challenge the statement that very high and steeply progressive tax rates on incomes will continue in the post-war period. Hence the volume of saving from this source is likely to be restricted. Savings in the lower income brackets have always been relatively small in dollar volume and, so far as the future is concerned, social security programs and the growing attitude that the Government owes everyone a living give the people less incentive to save. Business corporations, moreover, have been encouraged, to put it politely, to disburse a larger percentage of their earnings and to engage less avidly in that old-fashioned practice of "plowing back earnings into the business." The prospects would seem to be far from promising in the period ahead for a large volume of genuine savings out of income.

Now look at the other side of the equation. Visualize the fact that, for a time at least, the demand for bank credit and for capital funds must be adjusted to the probability of a national income ranging from $120 to $140 billions per year instead of the $65 to $80 billions per annum in prewar years. We shall need to expand capacity in many lines if, as many observers expect, we are to have the biggest volume of home construction this nation ever experienced, an expansion of export trade to double or triple the level of the '30s, an increase in the number of automobiles in use by so much as to require the building of thousands of additional miles of surfaced highways, an expansion in municipal and public utility facilities to meet the needs arising from one of the greatest migrations from country to city, and from one city to another this nation has ever experienced; a tremendous expansion in demand arising from the fact that the war has raised several millions of our people to an income status where they can afford to increase their consumption. All of this adds up to a tremendous expansion in the demand for capital funds and when viewed against the probable volume of savings, it strongly suggests that the environment of the bond market will be greatly different from what it was in the great bull market. Thus the probabilities over the coming months seem to favor an end to the bull market in bonds and the beginning of what may be a long sustained upward trend not only in bond yields but also in short-term interest rates.

The Extent of the Rise in Interest Rates

It is perhaps unwise at this time to attempt to measure precisely how large an increase in bond yields is in prospect once the trend is changed. But with the low interest rate philosophy so deeply embedded in our official thinking and with the interest cost on the Government debt so powerful an argument for low rates, it would be rash to assume that anything more than a slow and moderate rise in the structure of interest rates would be looked on with equanimity by our fiscal and banking authorities. Insofar as possible they will probably resort to qualitative credit controls to curb inflationary excesses; and it would not be surprising if they were to apply the credit brakes reluctantly and sparingly. Quite possibly, the transition to a bear market in bonds will be slow in developing and the decline in prices moderate in proportion, at least during its earlier phases. But it must be kept in mind that, during the bull market in bonds, the basic factors making for lower interest rates were augmented by extremely easy fiscal and banking policies, and that rates were carried to levels much lower than were at first contemplated. In the period ahead, that experience may be duplicated in reverse; for while the money managers will probably plan to prevent more than a very gentle tightening of rates, they may in time be forced to take drastic action to prevent inflation; and against a background of reduced savings and expanded demand for capital the response in bond prices and yields may be larger than they expect. Bear markets are not always as orderly as we would like them to be, and especially is this likely to be the case if the preceding bull market has risen violently in its later stages. Nevertheless, the chances seem heavily to favor a moderate and slowly rising *trend* in bond yields, for probably nothing more than that would be willingly contenanced by the authorities. Within the framework of this pattern, however, there may be some pronounced short-term fluctuations as the authorities alternately apply and relax the credit brakes.

Investment Policies

What would the outlook, as it has been pictured, suggest as to the investment policies of individuals, investing institutions and borrowers? Obviously, the answer is that a long drawn out rise in rates of moderate proportions would have little significance to most investors. Certainly long-term investors — either institutional or individual — dependent upon income from high grade obligations and able to hold their investments to maturity, would be ill-advised to speculate on the possibility that price declines within any particular period would be large enough to provide increases in yields adequate to offset loss of income from liquidating present securities and holding the proceeds uninvested. But where income is not an immediate consideration and book loss would be embarrassing, a cautious policy would appear to be indicated.

With respect to banks, sound investment policy now, as in the past, calls first for investments in high grade, short-term obligations sufficient in amount to meet, with a comfortable margin, estimated increases in loan demand and possible decreases in deposits over the foreseeable future, and, second, for limiting investments in intermediate and long-term issues to highest grade securities in amounts which there is good basis to assume can be carried to maturity. For banks in such a position, no change in investment policy in anticipation of a rise in yields of such proportions as seems likely to occur in the next year or two would seem advisable. On the other hand, where banks have depended too heavily on assurances of future invulnerability of the market and have extended maturities unduly at the expense of needed liquidity, readjustment of portfolios along more conservative lines might well be carried out in the months ahead.

As to prospective borrowers of capital, the increasing possibility of a changed trend in bond prices suggests that it would be prudent to get planned refunding operations out of the way soon, and to raise within the relatively near future such of the funds needed for near-term expansion purposes as may appropriately take the form of long-term capital flotations. Beyond that it is questionable how far the prospective borrower should go, for the timing and extent of the coming transition in the bond market is not subject to precise measurement.

* * *

In conclusion, the bull market in bonds is nearing its end and we should soon thereafter enter what is likely to be called by the economic historian the post-war bear market in bonds. Unless the authorities exercise the restraints which will prevent the market from experiencing another sharp rise from already high levels, the end of the bull market and the beginning of the bear market may be marked by more violent changes than are necessary or desirable.

Newburger, Loeb & Co. Partners Resume Duties

Newburger, Loeb & Co., 40 Wall Street, New York City, members New York Stock Exchange, announces that Major Morris Newburger, Captain Robert L. Newburger and First Lieut. Andrew M. Newburger have all been released from active duty and have resumed their activities as general partners in the firm.

"Quick as a Flash"

First automatic electrical quotation board devoted solely to U. S. Government issues, recently installed in the offices of C. J. Devine & Co., Inc., specialists in Government securities. Board flashes instantaneously each change in the market for any of the various

issues. A system of lights "alerts" traders immediately of an upward or downward movement. A signal indicates "buy" or "sell." Single transactions often run into may millions of dollars. With its main offices in New York, C. J. Devine & Co., Inc., is in direct communication throughout the trading day with its network of eight branches in various parts of the United States.

New York Curb Employees Form Quarter Century Club

The Employees of the New York Curb Exchange have formed a new group, the Employees Quarter Century Club of the New York Curb Exchange, full membership being limited to employees who have completed 25 years or more of service.

Charles E. McGowan has been elected president of the new association; Charles H. Vernon, Vice President, and Henry H. Badenberger, Secretary-Treasurer.

Other members of the club are: Gustave R. Becker; Edward G. Breitweiser; Louis S. Burgers; Francis J. Cavanaugh; Chris. Hengeveld, Jr.; Martin J. Keena; Joseph J. Kroll; John W. McDonough; Edwin J. O'Meara; and Francis P. Reid.

Effective date of the organization will coincide with the 25th anniversary of the Curb Exchange on June 27th.

Frank Ginberg on Trip To Pacific Coast

Frank Ginberg, partner in Strauss Bros., 32 Broadway, New York City, has left on an extended business trip to the Pacific Coast.

Ardrey Heads Dept. at Bankers Trust Co.

The appointment of Alex H. Ardrey as head of the Banking Department of Bankers Trust Company, 16 Wall Street, New York City, was announced by S. Sloan Colt, President of the Bank. Mr. Ardrey has been a Vice-President of Bankers Trust Company since 1930. His first banking connection was with the National Bank of Commerce, New York, during his college vacations and after his graduation. In the summer of 1922 he did special work in the Iowa National Bank (now the Iowa-Des Moines National Bank). He then became Vice-President of the Security Trust and Savings Bank of Los Angeles. This bank later was merged with the First National Bank of Los Angeles under the title of the Security First National Bank. Mr. Ardrey remained with this institution until joining the Bankers Trust Co. He is a native of Texas, attended Hotchkiss School and was graduated from Yale in 1921. He is married and has three children and makes his home in Rye, New York.

Alex H. Ardrey

"Our Reporter on Governments"

By JOHN T. CHIPPENDALE, JR.

The decision of the Treasury to redeem with cash $1,000,000,000 of ⅞% certificates of indebtedness on March 1, and $1,290,640,500 of 1% notes, as well as $489,080,100 of 3¾% bonds on March 15, will reduce the short-term floating debt by $2,779,720,600, with a reduction in deposits in the amount that these obligations are held by the commercial banks. . . . Whether this announcement by the Treasury represents a new policy in debt management will depend on open market operations by "Federal" and the handling of the June maturities. . . .

There are some who believe that the government will continue to use cash balances to decrease the floating debt, while others are of the opinion that long-term obligations to be sold to non-bank investors will be used later on in the program. . . .

The retirement of the March maturities out of cash cuts down the floating debt which is a favorable development and should be continued, since the short-term debt is still too large. . . . There seems to be agreement concerning the reduction of the floating debt but differences of opinion exist as to the method to be used to accomplish it. . . . To the extent that the securities to be retired during March are owned by non-bank investors, the cash resources or deposits of these holders seeking investment will be increased by the amount of the redemptions. . . .

DEFLATIONARY IN PART

With reference to the commercial banks, which are the largest owners of the called obligations, the redemption of these securities will be deflationary, since it will result in a decrease in Government securities and Government deposits, or war loan account. . . .

The latest available figures (Oct. 31, 1945) on ownership of the issues to be paid off on March 15 shows that of the called 1% notes and 3¾% bonds, which together total $1,780,000,000, the commercial banks held $1,138,000,000, savings banks $13,000,000, life insurance companies $57,000,000, fire and casualty companies $21,000,000, other investors (including Government bond dealers) $397,000,000, and Government agencies and Federal, $153,000,000. . . .

The paying off of holders of these securities other than Governmental agencies and Federal and the commercial banks, will increase their deposits by $488,000,000, a not too substantial amount. . . .

With reference to the ⅞% certificates of indebtedness, outstanding in the amount of $4,147,000,000 ,of which $1,000,000,000 will be paid off in cash on the first of March, the commercial banks held $2,548,000,000, savings banks $24,000,000, life insurance companies $48,000,000, fire and casualty companies $30,000,000, other investors (including Government bond dealers), $641,000,000, Governmental agencies and Federal $856,000,000. . . . The commercial banks again in this case will be the largest losers of this obligation. . . .

Undoubtedly at the present time the commercial banks are much larger owners of the called obligations than is shown in the latest available figures on these holdings, since it is indicated that the deposit institutions have added substantially to their position in these issues since last October. . . .

NET EFFECT

While the debt retirement program of the Treasury will result in a decrease in deposits, in reality the Government is paying back part of the funds that have not been used and which were made available to them through the over-subscription to the Victory Loan. . . . These funds were obtained by the Government through the sale of long-term high coupon obligations to ultimate investors, with the help of bank credit and the purchase by commercial banks of outstanding eligible issues. . . . While the debt burden will be reduced through the coming retirement in cash of matured and called securities, the cost of obtaining the monies that are being used to carry out this operation was about 2.10%, compared with a saving in debt charges at a rate of approximately 1.44%. . . .

The refunding of part of the March certificates with similar obligations having the same coupon, ⅞%, indicates for the time being at least no change in the coupon rate of these obligations. . . . Whether short-term rates stiffen or remain unchanged, will be determined by the action of "Federal" as to whether or not they replace the reserve balances that will be lost by the member banks in the refunding.

MARKET REACTION

The first effects of the refunding program in the bank eligible section of the government bond market was reflected in a demand for the taxable issues maturing from 1948, on through 1952. . . . These obligations moved up to and in some instances through their best levels of the year. . . . There was a noticeably good demand for the 1948, 1949 and 1950 obligations . . . . A tightening of short-term rates would decrease the demand for these intermediate term obligations. . . .

For non-bank investors, the refunding policy adopted for the March maturities has done nothing to help solve their problem. . . . Although the Treasury could at any time change its present procedure and refund some of the certificates with long-term restricted bonds, such a course of events does not seem to be imminent. . . . Accordingly it would appear that ultimate investors have a choice of keeping funds idle or putting them to work in the presently outstanding issues. . . .

Since the Treasury has done nothing yet to increase the supply of these obligations, and funds seeking investment are still large, there seems to be only one conclusion to draw, higher prices for these bonds. . . . If a 2% yield basis is what the money managers want, that can be attained in the not too distant future, by doing nothing that would increase the present supply of these bonds. . . .

PROFIT TAKING

New all-time highs were made by several of the restricted obligations after the refunding announcement was made by the Treasury. . . . Some profit taking the early part of the week retarded this upward trend. . . .

The sharp criticism by the Federal Reserve Board, of debt retirement with Treasury cash balances in which they pointed out that this method of handling the debt problem would be more inflationary in its effect than increasing the debt by selling securities to the public, indicates a cleavage among the monetary authorities. . . . Despite the indicated dissatisfaction of "Federal" with the present policy, it is believed that the ideas of the Treasury will continue to prevail, as the Central Banks try to convince the Treasury of the soundness of selling bonds to ultimate investors. . . .

CANADA FALLING IN LINE

The substantial demand and sharp uptrend in prices of Canadian Victory bonds indicates a reduction in the coupon rate of future issues of long-term obligations in that country. . . . The price of the Victory Loan 3s issued last Fall, now shows a yield for the 20-year obligation of somewhat below 2.65%, which is believed to be the lowest yield ever recorded for long-term Dominion obligations. . . .

Future issues, it is indicated, will probably bear a coupon rate of 2¾% or lower. . . .

Considers British Loan Good Bargain

(Continued from page 959)

addition to or modification of the arrangement which has not been patiently considered by the negotiators, and I suggest that the time has come to put our support solidly behind the plan that has been worked out. We must not overlook the alternative to the conclusion of such a deal. What reasonable prospect is there for the reestablishment of an orderly world economy and the achievement of a maximum volume of international trade, until the relationship between the dollar and the pound sterling—the two currencies in which the major part of world trade has been conducted for the past century,—has been reestablished on a sound basis.

Quite apart from the natural feelings of friendship that exist between the two great English-speaking democracies, the compelling arguments for Britain is that country's outstanding importance as a great center of world trade and finance on which many other countries depend. Without a freely convertible sterling there will be scant hope of achieving the multilateral trading system which has been the traditional goal of this country. Of no other currency save the dollar is this true to anywhere near the same extent. Not on the basis of sentiment, or of looking backward, but on the basis of our own interest in world trade recovery, the British position is wholly exceptional. There is no proper analogy between the case for Britain and that of any other country.

Loans to Other Countries

A natural and proper inquiry is: —What further loans are to follow? Certainly, only those which are gauged to our ability to supply goods, materials and manufactures, as well as to the necessities of the borrower, and to his ability to repay them ultimately in goods, material and manufactures, that we can willingly and advantageously receive.

Such loans should be made by the Export-Import Bank which is under legislative instruction to make loans generally for specific purposes. Foreign traders have been expressing some doubt of late as to whether the Export-Import Bank has sufficiently protected their interests in its loan procedure. Announcement of the consummation of a loan has customarily been made by a press release by which foreign traders, as well as the general public, are informed of the granting of the loan, in general terms. Traders inquire whether either the Export-Import Bank or the Office of International Trade Operations of the Department of Commerce might not indicate in detail just what goods are to be bought, with whom to deal, and where. Also, traders inquire why there is not some means by which they can receive a commitment from the Bank that they will receive payment of the money that the Bank has agreed to loan. As it is now, traders have no means of knowing whether their contracts for the manufacture and delivery of machinery of special character, exceed the amounts that have been allocated by the Export-Import Bank for this purchase.

There is a further aspect of the Export-Import Bank about which I have several times spoken, which gives our foreign traders even greater concern. I refer to the willingess of the Bank to make loans to foreign nations which bar access by our foreign traders to their old distributors and agents. On that subject the 32nd National Foreign Trade Council declared itself by recommending the withdrawal of the United States Government from purchasing for account of foreign governments, and the discontinuance of those purchases by foreign missions and agencies which tend to obstruct the channels of American trade and distribution. As Dr. Henry Chalmers of the Bureau of Foreign & Domestic Commerce points out in Foreign Commerce Weekly for Nov. 10, it should be possible to deal with those governments which have been forced by war conditions to establish purchasing missions here, without radically changing our traditional methods of trading or our established commercial policies. While I do not like state trading, I am inclined to agreement with that conclusion—with a single, important exception. I am not willing to acquiesce in the purchase by any foreign government with funds loaned by us, of trade-marked goods, or goods in which servicing is a factor, if the manufacturer must turn his back on them at the pier. We have developed in this country a sales promotion technique,—advertising, servicing, financing and the like—which has been a potent factor in expanding domestic markets. Many of our manufacturers and traders had learned how to employ this technique overseas, and it has been an equally potent factor in developing overseas demand for our goods. I regard it as fatal to the concept of our expanding foreign trade, to which our whole foreign economic program is dedicated, to have important world markets barred to our foreign traders, and the door slammed in our face, even when we are supplying them with the goods and the money.

Before the Export Managers Club of New York, Mr. Herman Edelsberg, Special Counsel—Foreign Trade Sub-Committee of the Special Committee of the United States Senate to Study Problems of American Small Business, is urging the development of a division of the Export-Import Bank to aid the small exporter. Is it not incongruous to suggest that the Export-Import Bank should develop facilities for the small exporter while it pursues a policy of foreign lending which excludes our foreign traders from markets once open to them? Are we, by our own lending, to finance the extinction of our foreign traders?

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often expressed belief became something of a slogan in Canada. Maintaining that the Canadian Pacific sought only to serve and to be recognized as a good citizen of Canada, Sir Edward claimed that, whatever is good for Canadians in general is good for the Canadian Pacific—and conversely, whatever is bad for Canadians in general is bad for the Canadian Pacific, also.

That slogan slightly changed, could well become ours. I submit, we should begin by recognizing that whatever is good for the trade of America must be good for the chemical industry—that whatever is bad for the trade of America must also be bad for the chemical industry.

Do not, I beg of you, call this just a truism. Our conduct for generations past has flagrantly violated the dictum, that what is good for us all collectively will probably be best for us all individually.

Let us look back and ask ourselves, in especial reference to trade policy, what has been hitherto the mainspring of our conduct? You know that the question answers itself. Can we name anywhere a great American industry which has not speciously believed itself to possess some special interest, apart from its interest in the welfare of us all?—and whose primary political purpose has not been to lobby for that special interest?

For my part (and speaking as a Canadian-American) I cannot. Perhaps there are United States-Americans who can.

My range of experience, of course, is very limited. I know quite intimately the little capital, Ottawa—the big capital, Washington, I merely learn about from hearsay. But my friends on your side of the border, who know both capitals, tell me the two cities have much in common. I, therefore, make bold to speak of both capitals in like language.

I say that, from the time of your President McKinley—from the time even of our Sir John A. MacDonald, who flourished earlier than McKinley—lobbies in both National Capitals have so pressed for their individual and sometimes secret objectives, as often to smother the discussion of what is good for America. The natural result has been a series of deliberate restrictions upon trade, as a rule for the sake of selfish minorities, and at the cost of us all.

Governments are obviously not much good, in peace time, at getting goods produced: but even the least efficient of them can impede production. Instances abound in which goods are not being produced, because the government concerned has made production of them unprofitable.

Nevertheless, it would be crude and misleading to picture all of our miseries, in the 1930s for examples, as resulting from trade restriction. There are other ways of killing commerce, besides the technique of strangling; and individuals, as well as governments, have helped to kill it.

Our collective action in blocking trade channels, by means of your 1930 tariff and our 1931 tariff, could scarcely have been followed quite so soon by the disaster which ensued, if we North Americans had not, as individuals, already behaved in suicidal fashion.

It is a familiar, and yet a strange story. Let me recall those bygone times, the five years from 1925 to 1929, when trade flowed in great volume across national boundaries, when this entire planet of ours enjoyed peace and something like prosperity.

By what means do we qualify for these great blessings?

One decade earlier, the first World War had literally prostrated Europe. In many ways, 1919 resembled 1946. Hunger dominated multitudes. Shocked Englishmen and Americans saw the death by starvation of children, whom no zeal of theirs could save.

For four years following 1919, there was a progressive breakdown. I do not like to think of what war-torn millions, from Tiflis to Bremen, then suffered.

The condition of America was also far from what it should have been. There was distress among our farmers and miners, among our lumbermen and fishers. Moreover, because the producers in our basic industries were thus impoverished, millions of American industrial workers were unable to find employment.

Then, approximately during 1925, both in Europe and America this condition was reversed. Among the people on both continents, a strong revival occurred.

Millions in Europe, long haunted by the spectre of starvation, could again eat enough. Raw materials appeared, and the factory chimneys began to smoke again. Gradually the scars of warfare were effaced, and hearts were lifted.

Millions in America, meanwhile, were brought back to prosperity. The primary producers whose lot, ever since the post-Armistice inflation collapsed, had been far from easy, renewed their acquaintance with "a seller's market." Disposing once more at a profit of their crops and livestock, their minerals, and lumber and fish, they too could again spend freely. The rising standard of their consumption energized the manufacturing and the service industries. Unemployment in the cities was rapidly mopped up. At last, all was for the best, in the best of all possible worlds.

What or who deserves the credit for this amazing miracle?

To give a correct answer to this question is not the sort of thing which makes one popular in 1946. For if the truth be told, much of the credit — perhaps most—belongs to that despised and rejected of men, the North American capitalist. Both here and abroad, his action was decisive.

Firstly, the North American capitalist put Europe on her feet again—and mark you, by means of a very simple trick.

He just lent Europe lots of money. He waited until the Dawes Plan was implemented in Germany: then went ahead and made loans. There is literally no more to that part of the story.

Secondly, the North American capitalist gave us in America new strength and courage.

Not yet had the valuable conception of pump-priming been created. Still in the Womb of Time (if I may coin a phrase) was that child of misfortune, the New Deal. But in a very real sense, from 1925 onwards, the North American capitalist did the job of pump-priming—and on a global scale.

In fact, the fellow primed two pumps at the same time — one pump in Europe, and one in America. For it was the spenidng of money borrowed from the North American capitalist, by the teeming (and in some cases, formerly penniless) industrial areas of Europe, on wheat, meat, sugar, wool, cotton, hides, timber, minerals and so forth, which made our primary producers prosperous from 1925 to 1929. And this, at one or more removes, made us all prosperous. Make no mistake—for us, it was one of the greatest sprees in history.

Not purely for God's Glory did the North American capitalist act thus. His was the lure of anticipated profit. He put out his money—poor chap!—for an expected six, seven, eight or more per cent.

Some of us doubted, even then, whether the loans thus easily subscribed could be repaid. Nor were we sure that interest on this grand scale could be collected.

Happily for mankind at large just then, the lenders felt no such doubts. Of them, it could be said in the language of Alfred Lord Tennyson: "Theirs not to reason why!" Drilled by their investment bankers till they moved as if on parade, these heroes of Wall Street and Uptown charged upon their doom.

We, looking back on this episode, know that most of the money thus loaned was quickly lost. A cynical friend of mine, well-versed in such matters, says it is the function of capital to be lost anyway. That, he claims, is just what capital is for.

Let us recognize, nevertheless, a certain crudeness in our use of the term "lost." We may grant that the lenders of these vast sums, which lubricated trade so generously during the '19-20s, mostly failed to get their money back. From the standpoint of these private persons, it was and is indeed lost—just as completely gone from them, as if they had given it away.

But my cynical friend also points out a curious and by no means understood truth in American history. Not yet embalmed in our text books, it will surely some day be recognized everywhere.

This man says we North Americans have never truly prospered, except when our exports were largely given away. The five years from 1925 to 1929 were as prosperous as they were, because we could then export on a truly magnificent scale. And our exports in turn were sustained by the capitalists among us who, lending billions abroad, managed ultimately "to lose their shirts"—as the phrase goes—but who did in the meanwhile enable our customers abroad to consume American goods on such a scale, as made most of us at home quite comfortably prosperous.

Some, there are among us who may be depended on to challenge this contention. Their claim will be that it just over-simplifies the story. They say that so small a percentage of our production on this continent is production for export, as to make unconvincing and even incredible the chain of causation which I have suggested. And as we shall see, taking the continent as a whole, it is indeed a small percentage.

This difference of opinion is of importance to the future of us all. It raises the most thorny problems in economic theory. Sometime, therefore, we must discuss it on an academic plane. There is something to be said for at least looking at it on that plane tonight.

At the risk of seeming to digress, I pause here, to distinguish between the two main tribes of North Americans — I mean, between the Canadians and United Statesers.

Naturally, they do not look on export problems with quite the same eyes. Their attitudes must be different, if only because in peacetime Canada's exports are equal to 25% of her national income, whereas your exports in peacetime are scarcely more than 5% of your national income.

There is, nevertheless, good reason to believe that the difference illustrated by these figures is merely one of degree: that basically, the role of export trade is the same in your large economic system, as it is in our much smaller economy.

For us in Canada, there is nothing novel in the dogma that prosperity depends on exporting. In our conditions, its truth is obvious. If anyone does desire proof, look at the pattern of our job distribution from Vancouver to Cape Breton. So many Canadians have invested their lives in export industries that short of an economic revolution, which would be very painful, we could scarcely hope to break the connection between volume of exports and national prosperity.

Just for simplicity, let me telescope this in a formula. During the period in which statistics are available, both of Canada's exports and of Canada's national income, we find not only that with each variation in the Dominion's prosperity both exports and income rose and fell in unison (that is, of course, just what one would expect); but also, curiously, that the closest observable relationship is between exports in a given year and income in the next year.

Technically speaking — mathematically speaking — the national income in year $(n+1)$ is a function of our exports in year (n).

This is a differential relationship, somewhat difficult of expression; but of its existence, there is no possible doubt whatever; and its closeness can easily be measured.

Ours is an assemblage in which all know the technique of correlation: $+$ or $-$ 1.00 is an expression of identity between the movement of two series; and for other series whose movements are not identical, the degree to which they fall short of identity finds its reflection in some figure less than $+$ or $-$ 1.00. All of us are accustomed, in our daily lives, to judging by means of correlation coefficients the significance of measurable relationships.

In the case of Canada's exports and Canada's national income, during the period in which measurement of both is possible, and with a time lag of one year from exports to national income, the coefficient of correlation is remarkably high.

Taking exports from 1923 to 1938 inclusive, and comparing them with national income from 1924 to 1939 inclusive, we find it is $+.923$.

That is a statistical fact. One must approach it as an economist, if one desires an explanation. But merely considered as a fact of statistics, you may find it arresting enough.

This figure suggests that in Canada, the first thing when planning for prosperity should be the motivation of our export industries. And when you know that of each eight employed persons in Canada no less than three find occupation in our export industries, you do not need to be told the reason for this.

Not so do most people think of your problems in these United States. How large a percentage of your employed population is to be found in export industries, I do not know. But clearly, the pattern of job distribution in these United States is bound to reflect the relatively small proportion of your exports to national income.

Therefore, I suppose it would surprise most United States-Americans to learn that there is exactly the same kind of relationship between your exports and your national income, as there is between our exports and our national income. In your case, I must admit, it is less close than in ours. But there is the same time lag—and that is what matters most.

In other words, during the same inter-war period, for which I gave the results of a Canadian export-and-income analysis not many moments ago, comparison of United States exports and United States national income shows the following:

With each variation of United States prosperity, both exports and income rose and fell in unison. Moreover, the closest observable relationship is between exports in a given year and income in the next year. That is to say, technically, your national in-

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Canadian Securities

By BRUCE WILLIAMS

The visionary ideas of the late Dr. Stephen Leacock at last appear on the threshold of probable realization. His conception of Canada as a neglected land of vast rich empty spaces capable eventually of sustaining a 100 million population, until recently, was considered fantastic and illusory.

Now however the Dominion's vast potential dimensions are becoming more apparent. Geopolitics and the progress of air-transport have sweepingly extended Canadian frontiers. Instead of a narrow inhabited belt reaching some 200 miles north of the border, Canada in a few short years has pushed its northern frontiers to the Artic Ocean. The military expedition "Muskox" illustrates the growing recognition of the vital importance of the Dominion's northern outposts. Russian development in northern Siberia places further emphasis on the future importance of the Arctic regions. Another significant factor is the belated recognition of the potential possibilities of Alaska, and the necessity of population increase in this neglected outpost.

What of the vast empty areas between the present inhabited zone and the new Canadian Arctic frontier? It is illogical that a vacuum can long persist. Not only does this area comprise the major portion of the uniquely mineral rich Laurentian Shield, but the Peace River district of Northern Alberta and the fertile valleys of Northern British Columbia also offer great opportunities for tremendous agricultural development. In this same area virgin forests, rich hard coal deposits, oil and minerals await only the necessary manpower for their ultimate profitable exploitation.

When one considers the countless disillusioned millions in war wearied Europe and this empty land of colossal opportunity the Canada of Stephen Leacock's prophetic vision is easily to visualize. Even the Canada of today developed only a few hundred miles north of the border, with its factory sites in easy access to cheap hydro-electric power and abundant sources of raw materials, offers sufficient inducement to far-seeing industrialists in this country. What new horizons are discernible whenever for example the St. Lawrence Waterway project is consummated and Canada's Northern Empire ceases to be an empty wilderness? Whether Canada will quickly realize her ultimate destiny will largely depend on the wisdom of the Dominion's immigration policy and the willingness of European Governments and the British in particular to permit any large scale population outflow.

During the past week market strength was well sustained especially in the internal section of the list. Buying of Dominion internal bonds on this side of the border has become an important factor in the Government bond market in Canada, and has accentuated the movement towards lower yields on Canadian bonds. To deter this movement the Foreign Exchange Control Board cancelled the privilege of registration for ultimate re-sale in Canada.

This worthwhile formality was so little understood in this country that very few bonds were actually registered when the right existed. Nevertheless the difference between a registered and an unregistered bond is quite important. In a weak market unregistered bonds can only be sold externally and at such times a one-way trend can develop. Registered bonds however, can be sold in the broad market in Canada and the resultant exchange sold in the free market.

Externals were generally firm although some profit-taking was in evidence in Nationals which eased slightly. Albertas staged a good recovery and the 3¼% noncallable new issues traded in the neighborhood of par. Montreals were also strong in anticipation of a "sell-out" of the forthcoming $87 million new refunding issue.

With regard to future prospects there is no reason to foresee any immediate change in the present strong trend. However, before investment markets in general discount a still lower trend of interest rates we are likely to enter upon a period of consolidation of the existing level.

Harold A. Prescott Co. Opens in Toronto

TORONTO, ONT., CANADA—Harold A. Prescott & Co., members of the Toronto Stock Exchange, and Winnipeg Grain Exchange, announce that they have acquired the brokerage business formerly conducted by Colling & Colling. The new firm will be located at 330 Bay Street.

Harold A. Prescott is proprietor of the firm. Associated with him will be J. L. Lennon, office manager; A. A. Ferland, statistician; and K. A. W. Sutherland, sales manager.

Sun Life of Canada Celebrates 75 Years

The Sun Life of Canada is celebrating seventy-five years of service. Its first policy was issued in 1871 from a small office in Montreal. In 1895, the organization was extended into the United States, where from coast to coast, it now maintains a highly efficient branch office and agency service.

In 1895, at the end of the first twenty-five years of operation, the assurances in force amounted to $35 million. At the end of fifty years, they had grown to $488 million; and today after seventy-five years, the Sun Life has well over one million policy holders and assurances in force of $3,390,-372,327.

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come in year (n + 1) is a function of your exports in year (n).

The difference between your experience and ours appears only when, in order to measure this relationship, we compute a correlation coefficient. We should naturally look for a difference. Bearing in mind the fact that exports bulk five times as large, compared with Canada's national income, as they do compared with your national income, we should, I think, expect quite a striking difference.

What is it that we do find? Let me refresh your memories by quoting again the coefficient applicable to Canada. That figure is + .923. The corresponding coefficient, when we make a parallel calculation* with your trade and income statistics, is + .890. The conclusion is that if a figure were to be calculated for the North American continent as a whole, the result would indicate a remarkably close relationship between this year's exports to the people of other continents and next year's income here in North America. By my guess, the coefficient indicating this would be just about + .900.

Earlier this evening I suggested that we look at our problem on an academic plane, at least momentarily. What we really need is an explanation, in economic terms, of the causal relationship reflected here.

I do not attempt any such thing tonight; but I do bring to your attention a monograph of recent origin, which does explain. It is by Dr. Amos Taylor, Director of the Bureau of Foreign and Domestic Commerce in the United States Department of Commerce; it is published by the Committee on International Economic Policy, and it is called *The "Ten Per Cent" Fallacy*.

My real purpose in digressing, as I have done about coefficients of correlation, was to make possible a closer tracing of the course of events after 1925 when, as we have seen, the North American capitalist, by means of enormous and in many cases ill-conceived loans, earned much of the credit for putting Europe on her feet again — and incidentally to this, gave an immense stimulus to business in America.

Why did not the process of fertilizing European and American business, by means of these large loans, continue for an indefinite time? Why did we not all of us, like the Prince and the Princess in the fairy tale, live happily for the rest of our lives? Why did the fun end?

The quoted correlation between exports and national income would lead us to suppose that some time, for one reason or another, the momentum of our exports may have faltered. In fact, the statistical record shows that this is just what occurred.

Here I should like, with your permission, to quote from a statement which I made elsewhere once upon a time—in a little book now deservedly forgotten. Speaking of the climax to that great boom, which continued from 1925 to 1929, I wrote† in my little book:

"Vast sums were lent abroad. Even Canada became, for a time, an exporter of capital to other countries. The money so lent, by those countries which could export capital, to those which needed loans, financed the sale of exports by the lenders to the borrowers. Money was lent from nation to nation in such enormous quantities, that the transfer of it literally dragged our goods over the rising tariff barriers of neighboring countries; thus to some extent defeating, or at least deferring, the success of nationalist policies in strangling the world's trade.

"But what happened in 1928 and 1929, at the final boiling of the speculative pot in Wall Street? That is no mystery. Then occurred the final frenzy, which was to shake civilization.

"Men were growing fabulously rich — on paper — every day. Men were growing rich, not because they had contributed to the welfare and happiness of mankind, but because they had bought Nickel or General Motors, Smelters or U. S. Steel, or some of a hundred other stocks.

"We decided to do likewise. The whole world decided to do likewise. There was such a flood of money from the channels of ordinary business into stock speculation as the world had never seen, and I hope will not again see.

"From south, west and north, United States money flowed to New York. From north and west, Canadian money flowed as fast. A great tide of European money flowed from over the sea to New York. Finally, there was not enough money left in business channels to conduct the trade of the world, and the trade of the world broke down.

"The breakdown was especially marked in the case of the borrowing countries, which, having been encouraged to borrow freely, had borowed like drunken sailors and had used the money to purchase the goods they needed—in a large measure United States cotton and Canadian wheat.

"Thus we flooded Wall Street and the stock exchanges elsewhere to capitalize the profits of our trade, and in flooding the stock markets with our money we denuded the trade channels of necessary cash and credit: so first undermining, and then destroying, the trade profits that we hoped to capitalize.

"If ever a generation digged a pit and fell into that pit, it is the generation to which we belong."

My purpose in reading this quotation tonight is to bring out one thing—the smoothness with which a quite crude economic explanation out of an old book fits the statistical analysis at whose results in summary form we looked a few minutes ago.

Bear in mind that the passage which I just read dates from January, 1933. The two coefficients of correlation relating exports with national income in the States and Canada respectively, which I have quoted tonight, were never calculated (I believe) until ten years afterwards, in 1943.

The first of these measurements, the figure connecting Canada's exports with Canada's national income, was published in 1945. To Canadians interested in public questions, it is quite well known.

*Exports from 1922 to 1937 inclusive, compared with national income from 1923 to 1938.

†Man-Made Remedies for a Man-Made Depression: Chapter I in "An Economists's Confession of Faith," Macmillan, 1935.

The second of these measurements, which relates United States exports in year (n) with United States national income in year (n +1), is made public tonight for the first time.

Looking backward, we can perhaps agree that the bill of exchange, the steamship, the railroad and telegraph are mainly to be credited with creating the complex world market in all of its infinite possibilities, by means of which we were living prior to 1914.

Basically, these four mechanisms enabled us to bring about an inter-continental and an international division of labor, as a result of which, almost the broad world over, standards of living rose more in the 19th century than they had risen, perhaps in a thousand years previously.

That increase was only possible because, by design or accident, the distribution of purchasing power between continents and even between countries in the 19th century neatly dovetailed into the distribution by continents and countries of our productive resources; and both of these were paralleled by the regional distribution of consumer needs. I have written of this elsewhere.

The pattern was familiar. Never theless, at the time we mostly failed to realize that it was this fortunate parallelism between the distribution of purchasing power, the distribution of productive resources and the distribution of consumer needs, which made possible for our grandparents and parents such an amazing increase of comfort, such a relative abundance in the 19th century.

That pattern was badly cracked in World War I. Alas! it has been pulverized in World War II.

The smashing of the pattern is a threat to the great exporting industries of North America, yours and ours. But this is only the primary consequence. Because our exporting industries (yours as well as ours) are indispensable foundations of this continent's prosperity, the smashing of that pattern is a threat to much more than our exporting industries. It threatens the living standards of all North Americans.

Paradoxically, while the pattern was actually being smashed, marked improvements were also being made in the mechanical arrangements for transacting world commerce. The bill of exchange is now less in evidence than the later and more useful bank letter of credit. The steamship is largely superseded by the motor vessel using oil. The railroad has been marvellously supplemented by the motor truck. The science of communication is perhaps the most completely transformed, and the most improved of all.

We might have, and but for these two great struggles we no doubt should have at this point a more sensitive and a more adequate world market than ever before, as a direct result of these immense technological improvements. And of course as a result of that, the life of all mankind should also be fuller and richer now, than at any time formerly.

Instead, your own President has just made the grim announcement that more persons are living in poverty, more persons are literally theratened with starvation today than at almost any time in recorded history.

That is what happens when the pattern is broken—I mean when the parallelism is destroyed between the regional distribution of purchasing power, productive resources and consumer needs, respectively.

We have already this evening recalled that after World War I (and after certain hesitations) the North American capitalist stepped in, fancied himself as an international money lender, and primed the pump succesfully for five years following which in one of the most remarkable mass movements ever seen, he destroyed the business prosperity which had been created initially, by means of the loans he made. There followed the Great Depression with its inevitable by-products — including, of course, the knot of fascists whose grisly record is now laid bare at Nuremberg.

So much for the past—but of course, our most pressing interest is in the future. We North Americans cannot forget that we have a rendezvous with destiny.

This time, we shall not leave to private capitalists alone the task of so distributing purchasing power, that world commerce may revive. This time we shall try to make avoidable such a breakdown in Europe, as there was from 1919 to late 1924. We shall hope to guard in advance, this time, against the results of another such madness, as seized us all in 1928 and 1929.

But let us not assume yet that, facing like problems, we shall now do better than our fathers did. Recent events, at Potsdam and elsewhere, can scarcely be described as encouraging. For the prospective starvation of millions, against which your President has warned us, we North Americans must accept some at least of the responsibility.

This week in Ottawa discussions are beginning, between a delegation from Whitehall and our own Government. Our hope is quickly to conclude arrangements for a loan, by Canada to Britain. Such a loan, we believe, will benefit the British; but it is also vital for the safeguarding of our Canadian export industries.

We should have liked to begin earlier on these discussions; but instead, gave priority to the negotiations for your much larger loan to Britain, which occupied so much of 1945.

My hope is (and here I beg leave to speak, not as a citizen of one country to the citizens of another, but as a North American at home among fellow North Americans) that our two Governments will conclude (each, of course, on terms of its own choice) a series of such arrangements, while there is yet time.

For I know the foundations on which (whether or not we like it) our North American economy stands. That is perhaps my best excuse for asking you tonight, with me, to look at the wood, as it were, instead of examining the trees: to believe that whatever is good for the trade of America must be good for the chemical industry—whatever is bad for the trade of America must be bad for the chemical industry, too.

This last is a point on which, I hope, both laymen and chemist can agree.

Registration Suspended

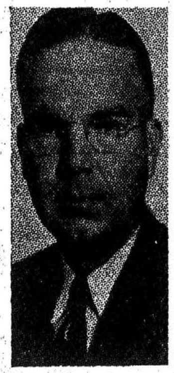
The Registration of Jerry A. Re as specialist has been suspended by the Committee on Stock Transactions of the New York Curb Exchange for one week beginning Feb. 19th. It was charged that Mr. Re had made a bid and offer when he had no wish to sell. The Committee expressed the opinion that the making of this offer by Mr. Re, with the knowledge that a broker member was at his post with a customer's order to sell, effectually prevented the broker member from attempting to obtain a more favorable execution for the customer's order.

At Merrill Anderson

Paul M. Winship, formerly in the Marines, has joined The Merrill Anderson Company, in copy and contact work. With the addition of Mr. Winship, 24% of the agency's staff are now World War II veterans.

C. W. Green Director of ABA Public Relations

Charles W. Green, formerly public relations director of the Franklin Square National Bank at Franklin Square, Long Island, New York, and during the past two years a member of the staff of the Committee for Economic Development on leave from his bank, has joined the staff of the American Bankers Association as director of its Public Relations Council, it is announced by Dr. Harold Stonier, Executive Manager of the ABA.



C. W. Green

Mr. Green takes over the title held for the past few years by Merle E. Selecman, who is giving up the directorship because of increasing duties. Mr. Selecman will continue as Deputy Manager and Secretary of the American Bankers Association, and Secretary of its Trust Division, and his relationship as a member of the Public Relations Council. Mr. Green's duties will be those of coordination of all of the public relations activities carried on by the various departments of the Association through the Council.

According to Dr. Stonier, "Mr. Green was selected for this post because of his fine record as Regional Manager in New York State of the Committee for Economic Development in which position he devoted his time to the successful promotion of rehabilitation and business development work among business firms and merchants in towns throughout the Empire State, whose activities were financed in large measure by local banks. His experience fits in with the program of the American Bankers Association, which emphasizes the importance of helping banks in local communities to relate themselves to community life and needs."

Mr. Green joined the staff of the Franklin Square National Bank in January, 1943, after 23 years of sales management and promotion experience. Before entering the banking business he was associated for 18 years with the International Business Machines Corporation and its affiliated companies in sales and merchandising capacities. In addition, he was for five years Sales Manager in metropolitan New York for the Allied Stores Utilities Corporation in improved merchandising methods. Mr. Green is a veteran of World War I. He is married and lives at Franklin Square, Long Island.

Sterling Engine Pfd. Offered to Public at $10

A banking group headed by Burr & Co., Inc., on Feb. 19 offered 46,123 shares of 55-cent cumulative convertible preferred stock ($8 par) of Sterling Engine Co. The public offering price is $10 per share plus accrued dividends from Jan. 1. The shares offered represent the unsubscribed portion of 100,000 shares offered to common stockholders on the basis of 2/9 of a share of preferred for each share of common stock held. Proceeds will be used to retire bank loans and to increase working capital. Each share of preferred stock is convertible into 1½ shares of common stock prior to Jan. 1, 1951.

Underwriters participating in the offering include Dempsey & Co., Hirsch & Co., A. M. Kidder & Co. and Freeman & Co.

Customers Brokers Offer Courses for GIs

Letters are being mailed by the Assocaition of Customers' Brokers and the Association of Stock Exchange Firms to all brokerage offices throughout the country announcing a review course for returned veterans and other employees who wish to qualify as registered representatives. The course has been prepared and will be conducted by the New York Institute of Finance and is designed to meet the needs of those veterans and others who wish either a quick refresher or a more extended preparation before taking New York Stock Exchange qualifying examinations.

Six prizes are being offered jointly by the two associations sponsoring the course. These prizes will be awarded for highest grades in the Stock Exchange examination if taken before Jan. 1, 1947 and will consist of payment of initiation fee and one year's dues in the Association of Customers' Brokers and the choice of either a year's group life insurance premium, or refund of tuition, which would give each successful contestant the equivalent of about $40.

The course will be conducted in the classrooms of the New York Institute of Finance for those who are resident in the city and by correspondence for employees in out-of-town offices. The concentrated series of lessons preparatory to the Exchange examinations will only require five weeks. For those who wish more complete preparation the regular Institute curriculum will be given. The course will start about Mar. 15th; however, applications are being received immediately at the offices of the New York Institute of Finance, 20 Broad Street.

Gold as an Investment

(Continued from first page)

interested in the stability of the monetary system as a fundamental of free enterprise, and at the same time is convinced of the futility of the gold standard. As a matter of fact, one might speak of an American bias against gold as well as against the industry which extracts it, a prejudice the roots of which may be traced in part to the speculative orgies in the wake of gold discoveries.

One of the ideas underlying the hostility toward gold, disregarding those of economic and political philosophy, is the alleged artificiality of its value. Man can make it and break it, and if so, why shouldn't it be abolished altogether? Actually, so little gold is being used as money in the technical sense—for the physical function of payments within individual countries and between them—that if the value of gold were determined by the demand for national and international currency purposes, it would be small indeed.

Revaluation?

The practical question then is whether it is worth sinking money into gold mines if the price of the product is a matter of sheer fiat and might be changed any time to the investors' disadvantage. This may sound naive to the connoisseur of monetary history, which is an unending story of intermittently raised gold prices, but the question cannot be dismissed lightly in view of its popular appeal. However, it never has been made clear what is meant by the possibility of gold losing its value, that is supposed to be the danger. Does it imply that the gold price would be lowered, say, back to the $20.65 par or even below? Or that the Treasury would refuse some day to buy gold altogether? Or that the public itself would not want to have it any more?

In the former case, that of a revaluation, gold would retain its present monetary position. The Treasury would continue hoarding it, but with a higher "gold-content" infused into the dollar. That would have very substantial deflationary consequences, the more so the lower the new price. For every dollar paid abroad, we would have to export twice as much gold if the price is halved. Foreign claims against this country, amounting probably to some $13 billions, would be doubled in terms of gold, in which they are payable. The Treasury, having bought most of its gold at $35 an ounce, would have to write off half of the purchase price as a loss, or shift the loss on the Reserve Banks (?). Export interests would be badly hurt, since a revaluation would make American goods, already produced at a wage level two and one-half times the British, less competitive abroad. The sheer psychological impact of a revaluation is very depressing, as President Roosevelt found out when his mild threat with a possible lowering of the gold price was instrumental in bringing about the 1937 collapse.

Canadian Revaluation?

The Canadian example is very instructive in this context. There is a strong speculation current that the Canadian gold price of $38.50 might be brought back to par. Should it materialize, every ounce produced in a Canadian gold mine would bring 10% less gross profit (but the American shareholder would realize 10% more on each dollar of dividend). Even such a moderate revaluation encounters the most determined resistance on the part, not only of the gold producers, but of all export interests which are far more influential there than in this country, with three-fifths of the Dominion's national income depending directly or indirectly on exports. The speculation on the "strength" of the Canadian dollar overlooks the obvious: that nothing is simpler than to match the influx of American capital ($245 millions last year) by equal or larger Canadian credits to third countries. In all likelihood, the revaluation will not take place in Canada, as it didn't in South American countries in spite of their greatly strengthened exchange position.

Even slimmer are the chances for a deflationary measure of such an incisive character as a substantial revaluation would mean to this country. Nor is it practicable any more. Our monetary volume has risen to such an extent that the proportion of gold to the total of outstanding monetary units (including bank deposits, etc.) is near the record low of 1929. Our cost-price structure is out of step with the world market, and tends to be so more and more. Unless we deflate the monetary volume as well as costs and prices, we could not very well afford to reduce the gold reserve (in dollar terms), discourage in addition the influx of gold, and make our commercial position entirely untenable. Indeed, our problem is not whether we will raise the gold content of the dollar; no one expects seriously anything of that kind to happen. Our problem is whether we can avoid a new devaluation of substantial magnitude.

Demonetization?

But the "aurophobes" do not want to raise the gold content of the dollar at all. Total demonetization of gold is what they are after, or expect. That is far more drastic than just "going off" the gold standard. After leaving the gold standard, all countries seem to be more anxious to hoard tons of gold than ever before, and they hold on to them more gregariously. A real demonetization would mean the Treasury's refusal to buy at any price, and to sell its gold holdings of about $21 bilions for what they may fetch on the market. Suppose this would be done—although the exactly opposite policy dominates everywhere, including the Soviets and the International Monetary Fund—what then would happen to the market value of gold?

The answer easily can be found on the open market. There are four kinds of prices for gold in the world today. There is the official price at which it is bought constantly, but not sold, by governments. Secondly, in a number of countries gold is bought and sold publicly, but under limitations, at a price substantially above the American. (Brazil just has restarted selling gold in limited quantity to the public at the official rate of 25.25 cruzeiros per gramme, equal to, roughly, $47 per ounce.) Then, gold is available to the public legally in Bombay and Alexandria, and illegally on the more or less organized black markets such as in Paris. Prices in these legal and illegal open markets top all others. In Bombay, gold sells for the equivalent of $60 to $75 per ounce, and occasional attempts of the India Reserve Bank to restrict sales were answered promptly by quotations as high as $80 per ounce.

In Paris, the *louis d'or*, that has a face value of 20 gold francs or about $6.50 at par, commands actually $12 to $14, and occasionally much more is realized for coins. In short, the open market is perfectly willing to buy gold in exchange for dollars, enough of which are floating around here and abroad to absorb our entire gold reserve if it were liquidated. The price (in dollars) may fluctuate, but after an initial shock it is bound to sky-rocket because of the "loss of faith" the dollar would suffer in losing its metal foundation. He who doubts might convince himself by polling banks and capitalists, large and small: what part of their cash reserves and at what price would they be willing to convert into gold?

Why are people bidding for gold? Their motives are the same as for paying rising prices for diamonds, real estate, equities, all of which are appreciating marketwise. The monetary inflation creates a plethora of purchasing power that seeks reasonably safe investment of one kind or another. To blame these private purchases of gold on "hoarding," is misleading. The buyers are not so much hoarders in the old sense, who have some reason to worry about revolutions, confiscations and even wars, as rather speculators, who expect either permanently higher commodity prices or a new devaluation, and hedge against the risk the best they can. And the experience of all paper inflations has taught the world that gold is the only "ideal" hedge, with the additional quality of perfect liquidity thrown into the bargain.

We can set the gold value of the dollar, or maintain a ceiling over the dollar price of gold, if we keep the dollar convertible into gold at the given price. But that is possible only if, and so long as, we keep the "printing press" under proper control. We have gone beyond the limit in inflating our monetary system, and the free market for foreign exchanges, legal or illegal, discounts our prospective ability or willingness to pay in gold in all amounts and at all times. This proves the existence of an autonomous market valuation for gold — the fundamental independence of the gold price from governmental fiat.

Devaluation Prospects

In other words, not only is there no danger of gold losing its value or being reduced in legal price, but the inexorable fact is that the world market price of gold has risen to about the double of the official one. Gold mines cannot take advantage of this situation since they are bound to sell their product in their respective countries at the legally established ceiling price. (Note, however, that gold mining in Latin America, from Mexico and Nicaragua to Brazil and Chile, enjoys a particularly favorable position by being able to sell its output at an enhanced price—something to remember.) That ceiling, in turn, is maintained through pegging operations on the foreign exchange markets, and by foreign exchange regulations and restrictions. It is reasonable to assume that these procedures can last for some time longer before they have to be abandoned. As the OPA can hold the price level for a while in spite of rising costs, so can the exchange stabilization funds hold the external value of their currencies in spite of internal inflation. But both manipulations are of limited life and sooner or later open *devaluation will become unavoidable* here as elsewhere, unless the inflation is corrected, just as rising prices are unavoidable at home unless costs are kept under control. It is reasonable to assume, what all political symptoms indicate, that this country will have to go through the "monetary wringer" before it will be ready to submit to the painful deflationary operation which is necessary to bring about a final stabiliaztion.

Evidently, the present policy of the Anglo-Saxon countries is bent on maintaining their exchange rates (except where enemy occupation has been followed by runaway inflation), but without putting a deflationary pressure on the respective economic houses. The idea boils down to assuring "full employment" at high wages together with "stable money." That is the prime intention of our international monetary policies, from Bretton Woods to the U. K. loan. But this international OPA presupposes that by some miracle internal price structures will adjust themselves so as to permit the permanence of these exchange rates, or alternately, that a *collective devaluation* of all member currencies will be the last resort (explicitly foreseen in the statutes of the International Fund).

Rising Costs in Mining

There is no need to worry about the future of gold. But what are the prospects of the gold mining industry? It is faced with rising costs on the one hand and an effective ceiling set over the price of the product on the other. Equipment, steel, explosives, etc., have gone up in price and the trend is further upwards. Direct and indirect labor costs are the decisive factor, of course. They have risen all over the world; even the native workers of South Africa's Witwatersrand received at least one raise during the war, if only four to five pence (9 cents) per shift, the burden of which the companies carry incidentally, by a kind of proportionate pooling.

For the time being, physical scarcity of labor and of productive materials overshadows every other consideration. But these shortages should be remedied gradually; actually, gold production is on the increase in this country, and even more so in Canada. The question then is the price in higher costs to be paid for the remedy. They are rising also on account of black market operations in gold: the differential between the official and the real price is conducive to extensive illegal practices (stealing and smuggling) at the expense of the mining companies. Higher costs should bring one mine after the other into the sub-marginal category, unless and until a new devaluation provides relief on the price side. In the meantime, a new hazard is injected into the valuation even of long-proven properties such as Homestake, McIntyre Porcupine, Lake Shore, Hollinger, etc., with a generation old or older peace-time dividend records and with well-staked out metal reserves. However, there are several factors at play mitigating the seemingly dark outlook for gold mining profits in the next year or two.

Given the price of gold and the estimated cost of production, the value of a gold mine may be looked upon as a capitalized annuity, depending on the size of the ore body, its continuity, and the average grade of the ore. Obviously, the attractiveness of the investment rises the more the "life" of the mine is extended through new ore discoveries, the more continuous that body is, and the higher its metal content. Rising costs may be offset by improvements along these lines.

Offsetting Factors

This is exactly what has been accomplished during the war, thanks to the efforts spent on vertical and lateral diamond drillings on Canadian properties, in Transvaal and the Orange Free State, to a lesser extent also in this country and in Latin America. The Canadians, in particular, have made astonishing progress. In spite of greatly reducedy labor forces, many of their companies have been engaged in extensive drilling operations and explorations which resulted in vast new discoveries as well as in strengthening the economic value of the properties, thus offsetting in part at least the adverse effect of higher costs.

Naturally, we are more interested in Canadian developments than any others abroad. From the miner's point of view, perhaps the most serious risk is the greater or lesser persistence of ore in depths. In the Dominion, the recent tests have proven beyond doubt that in the old established leading properties, such as Lake Shore, Dome, and McIntyre Porcupine, expectations as to persistence of ore have not been disappointed, and in younger ones, such as Kerr-Addifson, Lamaque, Sigma, San Antonio, to mention a few, unexpected discoveries have take place, sometimes (Macassa) at rising average grades, to say nothing of such sensational displays as in the case of Quemont in the Province of Quebec. Of course, not all is gold that glitters, and the most valuable prospects may suffer from adverse circumstances. The drawback on the fortunes of the unusually rich Yellow Knife area, as an example, is its location in the barely accessible arctic Northwest Territory, calling for additional investments in transport, housing, etc., and raising costs all around. Incidentally, the richest Russian gold fields, those of Khakassia in eastern Siberia, are in a climatic position singularly similar to the conditions under which the Yellow Knife fields labor.

Rising Scale of Operations

There are other favorable factors at play, especially so again in Canada. For one thing, the expansion of mines and the consequent increase in the size of operations are conducive to cost advantages which have been summarized by experts as consisting of three significant elements: "(a) the fall of working costs per unit with larger plants; (b) the possibility of increasing profits by changing grade, by the process of sorting; and (c) the need for proportioning equipment (i.e., capital outlay) to the 'possibilities of the mine'."*

Not only is the overhead reduced, such as administration and maintenance, but working costs as well, with the possibility of substantial savings in material and even in labor. The efficiency of operating methods ("sorting"), the greater or lesser usefulness of mining equipment, and the economic size of the surface plant, all depend on the operating capacity which has increased in many instances.

Joint Products

The gold mining picture is further complicated by the occurrence of joint products. 20 to 25% of the Canadian gold output is intertwined with that of other metals; in the U. S. and in Latin America, on the other hand, scarcely 40% of the gold production is unmixed. This too has a compensatory influence on the earnings of the fortunately situated companies, since higher costs coincide, as one may expect, with enhanced metal prices (other than gold). Noranda, in Quebec, used to be a "classical" example, but copper and silver have become by far its leading products, with gold taking a modest secondary place only. A silver-lead mine combined with gold, like Tintic in Utah is another illustration, if only a minor one, of the point that the damage done by cost-inflation to the profit-ability of one metal may be compensated by the price-inflation the other enjoys simultaneously. More significant are the Labrador iron ore fields to Hollinger's future prospects, the molybdenum and tungsten potential to Dome, or silver to some of the Central American gold producers (New York, Honduras and Rosario, e.g.). For U. S. Smelting, Refining and Mining, as one more example, gold is a by-product of silver, lead and zinc production.

The Financial Hazard

So far, we are discussing the technical and market-wise aspects of gold mining, and the hazards they imply. Incidentally, the instructive treatise of Herbert Hoover on *Principles of Mining* enumerates seven kinds of risks which this type of extracting industry has to face:

(a) The risk of continuity in

*"The Theory of Gold Supply," by Dr. W. J. Busschau, p. 63.

metal contents beyond sample faces.

(b) The risk of continuity in volume through blocks estimated.

(c) The risk of successful metallurgical treatment.

(d) The risk of metal prices.

(e) The risk of properly estimating the costs.

(f) The risk of extension of ore beyond exposures.

(g) The risk of management.

Financial risks pure and simple are not mentioned; they are not so close to the mining engineer, but they are no less important to the investor. The first among them is posed by interest rates. Obviously, the higher the rate that can be earned in a so-called riskless investment, the smaller the discounted value of a given "annuity" in the form of gold output; and vice versa. Now then, if we assume that the present or similar low interest rates are to stay, the earning capacity of the mines should be evaluated at a proportionately high rate of capitalization. Compared with the valuation of, say, 15 years ago, the same mine under the same conditions should have doubled in value. In other words, the cost increase maybe partly compensated by the decline of the interest rate, so far as the property valuation is concerned. True, that rate might and probably will rise again within the lifetime of most mines, injecting a new uncertainty into their valuation. But costs may decline, too, and as a matter of fact, rising interest rates may be the prelude to a then forthcoming decline of prices for materials and labor.

Taxation

Next, taxation. It is the more vital since mining properties have the obvious tendency to liquidate invested capital in the form of dividends, thereby providing an appearance of a greatly enhanced return. If the tax authorities do not allow proper deductions for depletion, as they do in the case of oil properties in this country, the attractiveness of the investment is greatly impaired. Given the high tax burden on corporations, and on the upper income brackets, the question of depletion allowances is of vital importance to the industry and its future progress.

Of course, it will be answered on the unpredictable political level. But what may be ascertained, or at least assumed, is the visible policy trend. Two things stand out in that respect. The trend of tax policy is downward, if only moderately; that is true for this country, to a lesser extent also for Canada and other parts of the British Empire. (In Latin America, rates are comparatively so low that no downward revision is to be expected.)

But this is the short-term angle. In the longer pull, tax policies toward gold mining are bound to be determined by its significance to the national economy. It is essential to realize that as soon as conditions will be normalized, gold will be, if it is not already, the largest single export item for South Africa, Nicaragua, and probably also Canada (possibly even for Russia); second on the export list of Brazil and Colombia; third in Australia and Mexico, etc. Given this vitally important export position for countries which live practically on exports, their tax policies are not likely to be of the kind to kill the goose that lays the golden eggs.

The Cost-Tax Squeeze

As a matter of fact, the clamoring for some kind of relief for the gold mining enterprises is becoming increasingly audible. In Canada, it takes the form of demands for tax relief. In this country, at least one proposition to subsidize them has come into the open: by Senator McCarran, who asked for interest-free loans with the characteristic argument that "this industry "is the only one in this country which was required by Government order to cease operations entirely during the war period." He also referred to the high price of bullion in Bombay which our miners do not get as a justification for helping them. Here, as in Canada and in South Africa, such help easily could be provided through more reasonable depletion allowances on the tax bill, which absorbs from 25% to 33% of the companies' gross earnings, with no excess profits tax credits to console them.

High taxes combined with rising costs may have a very serious effect on gold mining. The logical answer to high taxes is to concentrate on the working of low-grade ores and to spend money on new explorations rather than on shortening the life of the mine by using labor and materials for capacity production. The theoretical effect of high labor costs is just the opposite—to by-pass the high-cost veins and exploit preferably the high content ores, provided the ore body structure and its continuity permit such alternatives (which is not always the case). A rational tax policy, therefore, should consist of lowering taxes in a period of high labor costs and fixed gold price, and of raising them in times of declining labor costs and/or rising price for gold. Present policies tend to foster all-round discouragement and impede the flow of risk-capital into the industry.

The Double Hedge

Given these conditions, and taking into account the possibility of some tax relief, the short-term investment outlook on the gold mining industry offers at present an extremely varied picture, depending on individual circumstances. On the whole, the position of the comparatively young mines with great new discoveries at their elbows is disproportionately stronger than that of the old ones. As things stand now, the usefulness of mining shares as a hedging instrument is reduced. But this is a passing situation and ere long one of two things must happen, or a combination of both. Either the inflationary spell in which we are living continues and leads to an eventual devaluation of the dollar. Or else, it will be stopped—after some more inflation has taken place—through deflationary measures which will control effectively, if not deflate thoroughly, wages and prices. In the one case, gold mining will receive "a shot in the arm" through a higher price for its product; in the other, its current difficulties will be alleviated through controlled or lowered working costs. In any event, the unique function of gold, and therefore of sound gold mining shares, to serve as a double hedge—against loss on the currency which is facing devaluation first, and on commodities which run the risk of a depression later—is likely to be resumed again, if indeed it ever has been abandoned. And another function, that of a store of value, will acquire more importance than it had in many years, if the threat of socio-political revolutions and of an imminent Anglo-Russian clash continue to cloud the international outlook.

Todd Cartwright Is Officer of Sweney Co.

COLUMBUS, OHIO — Todd Cartwright has become associated with Lowry Sweney, Inc., Huntington Bank Building, as Vice-President, and the firm name has been changed to Sweney, Cartwright & Co. Other officers are Lowry Sweney, President, Ralph G. Elam, Vice-President; and L. K. Childres, Secretary and Treasurer.

Mr. Cartwright for many years has been with Blair & Company as Vice-President in charge of their Chicago office.

Increased Production And Inflation

(Continued from page 961)

stantially less. Part of the ten billion dollars may be retained by the producing firms as additional depreciation and undistributed earnings, and part is paid in additional taxes. From the part that is paid to employees and stockholders a further deduction must be made for the payment of their personal taxes. Finally, allowance must be made for the fact that part of what remains in their hands is voluntarily saved. Only what is left after all these deductions are made becomes increased consumer demand. Thus, in the case of consumers goods taken as a whole, the increase in demand is substantially less than the increase in supply, probably between one-half and two-thirds of it on the average, since the total deductions probably average between one-third and one-half of the increased value of sales.

The alleviation of inflationary pressure resulting from increased production of consumers goods is confined to the markets for goods the production of which is in- in markets for other consumers goods is intensified. Thus, if in the above example the increase of production was all in clothing, the supply of clothing would have been increased by ten billion dollars and consumer demand for goods and services would have increased by, let us say, six billion. But of this six billion additional demand perhaps only one-half billion would be for clothing. The remaining five billion would constitute additional demand for other consumers goods, the supplies of which have not been increased.

Capital Goods Production Has Different Effect

Increased production in the capital goods field has a different effect on consumers goods markets, at least in the first instance. If new factories are built costing a billion dollars, the same deductions mentioned above must be made before the impact upon consumer demand can be measured. Until they are completed and in operation, however, there is no increase in the supply of consumer goods at all, so that the net result, for this limited period, is clearly inflationary. In the case of factories designed to produce consumers goods, this period will clearly be short. As soon as they actually get into production, they begin to contribute to a reduction of inflationary pressure in the markets for which they are producing.

Of course, all capital goods are not designed to produce consumers goods directly. Some are designed to produce other capital goods; for example, factories to make machine tools. In this case it will take longer for the additional supply of consumers goods to flow and for inflationary pressure in the consumers goods market to be alleviated.

Finally, at the opposite extreme from increased production of consumers goods is increased production of things which do not contribute even indirectly to the flow of marketable consumers goods and services; for example, increased building of public monuments. Here an increase in production would be purely inflationary. It would increase demand while the building was going on and would not produce any offsetting increase in the supply of marketable consumers goods and services either then or at any later time.

Since production of consumers goods and of capital goods used to produce consumers goods and services within a relatively short period together comprise by far the largest area of production, I do not think there is any doubt that the generalization concerning the effect of production on inflationary pressure is correct; i.e., increased production does alleviate inflationary pressure upon the cost of living. On the other hand, your question does call attention to the fact that the alleviating effect is far less than might be supposed if we considered only the value of the increased production and neglected the increase of consumer demand to which it gives rise.

Iowa Power Preferred Shares on Market

Investment bankers headed by W. C. Langley & Co. and Union Securities Corp. on Feb. 19 offered 50,000 shares of 3.30% cumulative preferred stock ($100 par) of Iowa Power and Light Co. at $101.50 a share. Prior subscription privilege is accorded to holders of the company's 7% and 6% preferred stocks, who may obtain the new shares under an exchange offer on a share for share basis, plus a cash adjustment.

The stock is redeemable at $104.50 a share before Jan. 1, 1951, and at prices down to $101.50 on or after Jan. 1, 1961.

The underwriters who were awarded the issue at competitive sale Feb. 15, include Hemphill, Noyes & Co.; Hornblower & Weeks; Paine, Webber, Jackson & Curtis; Blair & Co., Inc.; Quail & Co.; Metropolitan St. Louis Co.; Maynard H. Murch & Co. and Priester & Co.

Universal Pictures Pfd. Offered by Dillon, Read

Investment bankers headed by Dillon, Read & Co., Inc., on Feb. 20 offered to the public an issue of 60,000 shares of Universal Pictures Co., Inc., 4¼% cumulative preferred stock ($100 par) at $102 a share.

The financing is to provide funds for buying the preferred stock and one-half of the common stock of a new production company to be known as the International Pictures Corp. The new company plans to produce and distribute its own motion pictures as well as those of certain British companies and of others of foreign origin. The distribution companies are to be owned jointly by the new production company and by General Cinema Finance Corp., Ltd., a party to the agreement.

Common stock of the new production company not acquired by Universal Pictures will be acquired by William Goetz and Leo Spits, officers of the present International Pictures, Inc., whose assets and good-will will be transferred to the new company.

The preferred stock being offered is redeemable at $106 a share until March 1, 1951, and thereafter at prices ranging to $104 a share after March 1, 1956. It is also redeemable for the sinking fund at $102 a share.

Universal's capitalization as of Nov. 3, 1945, adjusted to the present financing, will consist of $7,080,000 of funded debt, 804,219 shares of common stock and the preferred stock now offered. There are outstanding, moreover, warrants to buy 175,088 common shares.

Price Controls to Combat Inflation

(Continued from first page)

market, and even in almost every commodity market.

Everywhere men are betting on inflation. Everywhere the inflationary pressures have reached explosive proportions. It should be obvious to any reasonable mind that only by the most vigorous action—action taken now—can we regain control.

What is at stake is more than our reconversion program. What is at stake is our entire economic future. The answer to our present problems rests with you here in the Congress no less than with us in the Executive Branch of the Government.

In the next few weeks and months we shall be deciding whether we build a future of prosperity and security for all of us or whether we permit the present inflationary dynamite to go off in an explosion that will smash our economic system beyond hope of repair.

It is, I think, important to review briefly the events that have led up to this crisis. Let me go back therefore to V-J Day.

At that time there was a general expectation that the inflationary pressures would diminish. We expected payrolls to fall off sharply because of the elimination of overtime, the downgrading of workers and other factors. And we expected that during the tooling-up period unemployment would reach substantial proportions, further cutting into payrolls and purchasing power. As a result of all these factors most experts anticipated softening of markets and an abatement of pressure on prices.

At the same time, the whole country was eager to get rid of wartime controls as rapidly as possible. After four years of the rigors of wartime controls it was natural for all of us to hope for the speedy restoration of the free market. This was how the country felt; and this was how you in the Congress, no less than we in the Executive Branch, felt.

The Congress, for example, moved promptly to eliminate the excess profits tax and to reduce taxes on individual incomes.

In the OPA the staff was put to work to carve out broad areas of the price structure which it was hoped and expected could be exempted from price control during the Fall and Winter months. And in collaboration with the Department of Agriculture a program, indeed almost a timetable, based on the expectancy of lower food prices was developed for a progressive removal of food subsidies.

The War Production Board proceeded at once to dismantle its structure of production and other controls. Regulations in batches were pitched into the waste basket. The same was true of the Department of Agriculture, the Petroleum Administration, the Office of Defense Transportation, and the Foreign Economic Administration.

In all this, needless to say, there was considerable difference of opinion among the various Government agencies; not disagreement on the general policy, but disagreement as to timing.

Ordinarily my own record as a prophet is no better than the next man's. But on this issue I happened to be one of those who wanted to play it safe. I was fearful of a repetition of the disaster of 1919 and 1920 when prices soared and then promptly collapsed. I did not feel that price and rent controls alone could carry the burden of inflation control.

Having lived with four years of other wartime controls we could, it seemed to me, take another six months or whatever was necessary to be sure we were on solid ground before scrapping those controls.

Wage-Price Program

One element of the program for orderly liquidation of government controls was the wage-price program. It was expected, as indeed it has actually come to pass, that the take-home pay of millions of American workers would be cut drastically. That was why, on August 18, the Administration dismantled the complicated and often cumbersome structure of wartime wage controls and restored collective bargaining, setting labor and management free to negotiate wage increases on their own. There was, however, one basic condition—that these negotiations take place within the framework of stable prices.

The President urged management to negotiate wage adjustments in order to cushion the cut in take-home pay. He pointed out that management could, in general, afford to grant such increases, emphasizing particularly the high profitability of most American industries, the excellent financial condition developed during the war, the protection against the risks of reconversion embodied in the tax laws, and the increase in earnings retained by business resulting from the elimination of the excess profits tax. But the President emphasized, too, that such wage increases must vary widely from one industry to another depending upon the ability of management to pay these increases without raising prices.

As Price Administrator I subscribed to this policy. Although I knew that it would put some strain on prices, I believed it to be compatible with effective price control and in line with our best labor-management traditions. And indeed I supported the President's entire reconversion program. It was a program designed under the then existing conditions to give us a swift and orderly transition from war to peace.

What, then, produced the crisis which we face today on the Stabilization front? Well, first of all, the tooling-up process of reconversion has proceeded faster than anyone thought possible. As a result, while average take-home pay has been cut, the volume of unemployment has not reached the proportions that were feared. That means that total payrolls have stayed higher than expected with a resulting high demand for all products of our factories and farms.

Second, speculation, which after the last war became a dominant factor only after five or six months following the cessation of hostilities, this time put in an earlier appearance. The speculators started betting on inflation, and that showed in all our markets. And so, instead of a softening of pressure on prices in key areas of the economy, we have had prices pushing up hard against OPA ceilings all across the board, and prices in the speculative markets which were not under control moving up to new high ground almost from day to day.

Looking back on it, with the knowledge that we have today, and bearing in mind what I have just said about the inflationary pressures, it is perfectly clear that we moved too fast and too soon in stripping off the wartime controls.

Many of the actions taken, reasonable and proper though they may have seemed at the time, have not only meant hardship for our people; they have encouraged hoarding and added fuel to the flames of speculation.

And finally, let me turn to the wage-price policy. On the whole that policy has worked extremely well. Industrial and other wholesale prices as well as retail prices have been held very close to their VJ-Day levels, while thousands of collective bargaining agreements involving substantial wage increases have been concluded in an orderly fashion. I am told that 6 million workers have received wage increases during this period.

Nonetheless, the wage-price policy broke down in a number of vitally important areas. Why it broke down in these particular areas can be left to the economic historians and to the theoreticians to decide. It seems to me high time that we stop arguing about "who did what to whom" and get on with the job of meeting a national emergency.

A Speculative Fever

A speculative fever has taken hold of the country. The pressure in the boiler is up to the bursting point. The lobbyists and the profiteers are licking their chops. It is going to take firm and decisive action—it is going to take teamwork and support on every hand—if we are to hold this country on an even keel.

The President last Thursday laid down a new stabilization program. He called upon me to take responsibility for its administration and upon the country to close ranks and see this job through to the finish. I think it is a good program and a workable program, and I mean to put everything I've got into making it succeed. I am confident that the American people will give the President the support he has asked for.

Let me turn now to the program itself, and specifically to the wage-price aspects of that program. I am not prepared this morning to give you all the details. Many of them have still to be worked out. But the basic policy is clear and understandable. Let me say once more, and as strongly as I know how, that the basic principles are good. They are workable. If we have Congressional as well as public backing, they will enable us to keep inflation under lock and key and to maintain stability in our American economy.

On the wage side, control has been re-established. This does not mean a wage freeze. Wage increases within the industry patterns already laid down since VJ-Day will be approved by the Government. Every effort will be made to speed up action and to establish streamline procedures. I expect to have an announcement about how this can be accomplished within the next few days.

Prices Need Not Rise

What does this new policy mean to prices? It means that manufacturers will no longer be required to wait 6 months before the wage increases which they have granted will be taken into consideration in setting their prices. If for any reason an industry—operating at normal volume—is in hardship, price adjustments will be granted. These price adjustments will be designed to assure the minimum level of peacetime earnings for that industry for the coming year.

Does this mean general price increases throughout the entire economy? Does it mean a retreat to a new price line—to a new higher level of prices? Emphatically it does not, and it is vitally important that we understand why this is so.

First of all let's remember that the number of industries which have been, or are likely to be, forced below their pre-war earnings **for any reason** is relatively very small. The present pattern of wage increases can be, and in many instances has already been, established in scores of industries with no price consequences whatsoever. It is generally true of such industries as the food processing and petroleum industries where labor cost is a relatively small part of the total sales dollar. It is true of the apparel industry and many others where labor costs represent a higher proportion of total costs—but where profits generally have been abnormally high. It is less true of some of the metal using industries where labor costs, direct and indirect, represent a sizable factor in the total price.

The result of this new wage-price policy will, as I say, not necessitate a retreat from the present price line. It will mean a bulge in one relatively narrow section of that line—a bulge which must not be allowed to spread.

Food prices represent 40% of the total cost of living line as reported by BIS index. This new policy will have little or no effect on food prices. Provided Congress continues the present food subsidy program, the line on food prices can be held, as it has been held for 32 months, at roughly present levels.

Rents represent 19% of the cost of living line. This new policy will have little or no effect on rents. The rent line can and must be held.

Apparel represents about 12% of the cost of living line. This new policy will have little or no effect on apparel prices. It is my belief that we can continue to step up apparel production at roughly the present average of prices.

And what is true of food prices, rents and apparel prices is generally true of furniture prices, the prices of house furnishings and services. It is in some of the metal using industries, a relatively small section of the cost of living line, where some price increases will be needed.

But let me make the situation clear beyond all question. The price line simply must be held. The prices of food, rent and apparel must be kept from rising. On that all-important sector there can be no retreat.

There will, of course, be loud crys from the "now I want mine" boys. And there will be sober and understandable requests from many farmers for the removal of food subsidies. These objections to a continued hold the line policy —both irrresponsible and responsible objections—will be based on a plea of fairness. Businessmen will say "labor has had rather general increases in wages. We want general increases in prices." Some farmers will say the same thing.

No Unfairness

For this reason, I would like to discuss this subject of fairness of income—group by group. Let me say at the outset that there is probably far more fairness of income distribution in our economy today than at any previous point in our peacetime history. Let me say further that if we strive now to work out all the unfairnesses which remain we shall only succeed in blowing up our entire anti-inflation program with resulting disaster to everyone.

Let us examine first of all the position of labor. There are some people who throw up their hands in horror at the thought of any wage increases at all. Well, let's look at the problem like reasonable men. The fact is that the limination of overtime and downgrading have sharply cut the take-home pay of millions of American workers.

There are all kinds of figures tossed around about basic wage rates, straight-time hourly earnings, and average hourly earnings. But let's remember that it is take-home pay that buys groceries and pays the rent. And when take-home pay is cut, the family has got to tighten its belt, as the President pointed out in October. The pattern of wage increases established over the past three months in most instances provides adjustments that go only part way toward making good the loss in take-home pay.

These wage increases, and others which will be coming along in certain other fields do not represent a new advantage to labor. They represent a cushioning of the blow that millions of individual workers have had since V-J Day. They do not give labor an unfair advantage as compared to other groups in the community. They are designed rather to maintain something approaching the balance we had in wartime.

Under the new wage-price policy, wages generally will be stabilized according to the new patterns established since V-J Day. A further increase over the present pattern would make economic stabilization impossible. But the fact that many increases have occurred and others will occur in industries where pre-V-J Day contracts are still in effect is, in my opinion, healthy, proper, and in the interests of everyone of us.

Business Is Doing Very Well

How about business? Business is doing very well. American industry on the whole is extremely profitable. Only limited areas of it have been affected adversely by the shift from war to peace. The food industry, the textile and clothing industry, the department stores, the service trades—none of these industries have had to reconvert. They have kept on producing right straight through. They were very profitable during the war, they are very profitable today, and they are going to stay very profitable for a long time to come.

Corporation profits as a whole before taxes are expected to total in 1945 some $22 billion compared to a little under $25 billion in 1944. It will be said that most of this profit was earned in the first half of the year while the shooting was still going on and that since V-J Day the situation has been entirely different. We don't have the full details of profits quarter by quarter for 1945, but it is significant, I think, that the boards of directors of American corporations declared a billion and a half in dividends in the final quarter of 1945—the period of economic readjustment. This was just as much as they declared in the final quarter of 1944. And total dividends last year were right up to the 1944 level. Needless to say, I know none of my business friends who have had their salaries reduced since V-J Day.

Now it is true that in the reconversion area—and I mean by this not only those industries which have stopped producing war equipment and are now producing civilian items, but also industries like steel which have had to change the character of their production—operations are less profitable at the moment than in other parts of the economy. But let's keep our perspective. All these industries together make up less than 15% of the American economy.

No one can know for sure how these industries are making out now. Nonetheless their outlook for 1946 as a whole is extremely favorable. For one thing, they face an almost unlimited demand for their output. Once they really get rolling they will be producing far more than they ever produced before the war, and increasing volume means lower costs and rising profits.

That the outlook for these industries is bright is confirmed by the fact that the stocks of corporations in the reconversion area have not been lagging behind in the general boom on the stock market. That is why until recently we felt it fair to ask the reconversion industries, as well as all others to wait six months after negotiating wage increases before concluding that price relief was necessary.

Not on Verge of Bankrupty

So let me say once more—let's keep our sense of perspective. We are not confronted with a situation in which scores of industries and hundreds of thousands of firms are on the verge of bankruptcy. The very opposite is true. On the whole, American industry is extremely profitable. Only 15% of it is affected materially by the transition from war to peace. Its prospects, in general, were never brighter. And as I pointed out before we have never in our entire history had a period in which there was less hardship in American business. In 1945 bankruptcies fell for the third successive year to an all-time low of 810. This compares to 22,900 bankruptcies in the boom year 1929.

Finally how about our farmers—the group whose extraordinary record during the war is perhaps least appreciated, the group which for more than a generation has profited the least when times were good and suffered the hardest blows in times of adversity.

In 1939 our farmers, representing 25% of all of our people, had only 9% of our national income. When the experts stress the gains which our farmers have made during this war, they often fail to mention the low levels from which they had to start.

Farmers Are Prosperous

Nevertheless it is a fact that our farmers, like the rest of us, have done rather well since the days before the war. Today net operating income **per farm** is more than three times as great as it was in 1939, and the increases have been pretty general. On V-J Day the experts generally prophesied that farm prices and farm income would drop rapidly in the following months. But again the experts were wrong. In December, the cash income of our farmers, after seasonal adjustments, was 2% higher than in August.

To those of our farmers who are inclined to criticize labor and deplore the increases in wages which have occurred, let me point out one all important fact. The decrease in farm income which they expected six months ago has failed to materialize largely because total factory payrolls in our cities did not drop to the extent expected — because employment held up and increases in wage rates offset in part the loss in take-home pay due to a shorter work week.

It is not too much to say that our farmers today hold the key to economic stabilization largely in their hands. For unless food subsidies are maintained beyond July 1st the control of the present inflationary dangers will become impossible.

Continued Subidies Favored

If food subsidies were withdrawn, food prices would rise promptly and dangerously. The index which has been held steady since May 1943, would immediately rise more than 8%. This would force a major increase in the cost of living. This in turn would force compensating wage adjustments on a broad scale. As surely as day follows night we would be started on a spiral of wage and price increases leading directly to disaster.

Very properly, our farmers hate subsidies. I don't blame them for that. Subsidies are a necessary evil, and the quicker we can be rid of them without blowing up our economy, the better off we will be.

But subsidies are absolutely vital to the success of our program. I am hopeful and confident that much as our farmers may dislike them, they dislike and fear inflation more.

The stabilization program has meant much to our farmers. The prices he **receives** have risen on the average exactly the same percentage in this war as in the last—113%. But the prices he **pays**, including interest and taxes, have risen only 40% this time against 94% the last time—for the single reason that price and rent controls have been in effect. A good example is farm machinery. In the First World War it rose in price, on the average, 68%. The increase since 1939 has totalled only 14%.

If the present price line is broken — if inflationary forces break loose—there is no group in America which will more surely suffer disaster and heartbreak than our millions of farm families.

I have come to know our farmers well and feel that I understand many of their problems. I sympathize deeply with their concern over the future. The leaders of farm organizations are my friends. I have confidence that they will rise to the present emergency in the same statesmanlike way in which they have supported price and rent controls during the most critical period of the war.

Must Seal off Bulge

So much for price and wage policy and its effects on our economy. We have a bulge in our line and a threatened break-through. We must stop the break-through, seal off the bulge, and continue to hold the line where it is. This is our new program. It is a program that will work. It is a program that will stabilize the American economy. To those people who are betting on inflation in the stock market and in the commodity markets, let me say "You are betting on the wrong horse. There isn't going to be any inflation. We're going to hold the price and rent line as we've held it since May 1943—all the speculators, lobbyists and pressure groups to the contrary notwithstanding!"

It is, of course, expanding production which will bring us to the point where price, rent and wage controls can be dropped. Production is the only answer to inflation. There are some who say, "Yes, but under price control production is impossible." The record clearly proves that this is nonsense. During the war industrial and farm production under price control rose fully five times as much as in World War I. Today production is surely at the highest point ever achieved in peacetime. Unemployment is at the lowest peacetime point in 20 years with as many people on our payrolls as in our best wartime year.

What are those 52 million workers doing if they are not producing? Why is it that industry after industry is crying for more and more employees? Why is it that reconversion has been accomplished in record time? Why is it that every business forecast indicates rapid increases in production throughout 1946? Why are retail sales continuing to higher and still higher levels—all under a program of price control?

As production recovers from recent shutdowns let's forget this propaganda talk about price controls making production impossible. Let's take off our coats, forget our differences, and get out the goods. That's the way — the **only** way — to get rid of price control without the most disastrous inflation this country has ever seen.

Some Steps to Be Retraced

It should be perfectly clear to all of us that we are going to have to retrace some of the steps we have taken since V-J Day. As I pointed out we're going to have to abandon early liquidation of the subsidy program. We cannot permit an increase in the price of food. The fact that we **were** ready to liquidate that program, and indeed made a beginning, should provide assurance that that program will not be continued a single month beyond what is necessary for the continued stabilization of our economy.

Furthermore, we shall probably have to restore some of the production controls which were abandoned last fall. Obviously we shall move with discretion and only where the need is very clear. But we shall see to it that the orders that are necessary to get clothing for our veterans, and building materials for the construction industry will be put into operation promptly.

And I mean to make the fullest use of the authority under the Second War Powers Act to prevent hoarding. If there is any doubt on that score, let me dispel it now. That is one thing we simply must not tolerate. Speculators take notice!

If we are to win through in our fight against inflation, it will take the best efforts we can put forth in the Executive Branch of the Government. More than that, it will take action by the Congress. I urge that you renew without amendment and at the earliest possible moment the stabilization statutes. The speculative fever in this country has reached such a pitch that it can be overcome only if it is unquestionably clear to everybody that the Congress, no less than the Executive Branch of the Government, is determined that inflation shall not come. Under other circumstances I would not urge the re-enactment of the legislation without amendment. But the dangers today are great. Any sign of weakness will be quickly and greedily seized upon by the speculators and other enemies of inflation control. Delay in reaching a decision will do irreparable damage to the entire program.

I further urge with all the vigor at my command that the Congress enact at the earliest possible moment legislation to stop the inflation in the real estate market. If this inflation is permitted to continue unchecked, it will undermine the construction industry just as it did after the last war. And it will strike a body blow at any hopes we may have for a secure and prosperous economic future.

Mr. Wilson Wyatt has recently developed a magnificent veterans' housing program. It will not only provide the housing which the veteran so desperately needs at reasonable prices, but it will also put the housing industry generally on a firm and solid basis such as it has never before enjoyed. Legislation to prevent inflation of real estate prices is imperative if this program is to have a chance of success.

Not a Perfect Program

Gentlemen, the program the President has laid down is not a perfect program. Under the circumstances which we face there can be no perfect program. But it is a good program and a workable program. It will prevent inflation, which benefits no one and spells disaster for all of us. And I want to say as strongly as I know how that it is a fair program. Under it we shall not be able to eliminate every inequity in our economic system. That, I am afraid, will never be possible. But we can and we will do broad justice to all the economic groups of the country.

Clearly this program of economic stabilization—or **any** program of economic stabilization which might have a chance of success—will be attacked by every irresponsible pressure group in the land, such as the group that demanded the removal of all price controls on Feb. 15th—last Friday—at the very height of this inflationary crisis.

In the past four years of price and rent controls Congress has courageously resisted the pressures of these groups. Congress has consistently turned down their periodic drives for needlessly higher prices, rents and profits. By taking this stand Congress has so far saved the people scores of billions of dollars and prevented a disastrous inflation. Over and over again on this vital issue Congress has proved that the people's case is in good hands.

Let me repeat that it is not unfair or unreasonable to ask American business to live with its present generally high level of profits, with adjustments in prices limited only to those who really need them. The vast majority of businessmen are as reasonable, sensible and patriotic as any group in the land.

Let me repeat that it is not unreasonable or unfair to ask the farmer to accept the present general level of prices for his products. Some months ago it was expected that farm incomes would decline in 1946 some 15% below the levels of 1945. It is now perfectly clear that farm incomes will not decline. If anything, they will go up from the 1945 level. That is due in no small part to the wage increases which have helped to prevent a decline in total wage income. Such a decline in wage income would have resulted in a decline in farm income too.

Finally, it is not unreasonable or unfair to ask labor to accept temporary government controls over wages and some cut in their take-home pay as a result of reduced overtime. Much as we might wish to prevent that cut, there is no way in which we can do so without precipitating an inflation in which the workers, like everyone else, has everything to lose and nothing to gain.

You and I and the American people all face a grave responsibility. I am confident that in the face of the danger of inflation we shall close ranks, as the President has called upon us to do, and carry through the program which he has laid down. I am confident that we shall now throw our economic machine—the most productive in the world—into high gear. That is the way, and the only way, in which we can quickly get back to a free market, free collective bargaining, and a free and prosperous America.

Robt. Brown Director Of Pressed Steel Car

Robert F. Brown, partner of Kuhn, Loeb & Co., was elected a director of Pressed Steel Car

Robert F. Brown

Company, Inc., at a meeting of the Board. Mr. Brown fills the vacancy caused by the resignation of Sam Laud.

The Foreign Trade Outlook

(Continued from page 965)

seem oblivious to the fact that regulation is like a fungus, non-irritating in early stages but difficult to remove completely once it establishes itself. Experience proves that war-born regimentation is rarely overcome unless it is eliminated at once when the threat to security has passed. Moreover, it is easy to project circumstances under which the entire distribution pattern of an industry or some of its components might be changed by [illegible]cious political meddlers, as I shall point out presently.

Overseas Allotments Essential

If private enterprise is to undertake the equitable distribution of commodities with a minimum of government interference during the period of transition which we face, it will be imperative that a definite set-aside be agreed upon for overseas shipment. There is no other source than the United States from which many of the things can be obtained that are required for the rehabilitation of areas destroyed during the war. Europe cannot wait to rebuild until wants are reasonably satisfied here, unless we are prepared to face further political deterioration there, and continuing demands upon us for gifts, to ameliorate suffering, of the products we withhold from export sale because domestic requirements are unfulfilled. It is traditional in this country that we have exported our surpluses to dispose of them somehow; now we face a period when we shall have to share part of what we want ourselves.

Lest you think that I am raising a rhetorical specter to support a visionary thesis, let me relate an incident that took place recently. Russia came into this market long after V-J Day with a large order for steel of a type in short supply, and in great demand. Even our largest producers could not have filled the requisition without denying shipments for a considerable period to overseas customers of many years' standing. But the Russians were insistent, and indicated that they would use "diplomatic" pressure in Washington to obtain priority through unexpired emergency legislation if their demands were not met. One of the smaller steel companies which had less serious commitments to commercially established overseas buyers, eventually undertook to fill the Russian requirements. If this arrangement had not been possible the marketing machinery of several of our largest exporters, built up over many years of effort, might easily have been rendered ineffective as against the time when it may sorely be needed to stabilize their production curves during periods of less frenzied demand.

There will be other such incidents over the next few years and the manufacturer who does not help to forestall their danger to orderly distribution by deciding now to allocate a definite percentage of his output for overseas sale, risks continued and expanding political interference in our economy. If we want to minimize government control we have got to regulate ourselves much more effectively than we have in the past. Unfortunately, the attitude of the Department of Justice prevents coordinate action on the part of competitors in establishing such a policy on an industry-wide basis. It is a decision that each producer must make for himself, and the export executive is remiss in his responsibility who does not see to it that the principle is established in his own organization. Some manufacturers I know have announced, in the face of considerable opposition from their domestic sales managers and distributors, that they will make available for export the same percentage that prevailed in the 1937-1939 period, of their now expanded production. That will mean from 8 to 15%, depending upon the industry involved. The newcomer to export may well decide to budget on the higher figure, because there is every indication that overseas demands during the next few years will be far beyond anything we have heretofore experienced.

I hope you made note of the fact that I limited my prediction of extraordinary foreign requirements for products from the United States to a comparatively short period—say five years at most. There is grave danger that in the interim we may condition ourselves to an artificially high level of business activity, spurious first because it arises from wants denied during a six-year war period, and second from a worldwide but unorganized surge toward the nebulous goal of increased living standards. Legislators debate the term "full employment," which has as many meanings as there are economists with definitions, but it must be evident to all that the peacetime production index in this country will have to be established indefinitely at levels it reached previously only under inexorable war conditions, if we are to assimilate our debt burden and prevent widespread unemployment after the present accumulation of pent-up orders has been satisfied. Reasonable estimates indicate that to accomplish these objectives the United States must henceforth maintain export totals more than twice as high as were reached in any prewar year, some say $10 billions annually for an average.

Similarly the British demonstrate that they must achieve much larger foreign trade totals than ever before if they are to return to standards of living that will insure political stability in an economy that suffered much more acutely than we did during the past six years.

Both the United States and Britain will benefit to some extent from the fact that two important suppliers, Germany and Japan, have been practically eliminated as competitors, for a time at least, but I suggest neither Washington or London has yet realized that a mere restoration of markets as they existed before 1939 will not suffice to attain their goals. I elaborated this viewpoint in an address I made in Montreal a few days ago, and there is hardly time to repeat the reasoning here at any length. Its conclusion was that a redivision of prewar world trade totals alone would not solve the long-term economic problem of either country in foreign trade. Cultivation on a basis hitherto never attempted of undeveloped areas such as China, India and others is an urgent requirement if there is to be continuing world commercial activity sufficient to sustain and eventually to liquidate the commitments we have undertaken, both expressed and implied.

It is in this phase of the postwar problem that government can be much more helpful than it can in the role of production manager or in scheduling shipments. The terrific backlog of immediate world requirement for all kinds of goods presents fewer problems to producers than they overcame during the war period. The time it will take to surmount current difficulties, and satisfy most wants, is all too short to prepare for the succeeding phase, which is to provide future markets to keep the production machine we have built busy indefinitely.

U. S.-British Financial Accord

The reaction thus far to the first step Washington and London have taken in this direction is indicative of the fact that there is as yet little appreciation of this international economic dilemma. I refer, of course, to the proposed financial and trade accord between the United States and Great Britain, about to be discussed in Congress, as it has been over the past few weeks by poorly informed commentators. Prejudice, and deliberate falsehood or inexcusable ignorance, have dominated much of the exposition that has reached the reader or listener regarding the plan. Practically all of the emphasis has been on the extension of credit that is proposed, little or none on the stipulations outlined in the agreement that will help to increase our share of business in important world markets. It would be interesting to take a poll of an audience like this, composed largely of those who have a more than casual interest, to learn how many have read the entire document and understand its ramifications. I have taken such a vote among writers who furnish much of the one-sided argument in opposition, and found that fewer than a third of them were familiar even with the whole of the text of the agreement, much less its commercial implications.

I shall make some observations on the financial provisions a little later, but I would like first to direct your attention to what I consider to be the more vital part of the agreement—its trade aspects. Let me attempt to give you a thumb-nail sketch of the world trade situation on V-J Day.

Partly, at least, as the result of our tariff action in 1929-1930, Britain and her Dominions a year or two later undertook joint action to form a preferential trading union which soon made it more and more difficult for exporters in this country, whether of industrial or agricultural products, to sell to the Empire. In the later thirties other nations evolved trade barriers of various kinds to guard their economies. These measures were taken as protection chiefly against the ruthless methods of the totalitarian countries, avid in war preparation, but they served equally to interfere with the commerce of others, including the United States.

When hostilities came in 1939 Britain had need of everything, and she bought indiscriminately as we did later, using her accumulation of dollars and her portfolio of investments for trade with us, but extending sterling credits to most other nations. The inauguration of lend-lease did little to relieve the British in their overall crisis. Britain's requirements for food alone, all during the war and since, have been pre-emptive. She finds herself now impoverished not of wealth, but of dollars and securities readily negotiable in world financial markets, and owing her dominions, colonies and other important countries in Europe and Latin America nearly $15,000,000,000 in sterling credits that were set up to enable her to make essential purchases during the war period. These credits Britain agreed to liquidate by supplying manufactured and other commodities as soon as possible postwar. The result is that the British, though "financially embarrassed" at the moment, in effect have an option on the foreign trade of a large part of the world, which they may exercise over the next decade, with probable injury to the interests of United States exporters of industrial and agricultural products. The existence of this "mortgage" on future trade coupled with other barriers I have mentioned, makes it unlikely that world commerce could be reestablished quickly enough to avoid serious political subversion in many nations anxious for development, or on a scale that eventually would support the greatly increased productive capacities which the war stimulated here.

Faced with these stern economic realities, officials of the United States and Great Britain labored for months to complete an agreement which would work to the advantage of both, providing international working capital by way of a credit for England, and commercial opportunity for ourselves. The result was an accord through which Britain obtains respite from her immediate financial difficulties, but would sacrifice something of her more advantageous long-term position in foreign trade, a "give and take" type of underwriting that is not at all unusual, and with which every business man is familiar. The reluctance displayed in Parliament and by the British public in accepting the terms of the document plainly demonstrates that they fear they may be giving up ultimately more than they now receive. Were it not for the desperate current situation in which Britain finds herself as to food particularly, I am certain she would never have foregone the trade advantages she agrees to relinquish. The United States gains in both present and future prospect, because immediate stability within the Empire is a prime requisite for the establishment of a peaceful world, and because any general relaxation of commercial restrictions overseas will result in greater trade opportunity throughout the world.

If the agreement becomes effective, Britain undertakes to relax her controls in the so-called "Sterling Area or Bloc" through refunding of her debt there and the provision of dollar exchange from the proceeds of the credit. Further she agrees to make dollars available for current commercial transactions after the period of a year has elapsed, and to seek a reduction of Empire preference rates, a policy in which the Dominions must concur. Additionally Britain undertakes to support the United States in negotiating for the lowering of trade barries throughout the rest of the world.

The chief new commitment of the United States in the agreement is the provision of a credit of $3,750,000,000, with which is consolidated a funding of the payment for lend-lease supplies already delivered, making a total of $4,400,000,000. All of the other provisions on our part represent policies that we have been trying to establish for years, none too successfully without Britain's international assistance. The credit we set up may be used at any time during the next five years, as required, and is to be repaid with interest over the following 50 years in equal annual installments.

There are several intelligent questions that one might raise in opposition to the agreement, but I have not noted their use, possibly because they involve economic discernment that the extremely vocal critics do not possess. Instead there has been recourse to deep-seated antagonism to Britain that is easy to inspire in this country on the basis of real or imagined mistakes she has made in past policy, and in some cases to a sudden and unusual concern for our own financial position. The least sensible argument that has been advanced against the proposed credit suggests that the proceeds may be used in social experiment. No government, labor or other, needs the funds of another country if a program of nationalization is projected—plenty of printing presses for unlimited production of its own currency alone are required. It would be much more logical to assert that our failure to confirm the agreement would make inevitable the adoption of state trading in export and import as a British government monopoly.

It is impossible to answer those who condemn Britain whatever the issue, and regardless of the result to the United States and the world. There are those — fortunately a minority — who cherish their prejudice above their welfare and it is perhaps their privilege in a democracy. But it can be demonstrated to those who have an open mind that the United States stands to gain much more than she could possibly lose in the proposed British agreement, even under the most adverse circumstances.

Reckon the possible loss first. If Britain never repaid *any* of the principal or interest, there would be added to the national debt a total of $3,750,000,000 which, as tax-payers, the individuals and business enterprises in this country would have to make up. At *present* tax rates (which are high, and should be progressively reduced), and on the basis of the current federal budget (also high and due for reduction), and assuming national income of $130,000,000,000 (a low figure, almost certain to be increased), the cost of additional taxes for corporations, if Britain refused any repayment at all, would be $1.69 per $1,000 of net income annually for 50 years, or $169 for a business with $100,000 of net income per year, $1,690 for a $1,000,000 corporate net income. For individual tax-payers it works out at 84 cents per year for the $3,500 gross income; $6.94 for a $10,000 gross income (both these instances include normal deductions); and $11.04 for the $10,000 *taxable* income. Any payment Britain made at all would serve to reduce these amounts proportionally.

What Britain Gives

In return for the risk of having to provide these amounts through additional levies, the taxpayer, corporate and individual, has Britain's pledge, endosed by Parliament, that sterling areas will be reopened to international trade, that Empire preferences will be reviewed, lowered where possible and in no case increased, and that we will have British cooperation in tearing down other commercial restrictions that exist throughout the world. Every business man in the United States takes greater risks daily for much less possible gain—a single order obtained as the result of these relaxed controls from territory not now available for sales cultivation, would more than compensate for any possible cost of repudiation on Britain's part. Nor is there an individual, whether laborer, farmer or professional man, who can afford to refuse his small part of the tax hazard as against the probable benefit to our whole economy and his own pocketbook.

The point is made in opposition that Britain repudiated her debt to us after the last war. That is an inaccurate statement, to use a polite phrase, because Britain did meet the payments she undertook to make until our ill-advised tariff action of the early thirties, and the advent of the depression. Altogether she remitted more than $2,000,000,000 at that time, which is hardly to be labelled "repudiation", and she discontinued payment completely in 1933 only in the face of insurmountable economic odds.

I submit this somewhat cynical analysis of the proposed United States-British agreement in the hope that it may overcome some of the confusion which publicists and political figures with bias and economic astigmatism have caused. These critics have offered no comprehensive plan of their own to unshackle international trade and this country cannot prosper long in a world divided into blocs from which it is commercially excluded. The only alternative in view that I know of is a continuance of world unrest, with progressive political disintegration everywhere, due to widespread unemployment and international misery, and constant threat of war.

The Secretary of State, Mr. Byrnes, recapitulated the advantages of the proposed agreement in an address in New York last week as follows:

"If the loan is approved, we can look ahead with considerable confidence to a general reduction of tariffs and the elimination of preferences; to a minimum of quotas and embargoes; to an intelligent and restrained resort to Government subsidies; to general acceptance of the rule that international business should be conducted on a business basis and not as a phase of political action.

"We can look ahead also to a loosening of the grip of cartels and combines upon world commerce; to multilateral arrangements for the handling of surplus commodities, and to progressive limitation upon export restrictions and price-fixing arrangements."

In the circumstances every citizen of the United States and particularly those who have a direct stake in foreign trade, must examine the proposed extension of credit to Britain in the light of intelligent self and national interest, and listen no longer to the British-baiters. If you favor passage of the enabling legislation in Congress, by all means tell your Representatives and Senators so, in your own words, in a letter which is more effective than a telegram in these days of sinister pressure-group political coercion.

When the agreement with Britain is disposed of in Congress by passage or rejection, it will be possible to see a little more clearly into the future of our foreign trade. I do not suggest that adoption of this single measure will settle all of our international commercial difficulties; certainly it will not. But it will set the pattern by which nearly half the trade of the world is governed, thus providing a powerful fulcrum on which remaining problems could be balanced and resolved, and enable us to say with considerable assurance that the productive plant we have available in agriculture and industry will be fully employed for as long as reasonable men can predict.

The Coming Trade Parley

There is little time left for me to comment on other developments in foreign trade that should have your attention. I will mention but two of them. Invitations have gone out to 14 nations for a meeting shortly in London at which there is to be discussion of a mutual lowering of trade barriers. This gathering is preliminary to a larger conference later in the year that will take in all members of the United Nations Organization. Every foreign trader must take an interest in these meetings, because they will probably result in multilateral decisions that will have a profound effect on all international commerce, and establish new bases for operation.

There is much the individual exporter or importer can do to affect the results of these conferences insofar as they pertain to products in which he has a direct interest. Doubtless many industries, through their trade associations, should and will watch the proceedings and present views on matters that directly concern them as a group. But there are a host of questions that have to do specifically with policy and practice in foreign trade, at a level which relates to products of every type and character entering into our exports and imports. These are likely to be overlooked unless careful recommendations properly documented are made in advance to our official participants. The problems that are common to all exporters hitherto have seldom been dealt with on an adequate basis. Yet these every-day difficulties affecting us all, whatever our products, add greatly to the costs of doing business, are often unnecessary, and are frequently sources of irritation between buyer and seller.

In recent weeks the National Foreign Trade Council has undertaken studies that will enable its representatives to act on such subjects in behalf of all foreign traders at these forthcoming international meetings. It has had to double its staff to carry on this activity in spite of the fact that its members, whose experience is priceless, have always spent much of their time in formulating advisory opinions that are for the benefit of all. The rules under which international trade will be carried on are in process of revision, and this is the time, if ever, for cooperative effort. My views regarding the need for a single, national organization that will represent all foreign traders effectively at the level of their common problems, are too well known to reiterate here. Whether you feel you should be a member or not, the National Foreign Trade Council wants you to know that it holds a watching brief on your behalf and in the interest of all foreign traders in this "community" activity assigned to it by its directors, with Washington's approval.

Our Positions in Latin America

And finally, there is some reason for concern over our position in Latin America. I am not referring now to the reports that reach us of intense commercial activity there by the British or Swedes, the Swiss or the Russians. These trade rivals have been prevented so long from offering their wares, and there is such great demand for commodities, that we should not begrudge them an opportunity of early market cultivation to regain what they can of their prewar status, which will be difficult.

What does seem to me to be a danger in Latin America is the impression we created there during the war that we would have special concern for the economies of our southern neighbors when the fighting ended. The resolutions at the Mexico City meeting last year, culminating in the Act of Chapultepec, adroitly worded though they may have been, are considered by every other nation in the Pan American Union to be a guarantee of treatment equal to that we accord to our home market. Our preoccupation with Europe, Russia and the Far East during the past few months has caused some cynicism south of the Rio Grande. Any opportunity there may be to show even a slight weighting of the balance in favor of Latin American customers over the next few months will help to compose a problem that is not yet acute, but which might easily become distressing.

It is trite to say that the sun never sets on the exporters' problems. Today's trials would be unbearable in dealing with quotas, priorities, permits, preferences and the myriad other contrivances that perplex almost to frustration, but for the realization that a new kind of world is emerging. What its nature eventually will be is still is uncertain, though if I read early indications aright, foreign trade will continue to be the most fascinating business in the world.

Brown Bros. Harriman Advance Employees

Brown Brothers Harriman & Co., 59 Wall Street, New York City, private bankers and members of the New York Stock Exchange, announce that the following have been advanced from assistant manager to manger: Frederick H. Kingsbury, Joseph C. Lucey, Edwin K. Merrill, L. Parks Shipley, Gale Willard and Harry L. Wills.

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relationships have been thrown out of gear and have had to be revised.

The Wheat Shortage

Right now we have a problem of wheat shortage and shortage of grain in general, and it brings up new price problems because the shortage, indirectly, is largely the result of existing price relationships.

This is a difficult problem, but in a broad sense it is not unlike the most pressing problems in other segments of our economy. All along the line we're up against problems of price relationships as an aftermath of war. Monday and Tuesday of this week I spent a great deal of time at the White House where wage problems and price ceilings were being discussed. This discussion took place because of disturbances now affecting our whole economy. We can see evidence of those disturbances in the automotive industry, the steel industry, and the meat packing industry. And in the Department of Agriculture, as you might suspect, we are very conscious of the problems in the meat packing industry.

In all of our great industries war demands were so great and so urgent that workers were encouraged to put in many hours of overtime. Some of them made nearly twice as much money as they would have made from a normal five-day week. The planes and tanks had to be built, and the extra pay workers received was part of the cost. At the same time, the good pay set new patterns of spending.

From the farmer's standpoint, incidentally, the new pattern of spending was probably good. More income in the hands of workers has created a bigger demand for food, particularly for the more expensive foods such as meat, milk, eggs, fresh fruits and vegetables. This has tended to establish new markets for the farmer—markets toward which he now may look with confidence as long as there is a continuance of full employment and good wages.

Price Adjustments Essential

But when the war contracts ended, manufacturers had to go back to making peacetime goods. They had to think about costs in relation to ceilings. Workers saw that without overtime pay, their earnings would go down. So they have demanded higher pay.

The point is that in neither industry nor agriculture can we expect to move suddenly from war to a peacetime economy without making many adjustments in price relationships.

The most difficult problems of the moment in agriculture, as well as in industry, arise out of the reconversion to a peacetime basis. The present difficult feed situation is largely a reconversion problem growing out of the rapid changes that have taken place in demand and supply conditions during the last year.

From all over the country come telegrams to the Department of Agriculture complaining about inability to get supplies of corn and wheat needed for feeding all sorts of animals. Farmers in the New England States are badly in need of poultry feed, and point out to me that they are faced with the necessity for liquidation of their flocks if the Department of Agriculture doesn't come to their rescue immediately — not next year, or next month, but now.

From the West Coast come telegrams about shortage of feed for turkeys, and growers there are concerned about the possibility of a government order limiting the amount of wheat that may go into poultry feed because they do not have nearby an area that produces large amounts of oats or corn. At the same time, I have been getting telephone calls from Colorado where stockmen are having difficulty getting enough feed to fatten lambs, and they want me to do something about it. One man told me that he was not going to be able to finish his 9,000 lambs unless he could get some more corn. He wants me to get him some—not next year, or next month, but now.

From my own State of New Mexico come telephone calls from people who assure me that cottonseed cake is selling above ceiling prices. They tell me it is being offered at $85 to $90 a ton. Those are black market prices, and they are based on the desperate need of people in the northeastern corner of my State for cottonseed cake to feed to steers that they hope to market soon. They want relief from these black market prices and they want it now.

Prices Favorable to Feeding Grain

Now, what's the trouble? Well, the immediate trouble is that we have built up a system of price relationships favorable to feeding grain to livestock. It was done deliberately because of the need for increased production of livestock products. When this pattern of price relationships was established we were short of meat and we needed more poultry and more eggs. And a price relationship was fixed that would encourage people to produce more of these products. We were trying to divert more grain into livestock feeding. But that was a war situation and we were doing our best to meet the needs of war.

No one could foresee how long the wartime pattern of price relationships would be needed when the present price supports and price ceilings on hogs were established. The government made its promise on April 11, 1945, that the support price of $13.00 and the ceiling price of $14.75 on hogs would continue until Sept. 1, 1946. But the following month Germany surrendered and in less than five months from that time, Japan surrendered. And once again the situation changed rapidly. The price relationships established to encourage production of livestock products succeeded. In fact, in the light of the present situation, they have been too successful. Now we are faced not only with insufficient grain for livestock in this country, but with urgent demand for grain to save human lives abroad. And when human lives are at stake and there is not enough food available, we cannot ignore the fact that we can take care of more people by direct feeding of grain than by using it to produce livestock products for human food.

Europe Needs Food

In half of Europe today the urban population is existing on as little as 2,000 calories, or less, per day, compared to the 3,260 calories per day which we estimate the people of this country will have during 1946. Worse than that, one hundred million people in Europe are existing on 1,500 calories, or less, per day. The bread ration in France and Italy is half a loaf per day. And two-thirds of the diet is bread. The people of Europe have been eating their own supplies at a rate that cannot be maintained. The next six months will be worse than the last six months. The future peace of the world, the human rights for which we fought the war, will be imperiled if we allow starvation to go on unchecked.

The need in Europe is far more urgent than the reports of European food production indicated last fall when plans were made for supplying U. S. food for relief. Final reports from Europe, which were just recently available, show that the supply has turned out to be much smaller than anticipated, especially in the countries that normally depend on imports. At the same time, recent reports on grain stocks in this country show how difficult it is going to be to make good on our promises for relief feeding in accordance with our earlier plans.

Stocks of wheat on Jan. 1 were 61 million bushels less than had been anticipated. And the chief reason is heavier feeding of grain to livestock. The present feed grain-livestock ratios were established on the basis of the existence of large grain reserves. Now we are faced with the necessity of establishing a balance between livestock numbers and the grain we can have to feed livestock. To establish this balance we shall have to market cattle and hogs at lighter weights and cull our poultry flocks sharply. I realize that this will mean some sacrifice on the part of farmers because it has been profitable to feed grain to livestock.

Hogs, as you all know, consume more corn than any other class of livestock, and the shortage of corn is a big part of our present feed supply difficulties. Raising the ceiling price of corn or lowering the ceiling price of hogs would have a quick effect on the consumption of corn because it would result in marketing heavy hogs and feeding hogs to lighter weights. But the government has made its promise to farmers on the ceiling prices of hogs, and only last December the Office of Price Administration told farmers not to expect an increase in corn ceilings; that the only reason for any advance in corn ceilings would be an increase in parity, which would require an increase in corn prices under the law.

Now we are faced with a situation in which we have made promises not only on support prices and price ceilings for hogs, but on food to prevent starvation in Europe. And when, because of new conditions beyond our control, we are unable to keep all of our promises and are faced with the alternative of breaking one promise or another, the logical move is to make the change where it will do the least harm.

New Hog Price Ceilings

We are going to discuss with hog producers and farm organizations a possible change in hog price ceilings designed to fulfill the government's commitment and still provide an incentive for marketing hogs at lighter weights. Specifically, what we are discussing is a decrease in the ceiling on heavy hogs of fifty cents a hundredweight to be offset by an increase in the ceiling on light weight hogs of fifty cents a hundredweight, thus providing a premium of a dollar a hundred on light hogs. This if put into effect would be accompanied by a corresponding increase in the subsidy on light hogs and a corresponding decrease in the subsidy on heavy hogs.

Other price changes may be necessary to enable us to deal effectively with other changes in supply and demand. When we suggested a national goal for soybeans last fall, there was every evidence that the fats and oils situation would be better before crushing of the 1946 crop was completed. Because it appeared that we would need fewer soybeans, we discussed with every segment of the industry the question of what the price support level should be in 1946. There was general agreement that a lower support would obtain production needed. That was in November. Now the fats and oils situation is different. We need

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at least the production called for in the 1946 goal. And it may be that the goal should be increased. We are going to give further consideration to that question. The world supply of fats and oils apparently is going to be smaller than was anticipated. Movement of fats and oils from Pacific Island sources is getting under way more slowly than was expected. Relief needs in war-torn countries are much greater than was indicated only a few months ago. In the meantime, representatives of the soybean industry now tell us that they believe a support price as high as last year, which was $2.04 per hundred, will be necessary to get the production needed to meet the goal this year. We have discussed this matter with Judge Collet, the Economic Stabilization Administrator, and have recommended that last year's support level of $2.04 be continued.

Difficulties in Holding Price Relationships

Just as the price relationships established less than a year ago do not fit the supply situation now, nor the demand and the markets for food, the best price relationships we could establish for present conditions would not fit changed conditions of the future. Since we know the future is certain to bring change, the time to start thinking and planning to deal with the problem of price relationships as they affect markets for food is now. And while we can expect continued need for change in price relationships, the price support period ahead, provided by Congress, does give us time to work out means of adjusting ourselves to a peacetime economy. Furthermore, the present world food shortage, and the urgent need for food for relief feeding, pushes further into the future the time when we shall be faced with some of the most difficult price problems for some commodities.

Europe is short of food now, partly because of drought, but also because of the disruption of war, the loss of equipment, and the lack of fertilizer. The soils of Europe are starved because they have been pushed so hard for production during the war, and because supplies of fertilizer have been short there throughout the war. It may take a long time for Europe to get back to what will eventually be normal production. We can't worry about a wheat surplus now or next year. In fact, there will be need for every bit of food called for in the goals for 1946.

The Production Pattern

One of the problems of the reconversion period and the years that follow is to establish a production pattern fitted to the markets for food. To do this we shall have to have the right kind of price relationships among the farm commodities.

If we fail to establish peacetime price relationships that will give us the right pattern of production in relation to the markets for food, farmers will not be in a position to take full advantage of their potential markets. We will be producing more of some things than the markets will take, and less than they will want of others. We know from past experience that a surplus of any commodity can be a burden and result in waste. We know, too, that shortages, even with high prices, often fail to bring the best returns to producers because the farmer's income is dependent on volume as well as price.

If we have a peacetime pattern of price relationships that results in surpluses of some commodities and shortages of others, we may well cause needless waste of soil resources, and that is something America can no longer afford.

Our soils have carried a heavy burden during the war, and one of the big problems ahead is to conserve and rebuild them. Here in Iowa to meet war needs you have greatly increased the acreage of intertilled crops that expose the soil to erosion and deplete fertility. You have plowed up pasture land acreage that needs to be restored to permanent pasture. You have a big conservation job ahead of you as soon as the effects of war and the aftermath of war cease to bring urgent requirements for food. Throughout the United States we need to conserve and rebuild our soil resources in order that we shall always be able to supply markets for food in the future. Our population has been increasing rapidly in recent years, and right now we have more than seven million more mouths to feed in this country than we had five years ago.

Price Ceilings and Balanced Economy

Pricing policies of the future must continue to recognize the necessity of keeping farm prices in the proper relationship to other prices, because that is the only way to have a balanced national economy. And a balanced national economy is basic to achieving the abundance, full employment, and full production that we all want. Farmers want the best possible market for food, and we know that kind of market comes only with full employment and a high level of purchasing power. Neither farmers nor the nation as a whole can afford unemployment. Let me give an example of what it would cost Iowa farmers to have unemployment.

Over the past twenty years there has been a strikingly close relationship between the spendable income of consumers in this country and the cash receipts of Iowa farmers. Every time total consumer income has fallen by ten billion dollars, Iowa farmers have lost one hundred and thirty million dollars in sales. That means a loss of more than six hundred dollars for each of Iowa's two hundred thousand farmers. As we might expect, an equally close relationship has existed over the past twenty years between total employment and total consumer income. Each million workers unemployed have knocked three and one-half billion dollars off of total consumer income. Consequently, each million men unemployed, no matter how far distant from Iowa or how widely scattered, have cost Iowa farmers just over two hundred dollars each in annual cash sales.

Five million unemployed would raise that cost to one thousand dollars per farm. And that is what economists call "moderate" unemployment—five million over and above the rather small number that would be temporarily unemployed because of changing jobs or for other reasons, even under full employment. But think of it! One thousand dollars loss in cash sales per farm under "moderate" unemployment—that's a loss Iowa farmers can't afford.

Apart from their desire to make decent incomes, farmers like to produce. But they begin to lose the opportunity to produce when city workers lose their jobs. If the relationship between food prices and prices of other commodities were to remain constant, each million workers unemployed would mean a reduction of 1% in total food consumption below the full employment level. A so-called "moderate" unemployment of five million workers would call for reduced production equivalent to the withdrawal of 15 to 20,000,000 acres of cropland if food prices were to remain at their normal ratio to non-food prices. Otherwise, farm prices would break sharply and the ratio of farm prices to non-farm prices would sag.

It is clear enough that even "moderate" unemployment would leave farmers faced with the alternatives of price supports, production controls, and special programs to expand consumption. But all of these programs together would fall far short of the magical effect of putting the unemployed workers back on the job. Unemployed workers anywhere mean reduced farm income everywhere.

More Production Needed

Right now the great need is for production, not only to meet each requirement for food, but as a weapon against inflation, and production has been uppermost in our objectives in the Department of Agriculture whenever questions of price policy have been considered. There may be situations in which a little higher price would be less costly in the end than the alternatives of shortages and black markets, and the inflationary influences of forward purchases, which are often intended by the purchaser as a hedge against inflation. Even a surplus would be less costly than uncontrolled inflation. But this is no time to fear the danger of farm surpluses. The expanded production of agriculture during the last four years to a peak one-third above prewar has never equalled the demand. We do not have as much now of many foods as consumers of the United States would like. We need more food for starving Europe. Prewar production is not the basis upon which to plan postwar production. This is a time to look ahead, not back. With great industrial and business expansion in the making, agriculture will have markets for expanded production too. Full employment in this country can bring agricultural prosperity such as we have never before known in peacetime.

Favors Loan to Britain

And while we are looking to markets for the future let's not overlook the importance of the foreign market. One big step toward opening up world trade is the proposed British Loan, which has been so widely discussed in recent weeks. Now I hope you have not been misled by some of the comments on this proposal. In my opinion, it is a loan for our own benefit—for the mutual benefit of this country and the United Kingdom. It is a trade loan, one that we are counting on to help open up trade channels and markets all over the world. And that is why the American farmer has a direct interest in the British Loan. As a producer and seller, he stands to gain from it.

This loan would provide the British with the dollars they badly need to set their trade in motion. Sales to Britain are important to us. Britain was the leading market for U. S. exports in prewar years and took large quantities of farm products. We cannot afford not to help put our best customer on its feet again. Actually, our gains should be on a much wider front than just trade with the British. The loan should make it possible for the British to join with us in a frontal attack on world trade barriers. Because they have been so short of dollars, the British have had little choice but to follow restrictive trade policies that have discriminated against the United States and have hampered American sales not only to the United Kingdom, but to other sterling bloc countries. If we can make the necessary loan to the British, they can and have agreed to join with us to support international negotiations to remove trade barriers and discriminations. The American farmer will do well to take a good look at the real facts involved in the British Loan proposal.

A New Era in Agriculture

In conclusion, let me move away from the questions that engross our attention from day to day and ask you to take a fresh look at where we stand.

We shall have to make many decisions in this critical period of reconversion. As we make them—not only the big ones but the day-to-day decisions too—we need to keep the future in mind. We want our decisions to add up to something more desirable than we have had in the past, for agriculture and the whole nation.

We may as well realize that we have entered a new era.

The peacetime challenge to agriculture is the challenge of a new era. We have gone through a titantic military struggle. We have started to harness and use the basic power of the universe—for that is the real meaning of the atomic bomb. We have made a beginning toward a system of world government—for that is the purpose of the United Nations Organization. We have discovered that at last the world has developed food production techniques to the point that, if used, can provide everyone in the world with enough food. The Food and Agriculture Organization is starting out to make this knowledge available to the nations that need it. We owe it to ourselves and to posterity to face this new era with new thinking. But, we must not forget what we have learned.

Agriculture's broad objectives for the postwar period look toward a well-balanced, enduring and prosperous economy. Agriculture wants, first of all, to produce plenty of food at fair prices—to establish a truly high level of nutrition in the United States; second, increased efficiency not only in production but in processsing and marketing farm products for the benefit of the farmer and the country as a whole; third, opportunity to accomplish a complete job of conservation of our natural agricultural resources — our soil, our water supply, and our forests; and fourth, an expanding, free-moving trade with other nations to broaden the base of our economy.

Agriculture is setting its sights high for the years ahead.

British Loan Opposed

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Britain is that if we do not make it, the British Empire will collapse, and if the British Empire collapses, then Russia will take over the whole show. That is, Russia will take not only all of Europe, but all of Asia. At least, that argument is being advanced by some people as a reason for the loan. There may be something in it, but, frankly, I don't believe that the loan that we are asked to make, of nearly four billion dollars, is going to save the situation if it is that bad. If that is the purpose of the loan, then immediately we will be getting deeper and deeper into the European and Asiatic conflict between Russia and the British Empire. And let me add this: The American people are not in favor of keeping the people of India or the people in the Dutch East Indies or in Hong Kong in subjection, and they are not in favor of putting up money so that a few people in Europe can control those countries. I don't believe American blood was sacrificed to save the British Empire and the Dutch Empire in the Far East and in the South Pacific; is that what we went to war for?"

To these remarks, the Senator, in speaking of a solution of the British problem, added:

"The solution of the problem of England is the same as the solution of the poblems of the rest of the world, and that is for everybody to tighten their belts and get down to work and produce more goods. We are not going to accomplish that by loaning people money—the people of England, or the people of the United States, or the people of the world. I call your attention to the fact that Britain's debt to us from the first war was nearly 6 billion dollars; lend-lease goods and services already shipped, now proposed to be forgiven, amount to about 25 billion dollars; loan for the payment of new lend-lease items, 650 million; the proposed line of credit extending for 55 years, 3 billion 750 million; plus ships and destroyers and other items which we earlier transferred, of which we don't know the value—a total of perhaps as much as 35 billion dollars. That is what we have given and are to give to Great Britain."

Senator Wheeler during the course of the discussion mentioned that the funds proposed for the British loan could be more profitable used at home. "If we have 4 billion dollars more to give away," he said, "let us turn our attention to the United States, where we have some very difficult problems. We have millions of veterans coming back. They are going to make large demands upon the country. We have slums all over the United States where the money could be used profitably for the public good. While I sympathize with Great Britain and the plight that she finds herself in, first of all I am thinking of the United States of America."

Senator Johnson, called the proposed loan as inflationary in the following statement:

"Under present Treasury arrangements every dollar of United States bonds sold to our citizens is in actual reality printing-press money and adds to our buying power. If the British loan is made by our Treasury, the currency of this country will be inflated to the full extent of the loan."

To offset this, and at the same time grant financial aid to Britain, Senator Johnson referred to his bill in the Senate, introduced as a substitute to the Administration's loan measure.

"It's a substitute for the Administration loan bill," the Senator stated, "and would authorize the Treasury to sell special bonds to American investors on a voluntary basis, the proceeds to go to Britain, and in turn whatever interest and principal is paid by the British Government would be paid to these investors on a pro rata basis. The bonds would be of distinctive design and would bear on their face a statement to the effect that they are not back by the credit of or guaranteed by the United States. The sale of the bonds would serve as a referendum in America on the British loan. It would be anti-inflationary, not inflationary, and if such an investment is not attractive to American investors, it certainly is not right to unload it on the hard-pressed American taxpayer against his will."

Both Senator Wheeler and Senator Johnson expressed doubt that Congress would approve the British loan in its present form "unless the State Department rallies support for this loan." Senator Johnson stated "I think it would be very foolish to expect Congress to support it, especially in an election year," while Senator Wheeler expressed the opinion "that unless the country changes its attitude toward this loan, Congress is not going to enact it."

Hans Utsch Resuming

Hans Utsch is resuming his investment business, under the firm name of Hans Utsch & Co. from offices at 42 Broadway, New York City.

Reconstruction and the Export-Import Bank

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changes began to take place in the economies of the countries involved. For several years a steady stream of lend-lease supplies had moved forward from the United States to meet their wartime needs. Now, suddenly, they are faced with the necessity of restoring their productive capacity and, at the same time, their means of obtaining dollar credits to get goods essential for a start is cut off. President Truman was fully aware of the problems thus created and forecast the means of meeting this situation in his Lend-Lease Message to Congress, June 4, 1945, when he stated: "Our recent lend-lease agreements with France, Belgium and the Netherlands will be carried out by lend-lease funds to the fullest extent consistent with changed war conditions and the basic wartime purposes of lend-lease aid. Beyond this I propose that these Allies be assisted in financing necessary equipment and supplies by the Export-Import Bank.

"Such assistance is consistent with the enlarged role which the Bank should be given in providing certain types of industrial equipment and supplies which other nations may wish to obtain from us for reconstruction. Some aspects of reconstruction are of particular interest to this nation and can most appropriately be financed by our own instrumentality."

Shortly thereafter, July 31, 1945, the President signed the Bretton Woods Agreements Act, providing for an International Fund and an International Bank for Reconstruction and Development and on the same day he approved the Export-Import Bank Act of 1945, equipping the Bank to fill the emergency reconstruction needs of liberated areas until the World Bank could come into operation.

The Export-Import Bank Act of 1945 transferred the management of the Bank from an ex-officio part-time Board of Trustees to a full-time bi-partisan Board of Directors. It increased the lending power of the Bank from $700 million to $3.5 billion. It removed the prohibition on making loans to governments in default on their obligations to the United States and eliminated the prohibition in the so-called Johnson Act against participation by private investors in loans to these countries, and it established the Bank as an independent agency of the United States.

At the same time the operating principles of the Bank were clearly stated in Section 2 (b) of the Act, which reads: "It is the policy of the Congress that the Bank in the exercise of its functions should supplement and encourage and not compete with private capital, and that loans, so far as possible consistently with carrying out the purposes of (the Bank), shall generally be for specific purposes, and, in the judgment of the Board of Directors, offer reasonable assurance of repayment."

Since its inception in 1934, the Export-Import Bank has operated to promote U. S. foreign trade and its field of operations has largely been in the Western Hemisphere. The new Act made possible loans authorizations in the last six months of 1945 equivalent approximately to 45% of the total authorizations made by the Bank in the preceding 11 years of its existence. Nearly $1 billion of these authorizations were to the war devastated areas of Europe. Failure to meet the requirements of these unfortunate areas, where it is apparent the need exists and that the countries are really endeavoring to put their own houses in order, would risk loss to the United States of foreign trade which is fundamental to our progress and prosperity. These areas are legitimate markets for American goods but it is clear that private capital is not yet organized to handle their needs. If they do not receive help from us, not only will world recovery be retarded, but we cannot blame them if they seek their needs elsewhere.

No loan is made by the Bank except on a businesslike basis after a thorough study of the ability to repay. Reconstruction loans are made to meet emergency needs and it is not the intention of the Bank to enter into the long-term development and reconstruction field which rightfully belongs to the World Bank, now in process of organization. It will require some time for the new World Bank to get established and, in the meantime, the areas which the Export-Import Bank are serving require fuel, raw materials, transportation, power, and labor. The last of these is readily available if the equipment for the men to utilize is forthcoming and the economy functioning. It is our hope that our resources will be sufficient to meet all of the emergency needs which business common sense would dictate our meeting during 1946. It is impossible to determine exactly what these needs are, but we are being very careful to avoid the disbursement of funds for projects and programs which are of such a long-range nature that they inevitably fall within the province of the World Bank. It would be a misuse and even an abuse of our lending authority to undertake programs which are beyond the interim stopgap emergency category.

The void which has been created by the termination of lend-lease has left a portion of American industry, particularly in the heavy goods category where plant capacity and skilled labor is available and orders no longer forthcoming in the previous volume, anxious to have some means of braking the reconversion period. Meeting the needs of foreign countries, helping them restore their own economies by supplying them with goods to process and cushioning our own reconversion does not create inflation in this country, but maintains sound employment and acts as a buffer against unnecessary deflation. The Bank is extremely careful in cooperation with other government agencies and, in particular the Department of Commerce, to guide foreign purchases into channels which not only avoid inflation, but prevent deflation.

The task of directing our loans into just the right channels will require a high degree of statesmanship on the part of our Government. For the first time, we have a top coordinating foreign lending committee, the National Advisory Council on International Monetary and Financial Problems set up under the Bretton Woods Agreements Act. This Committee consists of the Secretary of the Treasury, as Chairman; the Secretary of State, the Secretary of Commerce, the Chairman of the Board of Governors of the Federal Reserve System, and the Chairman of the Board of Directors of the Export-Import Bank of Washington, and has the responsibility of keeping a watch over our foreign lending programs and guiding them in such a way that repayment will ultimately be possible. It is a challenging task. The problem I present to you gentlemen, and the reason I bespeak your cooperation and assistance is that the success of the Export-Import Bank, as a financial medium serving America's foreign trade, will drive one more nail in the coffin of war and add another stone to the permanent foundation which the country requires for the peace we all so much desire.

Let us go back for a moment to the end of World War I and recall, if we will, President Wilson pleading for the Fourteen Points, the third of which provided for the elimination of economic trade barriers. Whatever one thinks of Mr. Wilson's over-all approach, there are few of us today who would not concede that the early breakdown of his third point laid the groundwork of World War II. Have we the courage, the stamina, the intelligence, and the vision to prevent these mistakes a second time? I think we have. It behooves everyone of us to put his shoulder to the wheel to see to it that economic barriers are broken down; that walls become bridges; and pitfalls are smoothed into highways. If we can keep this prospect in front of us and strive for our daily bread with the knowledge that what builds one, if on a sound basis, builds all, the future can hold no terror for us. And so I close with an appeal to you, gentlemen, to give us your backing in this undertaking; to criticize where you think we are making mistakes; and to give us the benefit of your experience and knowledge wherever you think it will be helpful.

"Florida—A United State"

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advancement; a surplus of electric power, adequate transportation facilities and a soundly American native-born labor force. Training programs instituted by Florida's huge shipyards and war plants, and an expansion of the vocational school system, has produced an increasing number of skilled workers prepared to fill the gaps in virtually all categories.

A Workers' Paradise

With the creation of year-round jobs, long the big drawback to a stabilized economy, Florida is rapidly evolving into a workers' paradise, blending in equable balance the best features of ideal working conditions together with its multitudinous recreational facilities with which the State is so lavishly endowed. The result of such favorable factors is a production potential said to be 20% over less-favored climes. This conclusion is based on the premise that human efficiency increases in direct ratio to the way a man feels; and when a worker feels good month-in-month-out his production capacity naturally goes up. Contrary to popular opinion, even mid-summer temperatures in Florida seldom reach the high levels of many Northern cities, and the cooling breezes from the Atlantic and the Gulf condition the air to a comfortable degree. It is also a time-honored fact that sunstroke in unknown in any part of the State.

Rated as the fastest-growing State in the Union, Florida, during the past five years gained 18% in permanent population, with the greatest concentration occurring in the larger cities and industrial centers. In the decade, 1930-1940, the increase in population totaled 29.2%—by far the highest in the nation. Along with the increase in population has come the expansion of established industry, the creation of many new ones, the extension and diversification of agriculture, and an unprecedented postwar return of its valuable tourist trade.

A Flexible Economy

The three factors of agriculture, industry and tourism provide a flexibility of economy that is mutually helpful. Field crops, for example, with a 1944 farm value of some $45,000,000 offer processing advantages to manufacturers of corn, peanuts, sugar cane, sweet potatoes, cotton and other agricultural crops such as ramie and tung oil. Examples of farm-factory coordination are even more pronounced in the processing of citrous crops—canned, concentrated, frozen and dehydrated.

Food chemists agree that the surface of this rich field has been barely scratched, predicting the future utilization of all the elements that are produced in such profusion in the rich, versatile soils with which America's southernmost State is provided. With barely 2,000,000 of its 35,000,000 acres in farms and groves, during the 1944-45 season twenty-seven carloads of food every hour, day and night, left Florida the year around for out-of-State markets.

Perhaps the greatest incentive to forward-looking business men seeking industrial locations in Florida is the favorable tax situation, exempting many new industries from taxes through 1948. The absence of State income tax, general sales tax and the $5,000 exemption provision on homesteads, are all indicative of the legislation that has been enacted to stimulate stabilized population growth.

As of June, 1945, Florida's war supply and facility contracts stood at a level of $1,472,412,000, exclusive of fresh and processed foods. Industrial production possibilities are further reflected in the breakdown of the figures: $686,039,000 for shipbuilding, $29,978,000 for ordnance, $7,905,000 for aircraft, and $4,519,000 for communication equipment.

War-time wages, high net farm income, and the broad spread of profits generally, raised the standard of living throughout the State, reducing debts, accumulating millions in bank and bond deposits and surpluses. During 1944, for instance, a reduction of 23% was noted in Florida's farm mortgage debt against a national average that year of 6.5%. Continuance of such general prosperity—greatest per capita income in the South—was apparent in phenomenal Christmas sales — estimated at $100,000,000.

Economists agree that increased civilian demands during the next ten years place market potentials in Florida at an all-time high, and which will require enormous manpower in the production, distribution and serving of goods. Included in this consideration is the normal influx of some 2,500,000 tourists who each year spend in excess of $300,000,000—and which is expected to increase proportionately as hotel, apartment and home construction can meet the demand. Already under way is a program of construction for an estimated total of $150,000,000, labor for which will fully offset layoffs in war production activities.

Inventory of Resources

An inventory of Florida resources and production runs into astronomical figures. Surprising to many is the annual output of manufactures — exceeding $300,000,000 in valuation. This is closely matched by a cash farm income of $336,425,000 in 1944—and this on only 6% of the land.

The annual production of lumber, pulpwood and naval stores represent a value of $55,000,000. Commercial fisheries, including shrimp, oysters, turtles, crayfish and sponges, bring a gross return of about $25,000,000 annually and provide employment for 75,000 persons. Non-metallic minerals alone produce an income over $20,000,000 a year; while Florida's principal seaports handle some 10,000,000 tons annually in normal years.

Livestock, beef cattle and dairy herds, with a present value exceeding $49,000,000, place Florida first in the Southeast with more than 1,159,000 head, 927,000 of which are beef animals Raising and processing animals and animal products, still represents a local need, a deficit of 240,000 tons appearing in this category last year. Closely related to this need is the production of livestock and poultry feeds, an industry which is rapidly approaching solution in the utilization of farm and grove by-products.

During the next decade Florida can easily support a population double its present two-million odd, while making due allowances for an ascending increase in its huge tourist trade.

Industrial Cities

Meanwhile, the three largest cities — Jacksonville, Miami and Tampa—vie with each other in industrial growth as many smaller towns in the fast - developing interior are making successful bids for processing and manufacturing plants. Some 100 new plants, large and small, have been established in the State in the past two years. A well-distributed system of corporate and municipal electric plants, with a capacity of 500,000 kilowatts offer abundant power resources almost anywhere in the State. The growth of power has been in keeping with industrial and population growth, increasing in the ten years ending 1944 by 260%, and producing in that year a total of 2,412,655,000 kilowatt hours.

Full utilization and conservation of Florida's tremendous resources depend upon a scientific approach to its problems. Research in citrus, soil, crop and livestock improvement is being carried on in no less than a hundred experimental and testing laboratories throughout the State. New processing methods have brought frozen, powdered, and concentrated citrus fruit juices, livestock feeds from citrus, sweet potatoes, fish, lemon grass and molasses, plastics from palmetto, peat and wood, new oils, ramie fabric, sugar cane by-products and a greater use of non-metallic minerals and naval stores.

Florida's Financial Institutions

No longer do Florida business men, farmers and growers have to seek finances for their projects outside the State. Today, in its many financial institutions are billions of dollars ready and willing to go to work in the expansion of existing industries, the creation of new ones and in the opening of broad highways to a future prosperity for the millions who came to play, but decided to live permanently in America's oldest yet newest State.

High Attendance at Trust Conference

A new high point in attendance and interest was set by the 27th Mid-Winter Trust Conference of the Trust Division of the American Bankers Association, which was held at The Waldorf-Astoria, New York City, Feb. 4, 5, and 6. James W. Allison, President of the Division, who is also Vice-President of the Equitable Trust Company, Wilmington, Del., reported that registration at the conference exceeded 1,500 representatives of banks and trust companies from 38 states and the District of Columbia. The previous high in attendance was the Mid-Winter Trust Conference in 1944, at which 1,277 were registered.

There were also 32 representatives of foreign banks and governments from 12 countries. These included Australia and India (a representative from The Chartered Bank of India, Australia, and China), 1; Belgium, 2; Bermuda, 1; Canada, 18; China, 1; Czechoslovakia, 1; Denmark, 1; England, 3; Italy, 1; Norway, 1; and Sweden, 2.

Oil Industry Outlook

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war the costs of finding new reserves in the United States will almost certainly be higher.

Foreign Oil Production

A second factor of real significance that requires careful appraisal is the considerable expansion of foreign crude oil production and refining capacity during the war years. In the Middle East, for example, crude oil production is now at a rate close to 650,000 barrels a day with refining capacity about equal to this production. This is two-thirds higher than in 1939 and capacity is still on the increase. For the United States industry the significance of this situation is that almost all of the Middle East production is available for export. While it is true that consumption of petroleum products on a per capita basis outside the United States is comparatively low and therefore a larger potential market exists, this large new source of supply strategically located can hardly be ignored. It constitutes a potent factor in the post-war world oil picture, for the indications are that it may be, if it is not already, the cheapest oil to be found anywhere. A combination of circumstances could conceivably result in Middle East oil setting the world price which, considering the conditions under which the United States industry operates, would make it distinctly unfavorable to it. The Anglo-American Oil Agreement now being readied for hearings before a Senate Committee may set the pattern for the immediate future if and when ratified.

In Venezuela crude production reached a daily peak rate of 1,000,000 barrels last year, almost double the rate in 1939. The large source of low cost crude is as close to the northeastern markets of the United States as is oil on the Gulf Coast. Activity in Venezuela must also undergo important readjustment in view of the diminished demand for military purposes. Middle East oil may eventually be a threat to Caribbean oil. But for the United States, oil in this area represents an important strategic asset from the standpoint of location and also nature of the crude oil. Venezuelan oils, for example, ideally supplement United States production in that they have been long recognized as very valuable sources of refinery stock suitable for medium and light fuel oils. Since the long-term trend of fuel oil consumption in the United States is higher than that of gasoline and since there is a strong seasonal demand for the latter, imports of South American crudes are of great importance to the domestic industry because they provide a means of balancing supplies of crude with demand of the various oil products. This also enables our domestic industry to process a larger part of its crude oil into the higher valued refined products.

Enlargement of Transportation Facilities

A third major development arising by virtue of the requirements of war is the huge enlargement of transportation facilities for carrying oil and its products. On Sept. 1, 1945, the United States tanker fleet comprised 907 vessels. In tonnage this fleet is four times greater than the tanker fleet in September, 1939. It is not only larger, but more modern and much speedier. One-half of the fleet is owned by the Federal Government. In addition to the increase in marine transport capacity there has been an important expansion in pipe line facilities. The most notable additions were the Big and Little Inch Lines stretching from the southwestern oil fields to the eastern seaboard and capable of transporting daily over 300,000 and 200,000 barrels, respectively, of crude oil and petroleum products. What disposition is to be made of these two Government-owned facilities is currently a question of considerable import to the industry which operates on a delicate balance between production, refining and marketing. In the face of the enlarged tanker fleet and the distinct advantage of flexibility which tankers possess, it is questionable whether these two pipe lines can perform an economical peacetime function in transportation of oil or oil products. The feasibility of such operations under private hands would, it appears, depend on the cost price to prospective operators, length of time in which they could be amortized and whether they could be operated at capacity. Under private ownership, oil transported through these lines is subject to the 4½% Federal transportation tax on gross revenues together with ad valorem taxes in States through which it passes. Although it is difficult to challenge the leading position of tankers as the cheapest medium of oil transportation, the war emergency pipe lines are a factor of consideration in the outlook for the industry in the next 12 months. Final settlement as to what disposition will be made of them appears to rest at the present time, like a number of other important questions, on other than economic factors.

It is a noteworthy fact that during the recent war more than one-half of all military supplies shipped overseas consisted of products of petroleum. Because of these requirements, the refining branch of the oil industry was expanded to a very considerable degree. There was not only an expansion in capacity, but a veritable revolution in refinery techniques and processes. This was a direct outgrowth of the need for high quality aviation fuels as is indicated in the following table:

Aviation Gasoline—Daily Average Production—1,000 bbls.

1940	40
1941	58
1942	128
1943	291
1944	537
*1945	484

*to November 1.

The major development in refining has been the growth of catalytic cracking. In the past five years such cracking capacity has increased from approximately 100,000 barrels a day to close to 1,000,000 barrels daily at the present time. Meanwhile thermal cracking capacity has remained at the 2 million barrels a day level. The significance of this change lies in the fact that catalytic cracking makes possible increased yields of motor fuel and lighter petroleum products at lower costs. Great economy of operations is obtained through the use of distillates and heavy fuel oil as charging stocks in the catalytic refining process. In effect the industry is now able to squeeze out a greater volume of higher quality, higher valued products out of each barrel of crude than has been possible heretofore. After Pearl Harbor some $835 million was spent in this country on facilities for producing high quality aviation fuels. Of this amount approximately $600 million was spent by oil companies themselves in their own establishments on a permanent basis. The balance of $235 million were government outlays representing 29 installations whose principal peacetime use is the production of high quality motor fuel. Government-owned facilities accounted for about 16% of total United States capacity for producing aviation gasoline. It is expected that some of these will be continued in operation through sale, rent or lease by the RFC.

Regardless of what disposition is made of these facilities, the industry is presently confronted with a surplus of refining capacity relative to anticipated near-term requirements. The indicated demand for gasoline at the present time is at a rate of approximately 1,600,000 barrels a day and refining capacity far exceeds this figure. Hence there is posed an important current problem for the industry. It is expected that the demand for the major oil products in 1946 will be about 10% below 1945. This is a greater decline than has ever been experienced by the industry. Since the depression in the early 1930's the industry experienced a decline in demand in the years 1938 and 1942 to the extent of only about 2% in each of those years.

The major outlet for petroleum products is their use in motor cars and trucks. Registrations of these vehicles are now some 10% lower than in 1941 and are not expected to approach that year's level for possibly 12 months. The average age of cars on the road is now materially above normal, hence they cannot be used as much as newer vehicles. Thus, although domestic gasoline consumption increased to a greater extent than was anticipated after the end of rationing, it cannot be expected that the upward trend in use of motor fuel can be resumed until cars on the road increase significantly. Prior to the war, motor fuel consumption's long term trend was an annual increase of 4%.

The situation in fuel oil, the industry's second major product, presents a different picture, but also contains complexing problems. After V-J Day fuel oil users apparently came back with a vengeance born of the frustrations created by rationing. Fuel oil use is now well above the 1941 level and is on the increase, probably exceeding the long-term trend which averaged an increase of 5% annually prior to the war. Present oil heating installations are estimated to number 2,400,000 units. This is expected to double in the next five years.

Fuel Oil and Gasoline Relationships

The problem created by fuel oil, probably an extreme one currently, stems from the fact that in order for the industry to supply all of the fuel oil demands, the gasoline that comes out of the refinery in the crude refining process is excessive in relation to its demand. And excess gasoline is the bane of the oil industry. In the early part of January this year gasoline inventories in the country totalled close to 100 million barrels compared to 80 million barrels in the first week of January, 1941, when there were more and newer cars on the road. On January 7 of this year inventories of gasoline on the Gulf and East Coasts, the nation's largest consuming areas, amounted to 49 million barrels. Storage capacity is about 51.5 million barrels. The obvious remedy is a slowing down of refining operations in order to curtail gasoline production at the comparatively high yields now prevailing. But this would also reduce the badly needed supplies of fuel oil. Normally the situation would correct itself by price adjustments which would induce producers to step up production of the scarce items. Ceilings on prices of the various refinery products, however, have thus far effectively prevented the normal adjustments that otherwise take place swiftly. The tight situation in both kerosene and fuel oil was made the subject of official recognition in the middle of last December. Ceilings on kerosene prices were increased by one-half cent a gallon and three-tenths of a cent a gallon on fuel oil. The industry is asking a further increase in the prices of these two products in order that yields on the higher valued gasoline can be reduced at the refinery and production of lower valued kerosene and fuel oil increased. In view of the rapid accumulation of gasoline stocks, the limited storage capacity and the low winter seasonal demand, a cut in gasoline production seems inevitable. More competition also is in prospect, if not already at hand. Weakening of the gasoline price structure has already been in evidence in the Middle West. In the middle of January Standard Oil of Indiana announced a reduction of 0.3 cents a gallon in the tank wagon price. This announcement was followed by similar action by other units in the area.

TABLE I

	*Price Index Petr. Prod.	Crude Oil million bbls. Prod.	Crude Oil Stocks Yr. End	†Price Per Bbl.	Gasoline million bbls. Prod.	Gasoline Stocks Yr. End	‡Retail Price (gal.)	Fuel Oil million bbls. Prod.	Fuel Oil Stocks Yr. End	Avge. Price Per Bbl.
1945	62.1	1,700	225	$1.11	790	72	14.6¢	725	87	$1.73
1944	64.0	1,660	220	1.11	740	65	14.6	700	70	1.68
1943	59.8	1,500	249	1.11	614	65	14.6	630	67	1.65
1942	56.9	1,390	246	1.11	607	71	14.5	540	83	1.61
1941	50.0	1,400	257	1.06	690	86	13.3	530	105	1.35
1940	52.1	1,350	276	0.96	615	78	12.7	500	116	1.35
1939	55.9	1,270	—	0.96	607	77	13.3	470	114	1.04

*B. L. S. Wholesale Price Index 1926=100. †Mid-Continent 33 deg. gravity. ‡Average price per gallon in 50 cities, excluding taxes. Taxes now amount to approximately six cents per gallon.

NOTE—1945 figures based on incomplete data for the full year.

The normal situation in the oil industry in regard to sales of motor fuel, which is the highest value and by far the largest volume product, is one of severe competition. With large refining capacity, mounting stocks and reestablishment of retail outlets shut down during the war, there is a strong likelihood that the normal state of competition will reappear. Recently Standard Oil of California, which heretofore has confined its retail operations west of the Rocky Mountains, announced the inauguration of motor fuel sales to distributors in five major East Coast States. This product is to be transported from the West Coast by tanker. In view of the added cost involved in transportation over such a long distance, the question is immediately raised as to how it can meet competition from units long established and better situated in the East Coast markets. Those markets have never suffered from lack of competition. It is significant in this connection that Standard Oil of California has important sources of supplies in the Middle East so that a start in the development of new outlets may have been made by its recent action.

It is not to be expected that the industry can operate as profitably as it did during the war period. Refining and marketing have long been the least profitable branches of the industry and it may well be that, for a limited period of time at least, the condition brought about by the war may aggravate this problem.

The Chemical Branch of Oil Industry

The chemical branch of the industry underwent considerable expansion during the war and is certain to grow in the post-war years. Petroleum is a vast storehouse of thousands of hydrocarbon compounds. The conventional method of obtaining the most desired products is to boil off at various temperature ranges in the refinery the different products such as gasoline, kerosene, heating oils, lubricating oils and fuel oils. The art of petroleum chemistry is an industry engaged in separating countless compounds by new processes resulting in many thousands of new and useful products. These are either useful in themselves or serve as intermediates for other new products.

Examples of chemicals made from petroleum refining that are serving useful functions or as starting points for many others are ammonia, nitric acid, toluene, acetone, refrigerants, alcohol, carbon black and propylene. There are many others and the list is being constantly expanded. The oil business is in truth a chemical business using petroleum as a rich source of raw material. The outlets for and application of these products are virtually without limit.

A sample group of ten representative companies in the industry listed in Table II shows the progressive improvement that has resulted in the past four years. Though 1945 data are as yet incomplete, the figures for the four years 1941-44 provide an interesting comparison with the results of the four years 1936-39. Net income of the ten companies improved by 21%. Working capital increased by 28% and debt declined by 5%. During the latter four years total assets have not only increased materially, but extensive modernization and rehabilitation has taken place. Common stocks and surplus on the books of the ten companies had a value of 12% higher at the end of 1944 compared to the year-end 1941. Of considerable interest to the investor is the fact that the aggregate market value of all the common stocks of these companies was 75% higher at the end of 1945 compared to their 1941 year-end values. The Dow-Jones average of 30 industrial companies closed at 111 in 1941 and 193 in 1945, or 74% higher. Thus, as a group these ten oil company stocks have performed as well as the Dow-Jones average, which is contrary to the general belief that oils have

TABLE II

Financial Data — Ten Leading Oil Companies (million $)

	Net Income 4 year Avge. 1936-1939	Net Income 4 year Avge. 1941-1944	Work. Capital year end 1941	Work. Capital year end 1944	Debt year end 1941	Debt year end 1944	Common Stock and Surplus year end 1941	Common Stock and Surplus year end 1944	Mkt. Value of Common Shares year end 1941	Mkt. Value of Common Shares year end 1945
Continental Oil	$8.8	$14.1	$17.6	$30.1	$8.7	$1.4	$105.2	$126.9	$103	$183
Gulf Oil	21.6	32.0	80.9	101.6	46.1	48.4	431.4	474.4	299	552
Humble Oil	36.7	42.7	45.8	82.3	47.6	42.7	328.7	396.5	504	895
Phillips Petrol.	15.2	16.4	30.0	30.7	32.7	47.0	181.2	222.5	187	280
Socony Vacuum	43.5	43.0	216.9	280.5	125.0	114.5	626.5	701.0	234	530
Standard Oil of Calif.	27.8	35.0	103.8	122.6	40.0	40.0	556.4	585.9	248	617
Standard Oil of Ind.	41.2	49.6	185.9	181.9	13.5	12.0	701.6	792.0	395	615
Standard Oil of N. J.	102.7	125.1	506.3	697.1	293.1	239.8	1,318.3	1,444.7	1,150	1,830
Standard Oil of Ohio	3.2	5.2	17.6	24.2	*21.4	*42.3	49.9	61.6	25	65
Texas Company	37.2	46.1	148.8	176.6	111.7	112.9	494.7	574.1	435	684
Totals	337.9	409.2	1,353.6	1,727.6	739.8	701.9	4,793.9	5,379.6	3,580	6,251
% change		+21		+28		—5		+12		+75

*Includes preferred stock.

A Clearing House to Detect Unethical Stock Transactions

(Continued from page 971)

of 1939, 1940, and 1941, this Department was confronted with various schemes offered by unethical stock salesmen who came into this State for one purpose and one purpose only—that purpose being to defraud the unsuspecting investors of their hard earned savings which had been invested for their future security. And I do not believe that this situation was limited to the State of South Carolina.

A system whereby the various states, through the medium of some central organization, can exchange information regularly concerning the activities of that small minority of stock salesmen who are unethical in their dealings with investors will to a large extent curb this unwanted and undesirable practice. I sincerely believe that the ethical stock salesmen are just as much interested in curbing the activity of the "high-binder" and "swindler" as are the various Securities Administrators. In my own personal experience, this was borne out by the assistance rendered me during the above mentioned years in the apprehension of numerous swindlers who had come into the State of South Carolina and defrauded citizens of this State of large amounts of securities. Without the help of the honest stock salesmen, it would have been a long drawn out affair and quite expensive to this State to bring these men to justice.

The National Association of Securities Administrators has under advisement at this time a means of releasing information regarding violations and if this is handled in an efficient manner, it will go far towards protecting the investing public of these great United States. The success of this plan, of course, depends upon the whole-hearted cooperation of each and every Securities Administrator who, during the next few years, will be in position to render a great service to the industry and to the people of our Country in proper regulation of the registration of securities issues and of those men who handle them. We of the National Association have a great task imposed upon us in protecting the citizens of our respective States, but, with the cooperation of the various securities organizations and those people handling securities, of which we are all keenly aware and for which we are deeply grateful, I am sure that our combined efforts will go far in making the corporations founded on these investments a sound proposition for all concerned and will culminate in the investors realizing the profits which they rightfully deserve.

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lagged. It is of interest to note that at their 1945 year-end valuations the four-year 1941-44 average earnings of the ten oil companies listed in Table II were being capitalized at a ratio of slightly better than 15 times — a fact which the conservative investor might, in the absence of inflation fever, regard as quite adequate.

The outlook for the industry depends to a large degree, as always, on its ability to bring supply in balance with demand. The extent to which price becomes the instrument of bringing about this balance will determine how well or how badly the industry fares over the coming months. As to long-term trends of demand, there is no question as to the favorable position of the oil industry.

Hotel Industry Heads Cite Post-War Dangers

(Continued from page 966)

Industry Now Profitable, Says Frawley

Reporting that the country's $5 billion hotel industry in the war years operated at a fair profit for the first time since the '20's, Mr. Frawley emphasized that it took world conflict to bring the condition about. He added: "Without the full facts, snap judgment might decree that the hotel industry faces a bright future. It faced equally as rosy a future after the last war, but without finding the facts, people invested their money and the worst happened."

Rely on Risk Capital, Advises Herndon

Three-quarters of the funds used to purchase land and construct hotels from 1929 through 1932 was raised on mortgages, according to Mr. Herndon, who manages the Hotel Plaza in New York City. "Recently, Hilton Hotels purchased the Stevens Hotel, Chicago for $7,500,000," said Mr. Herndon. "It cost $28,000,000 to build. Completed in 1927, it showed a million dollar deficit the following year; lost about $700,000 in 1929; and by '30 the bonds were selling for a few cents on the dollar."

Mr. Herndon recommended that more reliance be put on risk capital, less on borrowd money.

The new hotel project should be appraised in terms of 30 to 40 years, not five or ten, said Mr. Andrews.

He pointed out that a new hotel project should be evaluated as a business not a parcel of real estate.

Kleeman Reports Bankers' Attitude

Stating that banks and bankers had learned their lesson and would not enter into hotel financing until the project was thoroughly studied, Mr. Kleeman reported that by 1928 comparatively few hotels showed 6% return on their investment, yet in each year from 1927 through '30 an average of $130,000,000 was invested in new hotels.

"The result," said Mr. Kleeman, "was that by 1932, 81% of the nation's hotels—new, old, large, medium and small—went into bankruptcy, reorganization and foreclosure. Hotel recovery was sluggish, as evidenced by the fact that in none of the years up to 1942 did hotels earn even 2% for interest on their estimated valuation."

The banker emphasized that hotels did not feel the stimulus of the national defense and lend-lease programs until 1942, when the country was at war. Average room rates are still lower than in 1929, he said.

Public Utility Securities

(Continued from page 964)

	Price About	Dividend Rate	Yield About	Share Earnings	Price-Earn. Ratios
Over-Counter (and Out-of-Town Exchanges):					
Arizona Edison	19	$0.90	4.8%	$1.71	11.1
Arkansas-Missouri Power	17	.60	3.5	1.24	13.7
Beverly Gas & Electric Co.	55	2.80	5.1	2.41	22.8
Black Hills Power & Light	26	1.20	4.6	1.90	13.7
Boston Edison	47	2.00	4.3	2.27	20.8
Brockton Edison Co.	43	2.00	4.7	2.10	20.5
Central Arizona Light & Power	13	.79	4.6	.95	13.7
Central Illinois Electric & Gas	29	1.30	4.5	1.86	15.6
Central Vermont Public Service	23	1.08	4.7	1.69	13.6
Community Public Service	37	2.00	5.4	2.71	13.6
Concord Electric Co.	47	2.40	5.1	2.46	19.1
Connecticut Light & Power	70	2.70	3.9	2.86	24.5
Connecticut Power	56	2.25	4.0	2.33	24.0
Delaware Power & Light	24	1.00	4.2	1.20	20.0
Derby Gas & Electric	27	1.40	5.2	1.40	19.3
Empire District Electric	21	1.12	5.4	1.71	12.3
Fall River Electric Light	58	2.60	4.5	2.98	19.5
Fitchburg Gas & Electric	53	2.50	4.7	2.44	21.7
Holyoke Water Power Co.	22	1.05	4.8	1.36	16.2
Iowa Public Service	18	.40	2.2	.72	25.0
Lake Superior District Power	27	1.10	4.1	1.73	15.6
Lawrence Gas & Electric	41	2.15	5.3	2.28	18.0
Lowell Electric Light Co.	52	2.30	4.4	2.33	22.3
Lynn Gas & Electric	102	5.00	4.9	4.84	21.2
Michigan Public Service	23	1.00	4.4	2.06	11.2
Missouri Utilities	19	1.00	5.3	1.28	14.9
New Bedford Gas & Electric Light	80	4.00	5.0	4.81	16.7
New Orleans Public Service	36	1.40	3.9	2.14	16.8
Newport Electric	31	1.60	5.2	2.06	15.1
Public Service of Indiana	36	1.00	2.8	1.92	18.6
Puget Sound Power & Light	16	1.20	7.5	1.62	9.9
Rockland Light & Power	11	.50	4.5	.56	19.7
San Diego Gas & Electric	18	.80	4.5	.90	20.0
Sierra Pacific Power	28	1.40	5.0	1.59	17.6
Sioux City Gas & Electric	30	1.30	4.3	2.76	10.9
Southwestern Electric Service	13	---	---	1.09	12.0
Southwestern Public Service	36	1.20	3.3	1.90	19.0
United Illuminating	52	2.00	3.9	2.14	24.3
West Penn Power	27	1.20	4.5	1.25	21.7
Western Massachusetts Companies	37	1.65	4.5	2.86	13.0
Wisconsin Electric Power	19	.68	3.6	.98	19.4
Averages			4.5%		17.6

Supreme Court Fails to Clarify Robinson-Patman Act

Four-Four Decision in American Can Case Leaves Independents' Rights Uncertain.

Last week's abortive tie-vote "no decision" handed down by the United States Supreme Court in the case of Bruce's Juices vs. the American Can Co. leaves independent canners and producers in a quandary over some important parts of the Robinson-Patman Act.

The action involved a suit in which Bruce's Juices, Inc., an independent canner in Tampa, Fla., refused to pay notes held by the American Can Co., claiming it had been discriminated against in can prices. The Bruce concern charged that while its purchases of cans from the American Can plant in Tampa, Fla., were as large as the Tampa units of several large "chain" companies, the large plants were given a discount denied to the independent operators.

The case was fought through the lower courts of Florida and finally reached the Supreme Court. The two points regarding which businessmen are still awaiting clarication, are:

1. Is proved violation of the Robinson - Patman Act defense against a judicial judgment? and

2. Should discounts be based on aggregate purchases or on the size of purchases from any one manufacturing unit?

The four-four decision, made possible by Justice Jackson's absence in Germany, has left these points undetermined, but it is expected that the case will be heard before the tribunal.

Dealer in Search of a Guide

(Continued from page 959)

next subdivision of the same section to which the Commission referred for the definition of the term broker.

In that subdivision, which is Section 3(a)(5) of the Securities Act of 1934, the term "dealer" is defined as "any person engaged in the business of buying and selling securities for his own account, through a broker or otherwise, but does not include a bank, or any person insofar as he buys or sells securities for his own account, either individually or in some fiduciary capacity, but not as a part of a regular business."

Based upon the common law upon trade customs and usages, the distinctions between acting as a dealer and acting as a broker have become so well defined that the definitions in the Securities Act of 1934 seem to be merely a work of superrogation, and purely declaratory.

As we see it, these definitions added nothing to what was already common understanding.

We believe that this was the general view in the securities industry until the Commission undertook, through the medium of the Oxford case, to engage in oral gymnastics.

Those gymnastics have set the industry by the ear.

On all sides, efforts are being made to clarify.

The National Association of Securities Dealers and the National Securities Traders Association have tried.

The NSTA was particularly sincere in its attempt to bring some order out of the chaos which has resulted from the Oxford decision. Due to the inherent nature of the controversy it failed without fault.

In this month's NSTA communication the membership is told:

> "All concerns dealing in securities, unless they are 100% brokers, could be affected by the provisions outlined in the Oxford case."

In a sense that's true, particularly so upon a careful analysis. However, what is the individual dealer who has been made to believe that the Oxford opinion applied to that case only to believe?

Again,

> "The essential thing is to make a clear distinction as to whether you are properly acting as 'Principal' or 'Agent.' This is nothing new. It is based on common law, the Securities Act and the Commission rules."

How about the customs and usages of the securities industry? Have these any part in the picture? If the Oxford decision does not create or attempt to create something new, why all this agitation, and why doesn't the Commission come out flatly and make its position clear?

In sending out its analysis in the February communication, the NSTA said in part:

> "Please bear in mind that these are only opinions; they are not based on legal advice, and in the final analysis each firm must be responsible for its own business practices and procedures."

All the efforts of the NSTA to be helpful to their members are obviously frustrated when in the final analysis they are obliged, as the quotation makes clear, to leave their membership as much up in the air as ever before.

Dealers want something authentic. They want it now. They are disturbed because if the Oxford case in its dicta has added something new, then honest men who do not understand may ultimately find themselves guilty of transgressions which were never intended as violations.

The fault continues to be that of the SEC. It holds the trump card. It can and should come out with a clear statement.

If it is the intention of the Commission to create some departure from existing trade customs and usages insofar as these affect dealers and brokers, the Commission should issue a rule upon the subject. This is one instance where silence is brass.

SO LONG AS THE COMMISSION CONTINUES TO MAINTAIN SUCH SILENCE, IT FAILS TO SERVE THE PUBLIC INTEREST.

Lobe & Moore Reopens

SEATTLE, WASH. — Lobe & Moore, Inc., is resuming the investment business from offices at 702½ Third Avenue. Officers are Albert Lobe, President; Gerald E. Moore, Secretary and Treasurer; and Morton H. Van Nuys, Vice-President.

Colvin, Mendenhall & Co.

BEVERLY HILLS, CALIF. — Donald L. Colvin has admitted Ernest D. Mendenhall, Jr., to partnership in Donald L. Colvin Company and the firm name has been changed to Colvin, Mendenhall & Co. Mr. Mendenhall was formerly with Blyth & Co.

Utilizing Our Productive Capacity

(Continued from page 959)

Most of us in our buying and selling, however, focus our attention chiefly on the sales end—on selling our labor or our merchandise as well as possible. This means that farmers push for higher prices, businessmen for higher profits and workers for higher wages; and as producers, especially organized producers, they have a greater chance of success than the unorganized consumer pushing in the opposite direction for lower prices.

In ordinary times this tendency of the organized producer to profit at the expense of the unorganized consumer is held in check by the rising tide of production that outruns the money supply in the hands of the consumers. After a great war, for a period of several years, all that is changed.

Protecting the Consumer

This is what makes Chester Bowles today the most dramatic figures in Washington. First and foremost it is his job to protect the consumer. Second, it is his job to hold the balance between the warring producers groups. Third, it is his job to protect the producers against themselves, to keep them from climbing the hill of inflation only to jump off the precipice like sheep upon the jagged rocks of depression beneath.

The special interest groups and the speculative wolves are hot on Chester Bowles' trail. He needs help. Otherwise we shall go through the disaster of 1919 and 1921 all over again. The danger of 1946 repeating 1919 is so great that all producers' groups—like farmers—should back up the OPA to the limit for one more year. To do so is the best and cheapest insurance I know against deflationary disaster.

If we can get through 1946 and the first half of 1947 without inflation, we ought to be safe for a while. Productive power should then catch up and begin to outrun consumptive power and after a time we shall again have to think as much about protecting the producer as the consumer.

So much for the present situation and the immediate outlook. What about the longer run? How can we get—and keep—full use of our resources, human and otherwise? Above all, how can we make the most of the almost universal desire of all our people to participate and to produce? Perhaps the first question is, how much production do we want?

How Much Production?

Some people seem to think there is a danger of too much production. Let us examine this for a moment. Is there really any immediate danger of producing more of any useful article than is wanted by someone somewhere in the country, or for that matter, somewhere in the world? Of course the question answers itself. People who know, who have observed the actual level of living to which so many millions of our families are bound—even with wartime incomes—will reject immediately the idea that we are in any danger of producing more than it would be socially desirable to have and to enjoy. In this sense there is no danger of too much production until the actual standards of life in this country begin with a minimum and go on to an average greatly higher than we have reached so far.

Every morning as I walk to the office in Washington I see the children going to school and I am impressed by the fact that one-third of them are more definitely undernourished than most of the heifers and pigs on the farms. And this in one of the wealthiest cities in the world.

So if the desirable level of production is not limited by human need—at least for a long time yet—then what **does** limit the productive use of resources in this country. What holds us back?

If it is not need, then it must be one of two other things. Either our capacity to produce is not high enough, or our ability to market and distribute the output—to buy it from each other—must be less than our capacity.

I submit that it cannot or need not be our productive capacity that limits us, or at least not for long.

We have plenty of land for our own use. It is much more than our share in proportion to our population among all the great nations.

Minerals and forests we have in moderate abundance except for a few items; and these few, important as they are, can be traded for with our good neighbors.

Tools and machinery, factories and power plants and transportation we can expand as rapidly as they are needed. This was conclusively proved by the mushrooming of war plant facilities all over the country in 1941-1942.

Some people think we have too much industrial capacity even now. In order to answer this question, careful estimates of market demand are to be prepared by forward-looking businessmen all over the country with the active cooperation of the Department of Commerce, under the leadership of General Albert J. Browning, who is Director of our Office of Domestic Commerce, and Under Secretary Al Schindler—both businessmen of long practical experience. The Business Advisory Council of the Department, which is composed of active business leaders, is developing with General Browning an extensive set of marketing estimates. These market studies will help them and their business associates to carry their thinking and their production planning beyond the immediate period of excessive demand and into the period when we all intend to maintain a high and steady and growing rate of production that will match the country's long-term needs.

Information of this kind, collected by businessmen for the use of businessmen, will have many by-products of value. For example, it should be a guide to the forward planning of public works by the Federal Government and also by State and local governments.

Public Works

It is perfectly clear that during the immediate period when we are straining every effort to catch up with the demand for housing and for commercial facilities and other needed productive capacity, we should defer our public works and public buildings that are not actually and immediately needed. We should defer them, first because they would add to the inflationary pressure during this catching up period—and second, because they will help to cushion the inevitable letdown in the construction industry that will come when our builders have caught up with accumulated needs. Market estimates by the industries themselves should provide ample warning against the time when these wartime shortages will have been made good; and then the industries will have time to shift to other products or to go after export markets, and government will have time to plan for needed public investments and other measures that will help to smooth the necessary transition.

Utilizing Productive Capacity

So if it isn't lack of need for the goods and services we can produce and if it isn't lack of human or other resources and capacity to produce, then it **must** be something wrong with our ability to market the potential output.

It must be that there is something that keeps us, from time to time, from buying of each other enough to keep ourselves in business at the full production, full employment rate.

This is very simple arithmetic but it isn't a simple problem. And yet this is exactly the problem that we face if we are going to "utilize all our productive capacity" over the years.

Many plans have been suggested to accomplish this objective which we all agree on — call it utilizing our productive capacity, or full employment, or perhaps full production, or high level employment, or stable prosperity, or what you like. I know these concepts differ slightly and you can get acrimonious arguments about the terms and the definitions; but I have reached the conclusion that a set of private and public policies that will achieve and maintain **any one** of these conditions will also achieve something pretty close to all the others. At any rate, it is certain that the American people will not again tolerate large-scale idleness of men or machines.

I have written at some length in the book called "Sixty Million Jobs" the main outlines of how I think the thing can be accomplished. Other plans or parts of plans have been proposed and discussed rather widely especially in the past 10 or 12 months. It is amazing how similar they are in general principle although I suppose they would differ materially when we get down to brass tacks and start laying out specific action programs.

Every responsible proposal I have seen, including my own, hinges on just one thing — we **must** work together. We **must** have better cooperation and better understanding among agriculture, business and labor. We must have in addition much better coordination of governmental policies and programs. And finally we must have a general feeling, a strong confidence that we can do the job and that we will do the job. All right, then: how can we work together.

Responsibility of Federal Government

The Federal Government of course must do its part and its part consists of doing those things which we can't do separately or through smaller organizations whether public or private. That is what we set up the Federal Government for in the first place. It is what we have used it for ever since. When we speak of the Federal Government we must never forget that it means simply—the people as a whole. The Federal Government speaks and acts solely in the name and on behalf of the people of the United States.

In order that the Federal Government can do its part I think we need three things:

1. A declaration of policy that we can all substantially agree on.

2. A recognition and definition of the responsibility that the Federal Government should and must carry in the name of the people of the United States — in other words the responsibility we acknowledge to each other.

3. Machinery in Congress and in the Executive establishment that will lead to coordination of all the various functions and plans of the Federal Government, so that these functions and plans work in the same direction and work toward confidence and cooperation by all our private and public organizations.

Now that is a big order but I believe we have a good beginning in the Employment Act of 1946 which has just been approved by the Senate and the House and which I have every reason to believe will be signed by the President.

This is very important news. It is a milestone. I don't suppose it is perfect but, as Benjamin Franklin said about the Constitution, it is doubtless the best we can agree on right now and it is plenty good enough to get started.

The Federal Employment Act

The act declares "a national policy on employment, production, and purchasing power." It recognizes "the continuing policy and responsibility of the Federal Government to use all practicable means . . . to coordinate and utilize all its plans, functions, and resources for the purpose of creating and maintaining, in a manner calculated to foster and promote free competitive enterprise and the general welfare, conditions under which there will be afforded useful employment opportunities, including self-employment, for those able, willing, and seeking to work, and to promote maximum employment, production, and purchasing power."

Then the Act sets up machinery, both in Congress and in the Executive Office of the President, intended to result in measures that will accomplish these purposes and to review and revise and adjust these measures from time to time as their effects become clear and measurable and as conditions change.

And now the really tough part begins. Now we must follow through, in our own businesses and organizations, in the States and cities and counties and Triple A's—and in Washington.

We have come a long way in pledging the Federal Government to maintain employment opportunities for all and to strive for maximum production. But—we must remember that so far we have made only a pledge. A program of action must follow if this pledge is to be translated into the realities of full production and full employment.

Unless this program of action does follow, the pledge will be nothing more than a scrap of paper in the pages of the very books of history that write the record of our next depression.

There are two great goals on which the minds and hearts of the American people are focused. The first is peace. The second is the thing we have just been discussing, call it what you will; "utilizing all our productive capacity" will do for the moment. And these two great goals are not separable one from another, for each depends on the other.

Our own domestic prosperity must be based on world security, and world security absolutely requires a healthy world trade. But there is no world security and no continued healthy world trade without a stable, healthy, and growing prosperity in the United States. Let me touch just briefly on this other set of problems—world trade, on which international security must rest.

A Healthy World Trade Needed

We need a healthy world trade in our own business. We need imports at reasonable cost because there are a good many things which we just don't have; we must get them in increasing quantities and the way we get them, in the long run, is by swapping with our neighbors all over the world. We **want** export business because our capacity to produce certain things like wheat and locomotives and automobiles is more, or can be more, than we need for our own use in the long run—whereas these things are profitable to make because they are specialties of ours; and anyway we have to have exports in order to swap for what we import.

In the same way the world needs **our** business. Other countries need markets for their specialties and most of them—like us—have to import things they do not have.

But this world trade machinery is badly out of kilter after two world wars and a long depression. You don't actually swap wheat for tin. The payments are handled through financial channels and we and our allies have just set up some powerful financial machinery for this purpose—the World Bank for long-term investments that will increase productive capacity all over the world and so make us all better customers for each other and the Stabilization Fund that will keep our different money systems in working order so that we can swap dollars for British pounds or Mexican pesos without getting all messed up.

Up for discussion and decision right now is the first big example of how we as the greatest and richest industrial nation can help to stabilize world trade in our own best interests.

The British Loan

We have negotiated with the British a loan of three and three-quarter billions, excluding the lend-lease settlement, which is to be repaid over a period of fifty years with 2% interest, beginning in 1951. It is up to Congress to approve or disapprove this arrangement, and I hope they do approve. But it is important that the public generally should understand the situation.

Why does Britain need our money?

Because she ran up such a huge external debt during the war. The reason she ran so far into debt is because she is the greatest exporting and importing country and when her exports had to be cut off and devoted to winning the war she still had to import food and raw materials. In addition, Britain suffered heavy physical damage and lost something like half her merchant fleet.

To do this, Great Britain had to make various emergency arrangements within the British Empire and set up the sterling bloc which amounted to controlled currency. She will continue such artificial arrangements if she has to; but if this happens it will interfere seriously with healthy trading between the nations all over the world.

The nations that make up the British Empire are our best customers and also our main source of supply for much of what we must import.

The English are in the position of having to deal with the rest of the world whether they like it or not. The question is, do we or don't we want to share in world business? If we want to share in the huge markets of the British Empire, then we must help in setting up financial arrangements that will allow it.

So there we are. When we really look into the question of "utilizing all our productive capactiy" we have to go from the back yard and the feed lot clear up and down and across our own country and around the whole world.

The back yard and the feed lot, the British Empire and the world—all are parts of the same whole indivisible problem; all are keyed to this thing which your program committee named "utilizing all our productive capacity" and which others call full employment, or full production, or what you will.

We have noted also the immediate and pressing danger of going through the windshield—the danger of taking off the lid to soon, the danger of uncontrolled inflation that would cripple our whole effort toward achieving the condition we described—and the valiant fight that Chester Bowles is putting up on our side. Then we have noted the bright short prospect of post-war boom, and the prospect of the inevitable collapse

Railroad Securities Again At the "Cross-Roads"?

(Continued from page 963)

labor, the retroactive date of the increase, and how much and how soon offsetting rate relief will be granted by the ICC.

Thus, the writer endeavors to show the unending uncertainties and confidence-shaking influences of the past several years—particularly applicable to railroad security holders—yet, asking the reader to recall how, after each difficult period was ended, the railroad securities continued to soar again into brand new high ground for the recovery period.

Of late, say, for the three closing months of October, November and December, 1945 railroad NET EARNINGS (after all charges) have OUTWARDLY presented an alarming contrast ber and December, 1945) rail- (being substantially lower) with similar months' results for 1944.

This poor showing is due primarily to the COMBINED influences of lower Operating Revenues (after "V-J" Day) and the accelerated rate of Amortization of Defense Projects, as disclosed by the selected comparisons contained in the following tables:

CLASS I ROADS
(000's omitted)

	Operating Revenues		Net Income After All Charges		Amortization of Defense Projects	
	1945	1944	1945	1944	1945	1944
July	$796,129	$809,038	$62,990	$58,474	$20,303	$15,788
August	755,218	836,183	51,151	60,400	20,066	16,177
September	679,178	799,229	8,848	56,503	123,192	16,617
October	696,991	818,303	20,224	60,420	109,945	17,043
November	661,181	780,231	37,214	63,506	39,829	17,519
December	613,691	755,515	†	41,473	†	18,872

†Not available.

Naturally, there were tax credits as partial offsets to the September, 1945 (and what will be reported as the October, November and December 1945) comparisons. Nevertheless, the figures, coldly presented alone, WITHOUT any offsetting partial explanation do present another of those "cross-roads" as noted in the opening paragraph of this statement; add thereto the mounting uncertainty of how long the strike - reconversion influenced lower level of traffic will continue and the COMPOUND influence of how-much-and-retroactive-to-what-date the new railroad employees' wage rise will be and WHEN and HOW MUCH the ICC will relieve the increased costs with higher rates, and the reader has his fingers on the pulse of the railroad securities market currently.

Rosier Days Ahead

To the writer, there are still even "rosier" days ahead for the railroad security holder, provided he be patient.

Railroad wages, on the average, have consumed around 46% of operating reveuues. The writer confidently expects postwar Annual Operating Revenues volume for the Class I Roads of around $6.5 billions. 46% thereof would indicate a wage correlation requirement of around $2.9 billions and as much as a 15% wage rise (IF granted) would indicate higher wage costs to be accounted for—$435,000,000 annually in the EARLY postwar period.

$6.5 billions of operating revenues annually during the early postwar years indicates annual freight revenues of around $6.0 billions annually.

Thus, a freight rate increase of as high as 7.2% would, theoretically offset a $435,000,000 wage increase (IF a wage rise is as big as 15%), besides which the 7.2% increase compares with the approximate 4.7% freight rate increase temporarily granted and then rescinded some time ago by the ICC.

If ONLY the 4.7% freight-rate increase is restored, and applied to $6.0 billions of anticipated freight revenues, then $282,000,000 out of a possible $435,000,000 wage rise theoretically can be accounted for, leaving $153,000,000 of the possible wage-rise unaccounted for.

Offsets of Wage Rise

Contributing offsets to any wage-rise, outside of whatever rate relief may be granted by the ICC can be found among the following:

1. Increased efficiency in the postwar period, and especially influenced by lighter weight freight and passenger cars, greater abandonments of branch line trackage, and wider use of dieselization and centralized traffic control;
2. Full influence of lower annual fixed charges, which for 1946 may be nearly $50,000,000 beneath those for 1945;
3. No need of deducting excess profits taxes, besides the allowance of deducting a normal and surtax rate of only 38%;
4. Elimination of heavy charges for amortization of defense projects, property write-offs and deferred maintenance—also substantial curtailment of war-heavy overtime pay;
5. Cancellation later this year of land-grant rates;
6. Ability to utilize excess profits tax carryback credits.

Summary

Summarizing, it is believed that railroad operating statements for the early part of 1946 will continue to make poor comparisons with like months of the previous year—a period of time which conceivably might be lengthened as the wage-increase, rate-increase differential widens,—a matter which was foreseen some time ago. However, it was then—and is now—considered simply as one of the many "cross-roads" confronting railroad security holders, for it is the writer's considered opinion that earnings' statements during the later months of 1946 will make outstandingly good comparison with like months of 1945 (when the showings were very badly influenced by loss of traffic because of "V-J" Day's and strike influences, also the chargeoffs due to accelerated amortization of defense projects).

In fact, the writer will not be surprised, despite the poor early 1946 earnings' start, to see net results for the full year 1946 compare favorably with those for the full year 1945—in fact, in many cases to be even materially better than results for 1945.

To put it more clearly, the writer believes, wholeheartedly, that after all special influences are eliminated and ON AN ANNUAL BASIS, railroad net earnings' results for the early years of the post-war period will, in most cases, compare favorably with highly satisfactory 1944 showings.

Thus, the belief that the current period and whatever further period of price weakness may be experienced in the near future, be regarded as yet another attractive opportunity to acquire selected railroad securities.

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after the post-war boom—inevitable unless we do something to prevent it. And we agree—do we not?—that the problem can be simply stated. It is, how can we work together? ... but the answer isn't so simple.

We agree that every individual and every organization, public and private, has its part to play; and that the Federal Government, representing all of us together, has a big job of coordination and leadership that no other agency can do.

And there is our problem. How do we do it? How do we work together? For instance, how do we get wide, prompt, bold action at Washington?

In the decade of the 1920's I spent quite a lot of time travelling and speaking to farm audiences in Iowa and other Corn-belt states. Throughout those years my theme time after time was that the prosperity of American agriculture was geared to the prosperity of the world, and therefore we simply had to understand the world economic situation. Otherwise it seemed to me inevitable that the agricultural situation right here at home would go from bad to worse, as it did.

Here it is 20 years later and I see the same thing happening again. Unless we realize that we are a part of the world market—unless we lift up our eyes from our immedaite domestic concerns, and see the whole economic situation, across the United States and around the world, we are going to find ourselves again in the condition of the twenties and the thirties. We know now what that condition finally led us to. God grant that this time we may be wiser—that we can today see ourselves as part of an indivisible world, a part of a world community all of whose people are members of each other.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Week-end news sees culmination of inside selling. Worried public joins sellers. Last week's low range should hold or chances of nearby rally will be nullified.

Two weeks ago this column warned that the market was too eager in anticipating good news. Such eagerness wasn't healthy and didn't predict any continuation of the advance. On the contrary I was explicit in warning that the market doesn't discount the same thing twice. And if the advance was in expectation of a steel price rise, then the actual occurrence of the event would likely be the signal for a decline.

At the time this warning was given the averages were about 208. It was then expected that there would be a decline to about 198, based entirely on technical factors. When last week's column was written the averages were just under the 200 figure and the wild bullishness of a few weeks ago had dwindled down considerably. Inflation talk was still the favorite topic. But, as I pointed out, inflation as used in the stock market, was the excuse for buying stocks, not the cause. And that the majority of inflation protectors would skid to a halt once the market started down.

* * *

So last week the fear of a major reaction started taking hold. But just as the previous week the market indicated a reaction, so did last week's technical performance show a halt around the 198 figure. Of course if that level was violated the outlook would not have been good. Well, you saw what happened. The market did break the 200 point, closed the long standing gap (to which attention was called three weeks ago) and then proceeded to turn up.

* * *

That was the situation until Saturday morning. By that time the market had managed to get up to across 205 on the strength of a lot of so-called interpretations, and bullishness was again in the saddle. I now call attention to the statement made here that markets do not discount the same thing twice. All during the steel strike there was talk of a raise in steel prices. This would be anywhere from $2.50 a ton to something like $16 a ton. It was obvious that the majority of traders were looking for the higher figure, or one close to it.

I didn't pretend to any inside knowledge but I could see that expectations were going way beyond anything the market indicated. The result in such a situation was obvious. No matter what the news would be the market would decline when it (the news) became public.

* * *

Over the week end you got the news. Monday prices opened down and closed off almost three points. The reason wasn't that the news was disappointing so much as it was water over the dam. Those who bought stock in anticipation sold on realization or just in advance of it. The great majority of the public, however, saw in the news a bullish import and either held on to what they had or added to their lists. With the insiders selling and the public buying the result was inevitable.

* * *

The pattern now is something like this: The first break took them down to 197.65. The rally carried them to 205.35 which was the center of trading area that took three weeks to establish. Between those two points is the area of decision. A penetration of either the upper or the lower figure will give you the signal for the next direction. The penetration need not be violent. Dullness at the lower figure can be the start of a new zone of accumulation. But that lower figure must be held. There are too many people watching it. If it breaks, a large amount of public selling can develop that will carry them much lower than generally expected. The public can be just as rambunctious on the downside as it is on the upside. Maybe more so. Panic selling cannot be gauged.

* * *

The stops you have in the three stocks now on our list should take care of you in case a break reaches dangerous proportions. Stocks are Baldwin at 34, stop 33; Flintkote at 35½, stop 35½, and Waukesha Motors 32½, stop 29.

* * *

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.]

Keen & Denison Are Directors of Code Elec.

The Code Electric Products Corp., Philadelphia, announces the election of Joseph B. Keen, Chairman of the board of Rambo, Keen, Close & Kerner, Inc., Philadelphia, and J. Morgan Denison, associated with Stokes Packard & Smith to the board of directors.

Does Russia Expect Capitalism to Finance Communism?

(Continued from page 962)

nancial needs from us at $6 billions.

Preparations Minimize USSR's Loan Need

It seems likely, however, that the Kremlin has decided that it now can get along with a considerably smaller sum of dollars or at any rate that the matter is not so pressing as it was a few months ago. Moreover, the attitude of members of the Congress toward a large loan to Russia has not been too favorable. Two economic factors have tended to alter the dollar-loan picture from the viewpoint of the Kremlin. One is the heavy reparations-in-kind exacted from Germany and other areas occupied by the Soviet Union's armed forces since V-E Day and V-J Day. The other is the fact that Russia now occupies a dominant position in the economic life of such industrial countries as Poland, Austria, Hungary, Czechoslovakia, and Manchuria. The capacity of such countries to produce consumers goods wanted in Russia can be readily tapped, and so ease Russia's immediate problems. To the extent that Russia's needs can be satisfied through these two channels, the need for Washington money is diminished, although not eliminated. Were it not for the necessity of paying back a loan, it is hard to envisage a limit to the amount of dollar help the USSR could use right now.

Russia's Ability to Repay

Among the various foreign candidates for Washington loans probably none has a better capacity to repay a reasonable credit than the USSR—if gold is acceptable repayment. No one outside the Kremlin knows just how much gold bullion the USSR now possesses and just what Russia's gold-mining capacity is. But Washington rumor has it that both are appreciable. The USSR's gold stock, initially accumulated as a war chest but untouched during the war, thanks to Lend-Lease, is thought to be close to $3 billions today, while mine production of the country is "guesstimated" at between $200,000,000 and $300,000,000 of the yellow metal annually. Since Russia's economic life is centrally planned and dictated, the production of gold is to some extent a matter for regulation from Moscow. Given a certain amount of modern American mining equipment, Russia's gold production can be stepped up. During the war, it is said, important new goldfields have been uncovered in Siberia. Capitalist America's incredible willingness to keep on buying foreign gold has been a great boon to the Soviet Union throughout its life, and promises to continue to be a prop to the Soviet economy indefinitely. The USSR wants to do nothing to disturb this state of affairs. Some students of Russian affairs believe that the reason for the Kremlin's extreme secrecy about the USSR's gold resources stems from a fear that the disclosure of their dimensions might result in a change in America's gold buying policy. If so, the Kremlin overestimates the intelligence of Western capitalism in this regard.

USSR Small World Trade Factor

While it is most likely that the USSR could repay a large dollar loan in gold, given a long period to do so, its ability to service a loan of the magnitude discussed by Premier Stalin in the form of useful merchandise is a horse of another color. Both our interest in Rushian commodities and the USSR's ability to supply such commodities is limited. In the three prewar years 1936-38 our direct imports from the USSR averaged only $24,000,000, comprised of such commodities as furs and animal products, a small amount of manganese and other metal products and miscellaneous items. A stockpiling program would increase minerals imports from Russia only temporarily.

Were Russia to obtain from Washington a loan of, say, $4 billions, with repayment terms identical with those contained in the Anglo-American financial agreement of last December, the USSR would have to find during each of the 50 repayment years more than $127,000,000, or a total of $6½ billions. To find this sum by the export of Russian commodities other than gold would appear to constitute a very large burden on the Soviet balance of international payments, even on the multilateral trade system.

Russia's coldness to the Bretton Woods Fund and Bank is often attributed to the uncertainties of a large Washington loan at the moment. But it should be noted that in Russia foreign trade, a State monopoly, has not the internal or external importance occupied by foreign trade in many other countries. Many quite small countries play a much larger role in international trade than the USSR does. Illustrative of this is the accompanying chart, based on 1937 statistics. The chart shows that not only is the USSR a small factor in world trade, but that the USSR exports only an insignificant portion of its national product.

United Kingdom Loan Difficulties Affect USSR's Chances

In the report released on Feb. 7 by the House postwar committee—the Colmer Committee—appears the statement that discussions are now going on between Moscow and Washington on the basis of a $1 billion loan. Certainly all signs point to the unlikelihood of Moscow getting the $6 billions Mr. Stalin desired. In fact, Stalin's Feb. 9 address to his constituents is being interpreted as reflecting his resignation to the impossibility of getting a large loan in Washington.

The fact is that even the $4.4 billion loan to England faces serious difficulties in Congress, and it will take all the Administration's best propaganda efforts to sell the project to a reluctant American public. Under these circumstances, a $6 billion loan to the Russians at the moment has no chance of Congressional approval. If any loan is made to the Soviet Union at this time it will have to be by the Export-Import Bank and within that institution's capacity. There have been so many calls on that Bank's $3.5 billion resources that there has been talk of asking Congress for enlarged authority. A $1 billion loan to the USSR would be within the realm of possibility, but it is said that Moscow is not too enthusiastic about the terms and restrictions which the Export-Import Bank wraps around its loans. Theoretically, the Export-Import Bank could make Russia a loan with the low interest-rate and escape clauses contained in the loan agreement with Britain but officials of the Bank deny that they would do so. The Administration firmly insists that the British loan is not a precedent for other countries, but is unique.

While there would be nothing to stop the USSR from asking for terms comparable to those offered the British, this Government is unlikely to accede. While Russia's losses through the war have been large, it is a fact that the British although unprepared attacked the Nazi menace in 1939, whereas the Russians did not come into the war until they were attacked in 1941.

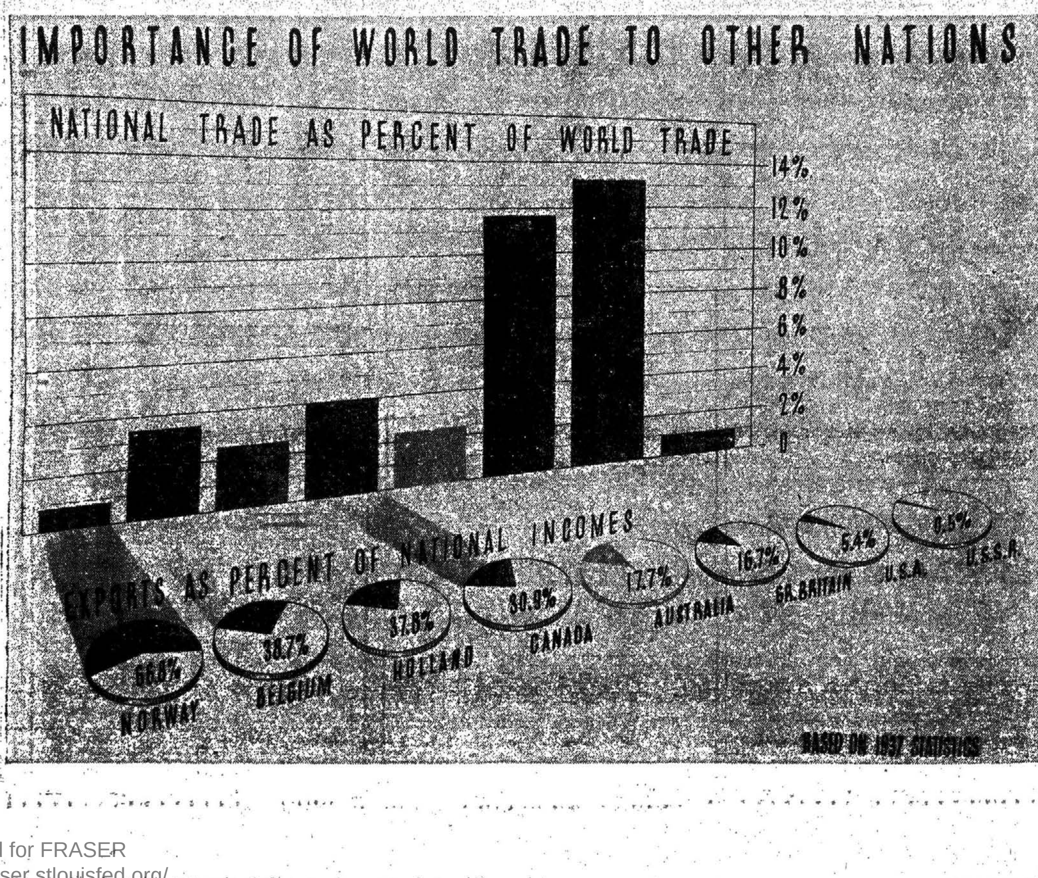
The State Department will do nothing to push a loan to Russia while the British loan is before Congress. The reason given is that there is "no legislative background" yet for a special loan to Russia.

Overall Loan Policy Being Shaped

Last week eight Republican Senators, led by Senator Styles Bridges of New Hampshire, introduced S. Res. 231, calling upon the Administration to supply a complete picture of foreign borrowings here, actual and prospective. This resolution is obviously being taken by the Administration as a clear sign that Congress is now in an "I'm from Missouri" mood insofar as concerns Congressional loans to individual foreign countries. Washington news reports from sources which usually reflect the Administration's viewpoint on international financial policy disclose that the Administration is now formulating, apparently for the first time, an overall foreign loan program; a program, moreover, calling for the Export-Import Bank to handle all foreign loan requests other than the Anglo-American loan agreement of December. During recent months the growing "show me" attitude of Congress has had an effect. At the time of the Bretton Woods hearings of last year Administration witnesses seemed not to be fazed by the prospect of large loans to Russia and other foreign countries. Now it appears that all foreign lending is to be concentrated in the Export-Import Bank. While expansion of its $3.5 billion lending power is to be requested this year, Congress is likely to approve a much smaller expansion than the Administration heretofore has had in mind.

Those Czarist Debts

The fact that Russian Imperial Government bonds can still find buyers indicates a mistaken appraisal of the Kremlin's attitude. Moscow has consistently refused to recognize the Czarist bonds. In the past, when the question was raised Moscow over balanced it with a large bill for indemnity for damage suffered as a result of Allied intervention after the Revolution. Even if the Soviet Union succeeds in getting a loan in Washington, it is unlikely that speculators in Czarist bonds will be bailed out.



One-Way Streets or the Rising Market Fallacy

(Continued from page 959)

meanness or high spirits, or whatever it was, was entirely worked out. As he came back to the party I said: "A little mean this morning?" "No," drawled the wrangler slowly, "he ain't mean. He knows what's right. He's good lil' hoss. He just don't allus recolleck well."

That is the trouble with many of us—we don't recollect well. When the sharp spurs of adverse circumstances are first applied to our tender flanks we kick up. In the end, however, we get the meanness and foolishness run out of us, we calm down and we go back to work.

If we get unlimited oats and no correctional workout, we get more and more fractious and unmanageable until we are either useless or are due for a really severe ordeal of retraining and readjustment.

Why are we that way? Probably because human nature is almost infinitely and rather quickly adaptable to circumstances and because we all have a tendency to regard present conditions as likely to extend indefinitely into the future.

Beyond this there is an unhappy faculty, possessed by all of us except those in whom it has been eliminated by rigorous training, of finding what we are looking for. A lawyer who finds one case which supports his contention always has a temptation not to look for two or three which don't. A chemist who gets the result he wants at the first experiment knows he should try it again several times to be sure he isn't being misled by a lucky coincidence.

But the average human being isn't trained this way. The tendency to find what you are looking for is especially dangerous in economic, business or social matters where experimental proof is impossible. In these things, generally suitably disguised, there is a marked inclination to determine the answer first and then find a theory, principle or method which will produce the desired solution.

This, I believe, is what is known to psychologists as "rationalizing." It is, perhaps, the most dangerous single tendency in the world today. It is the enemy of clear and honest thought. It leads to the adoption of expedients disguised as principles and it counsels the abandonment of these so-called "principles" when they do not quite fit the purposes of their proponents.

We may call the tendency to find a method which does what you want it to do now, but which will be dropped when it does not —A ONE-WAY STREET. You will travel on it so long as it goes one way: your way. Then you stop. It doesn't exist for you any more.

Those of you here who have just received your certificates may justifiably feel that you have gained most of the technical equipment you will need for the practice of your profession. All you need to do now is to develop judgment and mental balance. It is assumed that you possess integrity of character, as that is a prerequisite for granting the degree.

One of the best tests for the development of your mental balance and judgment is to check yourself frequently to see whether you are finding what you are looking for too often or whether you are deciding what answer you want first and then trying to prove it; in a word, whether you are losing your tendency to go up one-way streets.

Probably the most obvious one-way street of this sort is the so-called "ability to pay" principle when it is applied to wages. It was seldom mentioned in depression times. Wage-earners surely didn't want it. Employers didn't want it, either. Wages were not cut to the point just short of making losses, as they would have been under the "ability to pay" principle. This was impossible. The employer, instead, took as much loss as he could stand and still remain in business. This resulted in a cut much less severe than any measured on an "ability to pay" basis would have been.

Now, however, it seems to some to be a way to get the answer they want: higher wages. Higher wages may, in many cases, be justified but not for this strictly one-way, irreversible reason.

Public utility commissions, when construction costs were declining, came out strongly for reproductive cost as a rate base. Now, when costs are rising, the public utility commissions find that original, or as some call it, aboriginal cost, is the correct rate base. Here, again, it is quite possible rates should be lowered, but not for this reason.

Securities Markets As One-Way Street

The securities market has, since 1938, certainly been going along a one-way street which leads up. To a certain extent, it has been following the same street since the early thirties, if we consider the decline in 1938 as merely a temporary recession in a generally rising market. There are many reasons for this, principally, I think, the low interest, easy-money policy of the Government. The fact that new issues of securities have, on the whole, been smaller than usual for the last 10 or 12 years is also a factor. War profits, while they may have had some influence, have probably been responsible for less of the rise than the other two factors.

Government agencies have recognized the situation and have used such means as were in their power to correct it. The recent requirement for 100% margins by the Federal Reserve Board is an example. The Securities and Exchange Commission has consistently strengthened and extended its trading rules, which, while they may have encouraged thin markets, have certainly eliminated many of the improper practices of the past by which unscrupulous brokers, security dealers and company officials sometimes traded against customers or stockholders. However, there is a certain resemblance in all these efforts to the famous old Mrs. Partington, who tried to sweep the sea out of her cottage with a broom. As long as the fundamental pressures are upward, there is little that control and regulation can do so long as there is any semblance of a market in which willing buyers and sellers can trade.

Investors Have Protection

If an investor or speculator loses in the present market, he has only himself to blame. He certainly has all the information and protection which can be given him. The Securities and Exchange Commission requires corporations with listed securities to give information full enough to place the stockholder in substantially as good a position as a company officer in judging the prospects of his company. He is protected by the trading rules of the Securities and Exchange Commission against trading practices, and he is further protected by the Federal Reserve Bank in its control of the use of funds for speculation.

If there is a crash now, or in the near future, I do not believe it can be attributed to anything but the bad judgment of speculators and investors. Unless a security holder must sell his securities to provide funds for living expenses, he will not be forced, as were many who traded on margin in the late twenties, to sacrifice his securities. He will be able to hold them, as they will either have been purchased outright in the majority of cases, or on a small margin.

In spite of all this, we begin to hear the story that there are not going to be any more declining markets: that the market may not rise indefinitely but will get up on a plateau and stay there. Plateaus, by the way, are very popular in some circles now. The words are different and they are sung by different people, but the tune is suspiciously like that sung by the priests and prophets of the "new era" in 1929. Here is a one-way street. Let us hope there isn't a precipice at the end of it.

Government Corporations

Another traveler up a one-way street is a Government corporation engaged in something analogous to business, rendering service of some sort or buying or selling some material or product. Such a corporation, even if highly unprofitable, cannot fail. Any loss will be made up before the corporation liquidates. The part of the public debt by which the corporation is financed is just as good as though the corporation were a financial success. The securities back of it are guaranteed. The corporation cannot lose. Its credit is good as long as it exists in spite of its losses.

You may begin to suspect that the sole purpose of this talk is to attack various Government activities or the way they are carried out. Nothing is further from my purpose. I have merely been trying to establish certain characteristics of activities that are, so to speak, sheltered from financial responsibility, or are, or think they are, immune from other results of financial changes or instability.

If some of the less desirable characteristics of these activities are not found in private business, if a little more critical self-examination is found among businessmen than among Government officials, if they have a sounder appreciation of financial exigencies and contingencies, it is not because of any superior wisdom or virtue that resides in private enterprise or in businessmen. It is merely that the businessman who survives learns from the bitterest experience—

"The toad beneath the harrow knows
Exactly where each tooth-point goes."

(Pagett, M.P.—Rudyard Kipling)

He is not allowed to go up one-way streets. All his streets run both ways. Courts, Government regulatory agencies, his competitors, The Bureau of Internal Revenue, in short, everything and everyone he comes in contact with operates under rules which, for him, apply whether they are favorable to him or against him.

If his receipts and capital are less than his expenses he goes out of business. Good intentions, benevolent ideas or political connections will not save him. The securities representing the value of the business are worthless, void, and extinguished. The businessman is self-liquidating and no financial ghost remains as a memento of failure or as a part of an astronomical public debt. The slate is cleaned and so is the businessman.

The businessman knows—no one need tell him—that he works in a profit-and-loss economy. War times, when Government contractors were practically out of private business, there was little danger of loss and profit was limited by devices such as excess profits taxes, renegotiations and repricing. In peacetime no such guarantee exists. The businessman pays for his mistakes and profits, partially at least, from his good judgment, skill or good fortune.

Nothing Sacred About Free Enterprise

There is nothing specially sacred about free enterprise. It has two principal virtues. It works. It is self-correcting. Ups and downs are inevitable. The smaller these are and the more frequent, the better. If we had boom six months a year and depression six months, it would be quite tolerable and easily provided for. The farmer, in effect, has a boom in the summer and autumn and a depression in the winter, but he is ready for it. It is long, irregular periods of boom or depression which are hard to bear.

But even these are better than the results of a disguised depression expressed in an increase of the public debt. No single part of the public debt can be canceled or repudiated without the destruction of Government credit in general. Destruction of one man's or one corporation's private credit is a calamity to that man or corporation. But it is not serious to the economy as a whole. It is in some ways a wholesome purge. All this is hard and painful but at least it is final. It is also partial. It does not destroy anything beyond itself. In a way, it is the elimination from the economic body of a waste product.

If we walk through an old, deserted ghost town and wander about among the half-rooted gallows-frames, peer into the ruined tunnels and stumble on the rusting gears and windlasses of a played-out mining district, we see the results of the profit-and-loss system. What was there has either been exhausted by mining operations or lost. It is gone. No one suffers from it now. The pangs are over. The old miners took their chances, won or lost and called it a day. It didn't add to a public debt whose every part must be paid if the Government credit is to be maintained.

But we have other ghost towns created in the war by the Government. They have served their purpose. They are finished and useless now. The plants were built to produce materials we don't need now or to produce more than we can ever use in peace time. We will only need the material if another war, just like this one, breaks out. But no war is just like the last one.

If the ghost town were the only ghost left by war expansion we would have little to worry about. If a few private investors were ruined we would not be too concerned. The fate of all capital is ultimately to be lost as it is the fate of all mortals to die.

But the ghost of the ghost town created by the war is active and malevolent. It will haunt us certainly all of our lives and perhaps all of our children's lives. The money lost is part of the public debt. We all pay tribute to the ghost. We place our offerings on the altar of this spirit. The priests accept them. They perform a few dull ceremonies, mumble certain meaningless incantations and redistribute part of the offering, retaining, of course, a little for the support of the great $300,000,000,000 Ju-Ju or Mumbo-Jumbo.

Government Borrowing Is Future Taxation

We pay this tribute because the money borrowed by the Government returns no income. The only income the Government has is the power to levy and collect taxes. Government borrowing is merely the anticipation of taxes, as that is the only means through which payment can be made.

It makes little difference whether the tax is in the form of income tax, excise tax, import duties, inheritance tax, capital levy or some form of mild or severe inflation. Sooner or later, one way or another, the debt will be paid by taxing the citizens.

There is no way to make this pleasant. There is just one way to make it tolerable: by the greatest possible expansion of production below the level of maximum consumption. That is, increased productivity may restore what is taken away by a rising price level. This means if production is high enough we can keep the present living standard. But we cannot keep it by insisting on walking up one-way streets. We cannot do it by financial sleight of hand. We cannot do it by Government aid, we can do it only by freeing the productive energy of the country. We can do it only by working together. We can do it only by taking the bad with the good, loss with profit and recession with prosperity.

The choice is between a fancied security, which demands the present renunciation of more and more of our actual freedom and liberty in return for unenforceable promises of future benefits or a genuine freedom and a real opportunity which must involve some bearable uncertainty, that uncertainty which seems to be inherent in all things human, except when men are resolutely and blindly marching up one-way streets on their way to a dead-end or a precipice.

First New Jersey Corp. Opening Offices

First New Jersey Corp. has been formed with offices at 55 Liberty Street, New York City. Officers are Clarence K. Pistell, President; Charles D. Klinck, Secretary, and Stanley M. Tracy, Treasurer. Mr. Pistell in the past was President of Pistell, Wright & Co.

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. 23

UNIVERSAL WINDING CO. on Feb. 4 filed a registration statement for 119,400 shares of common stock, par $5 and 10,000 common stock purchase warrants. The shares registered include 70,000 shares being sold by the company, 39,400 being sold by certain stockholders and 10,000 issuable on exercise of warrants.

Details—See issue of Feb. 7.

Offering—The offering includes 109,400 shares of common on which the price to the public will be filed by amendment.

Underwriters—Reynolds & Co. heads the group.

STANDARD MILLING CO. on Feb. 4 filed a registration statement for $2,500,000 15-year sinking fund debentures, due Feb. 1, 1961, and 357,500 shares of common, par $1. The interest rate will be filed by amendment.

Details—See issue of Feb. 7.

Offering—The offering prices to the public of the debentures and common shares will be filed by amendment.

Underwriters—Stone & Webster Securities Corporation is named principal underwriter.

UNION WIRE ROPE CORP. on Feb. 4 filed a registration statement for 42,000 shares capital stock, without par value.

Details—See issue of Feb. 7.

Offering—The company will offer the 42,000 shares for a period of two weeks after the effective date of their registration for sale to stockholders at the price of $15.50 per share. The shares not purchased by the stockholders will be offered for sale to the public by the underwriter at the same price of $15.50 per share.

Underwriters—P. W. Brooks & Co., Inc., New York.

NATIONAL DISTILLERS PRODUCTS CORP. on Feb. 4 filed a registration statement for 379,894 shares of common stock (no par).

Details—See issue of Feb. 7.

Offering—The stock is being offered by the company for subscription to the holders of its common stock, pro rata, at the rate of one-sixth of one share for each share held at a price to be filed by amendment. Unsubscribed shares will be offered to the public by underwriters at a price to be filed by amendment.

Underwriters—The group is headed by Glore, Forgan & Co. and Harriman Ripley & Co., Inc.

CITY OF MONTREAL, CANADA on Feb. 4 registered $85,980,000 1¼% to 3¼% debentures, dated Feb. 1, 1946, to mature serially in various amounts on Nov. 1 of each year 1947 through 1975.

Details—See issue of Feb. 7.

Offering—The offering price to the public will be filed by amendment.

Underwriters—The principal underwriters are Harriman Ripley & Co., Inc., Smith, Barney & Co., First Boston Corporation, Dominion Securities Corporation, Wood, Gundy & Co., Inc., A. E. Ames & Co., Inc. and McLeod, Young, Weir, Inc.

MONDAY, FEB. 25

ALLIED STORES CORP. on Feb. 6 filed a registration statement for 257,840 shares of common stock, without par value.

Details—See issue of Feb. 14.

Offering—The 257,840 shares of common are being offered by the company for subscription to the holders of its common stock at the rate of one share for each seven shares held at a price to be filed by amendment. The unsubscribed shares will be sold to underwriters who will offer them to the public at a price to be filed by amendment.

Underwriters — Lehman Brothers, New York, heads the underwriting group.

TUESDAY, FEB. 26

RAILWAY & LIGHT SECURITIES CO. on Feb. 7 filed a registration statement for 20,392 shares of 4% cumulative convertible preferred stock, par $100.

Details—See issue of Feb. 14.

Offering—The company is issuing to the holders of its common stock rights to 20,392 shares of convertible preferred stock on the basis of one share for each 8 shares of common held at a price to be filed by amendment.

Underwriters—To be filed by amendment.

OKLAHOMA GAS & ELECTRIC CO. on Feb. 7 filed a registration statement for 675,000 shares of 4% cumulative preferred stock, par $20.

Details—See issue of Feb. 14.

Offering—The company intends to call for redemption its outstanding 146,478 shares of 7% cumulative preferred stock, par $100. The old preferred is redeemable at $125 per share plus dividends. The company is granting to such holders the right to receive the redemption price of their shares of old preferred by the delivery of six shares of 4% new preferred for each share of old preferred. As the amount of new preferred will be limited to 675,000 shares, the right is limited to holders of old preferred who first deposit an aggregate of 112,500 shares (76.8%) of the old preferred. The holders of the remaining 33,978 shares (23.2%) of old preferred will be required to take the redemption price of their shares in cash. The redemption price of the 33,978 shares of old preferred is $4,247,250, exclusive of accrued dividends, and the company has made a commitment for a bank loan of $4,200,000. The plans of the company contemplate that such cash be eventually provided through the sale at competitive bidding of 140,000 additional shares of its common stock at the same time as the company's parent, Standard Gas & Electric Co., makes its contemplated sale, at competitive bidding, of all of the common stock of Oklahoma owned by it.

Dealer-Manager—The company will make an agreement with a dealer-manager to form and manage a group of security dealers to obtain acceptances of the optional right.

WEDNESDAY, FEB. 27

CINCINNATI MILLING MACHINE CO. on Feb. 8 filed a registration statement for 230,000 shares of common stock, par $10. Of the total 116,887 are being sold by the company to the underwriters, and 113,113 shares are being sold by certain stockholders.

Details—See issue of Feb. 14.

Offering—The price to the public will be filed by amendment.

Underwriters—Union Securities Corporation heads the underwriting group.

ALABAMA POWER COMPANY on Feb. 8 filed a registration statement for 300,000 shares of 4.20% preferred stock, par $100, cumulative from April 1, 1946.

Details—See issue of Feb. 14.

Offering—The company proposes to issue not more than 300,000 shares of new preferred, par $100, at dividend rate of 4.20%, which will be offered in exchange to the holders of its outstanding 355,876 shares of preferred, consisting of 159,575 shares $7 dividend stock, 170,456 shares $6 and 25,845 shares $5 preferred, all without par value, on the basis of one share of new preferred and $10 in cash for each share of $7 preferred, and one share of new preferred for each share of $6 and $5 preferred exchanged, plus cash dividend adjustments. Any shares not exchanged will be redeemed at the redemption prices of $115 for the $7 and $105 for the $6 and $5 preferred. If more than 300,000 shares of old preferred are deposited for exchange, the company will allot shares up to 25 shares in full and pro rate shares deposited by a single holder in excess of 25 shares. The company also plans to sell to banks $7,600,000 notes and use the proceeds to reimburse its treasury for prepayment on Dec. 31, 1945, of $2,250,000 2⅞% notes and to provide a portion of the funds required in connection with the proposed exchange and redemption of its old preferred stock.

Dealer-Manager—The company has retained Merrill Lynch, Pierce, Fenner & Beane as dealer-manager to manage a group of securities dealers to obtain acceptances of the exchange offer.

CHERRY-BURRELL CORP. on Feb. 8 filed a registration statement for 40,000 shares of cumulative preferred stock, par $100. The dividend rate will be filed by amendment.

Details—See issue of Feb. 14.

Offering—The company is offering 13,549 of the 40,000 shares of preferred to the holders of its 13,549 shares of 5% dividend series preferred in an opportunity to exchange their shares for new preferred on a share for share basis plus a cash adjustment. The exchange offer is a step in a plan of recapitalization of the company, in pursuance of which 26,451 shares of the preferred, together with the shares not issued in exchange for old preferred, are to be sold to underwriters who will offer them to the public at a price to be filed by amendment.

Underwriters — The Illinois Company, Chicago, heads the underwriting group.

DALLAS YELLOW KNIFE GOLD MINES, LTD., on Feb. 8 filed a registration statement for 300,000 shares of capital stock, par $1.

Details—See issue of Feb. 14.

Business—Mining.

Offering—The 300,000 shares are offered at a price of 50 cents per share. These share are offered as a speculation.

Underwriter—Mark Daniels, 1840 Morris Building, Philadelphia, Pa., and 371 Bay Street, is named underwriter, with commision of 30% and 5% additional allowance to cover advertising and traveling expenses.

CHAIN STORE INVESTMENT CORP. on Feb. 8 filed a registration statement for 15,000 shares of 4½% cumulative convertible preferred stock, par $50 and 100,000 shares of common, par 10 cents.

Details—See issue of Feb. 14.

Offering—The 15,000 shares of 4½% cumulative convertible preferred will be offered to the public by underwriters at a price to be filed by amendment. The 100,000 shares of common stock are initially being offered by the corporation for subscription by its present common stockholders at a price to be filed by amendment. The unsubscribed balance of common will be offered to the public by underwriters at a price to be filed by amendment. The common stock will be offered to present common stockholders at a price of 50 cents per share under the public offering price.

Underwriters — As to the preferred, Childs, Jeffries & Thorndike, Inc. and H. C. Wainwright & Co., and as to the common, First Colony Corp.

SCRANTON-SPRING BROOK WATER CO. on Feb. 8 filed a registration statement for $23,500,000 first mortgage bonds, due March 15, 1976, and 100,000 shares of cumulative preferred stock, par $100. The interest and dividend rates will be filed by amendment.

Details—See issue of Feb. 14.

Offering—The bonds and preferred stock will be sold at competitive bidding and the offering price filed by amendment.

Underwriters—The names of the underwriters will be filed by amendment.

MERCK & CO., INC., on Feb. 8 filed a registration statement for 120,000 shares of cumulative preferred, without par value, and 118,000 shares of common, par $1. Of the common, 18,000 shares are being sold by certain stockholders. The dividend rate will be filed by amendment.

Details—See issue of Feb. 14.

Offering—Holders of the company's outstanding 4½% and 5¼% cumulative preferred stock are offered the opportunity of exchanging on or before March 11, 1946, such stock for the new preferred stock. The underwriters will purchase the new preferred stock not issued under the exchange offer and sell them to the public at a price to be filed by amendment. The offering price of the common stock will be filed by amendment.

Underwriters—Goldman, Sachs & Co. and Lehman Brothers head the underwriting group.

SATURDAY, MARCH 2

JAEGER MACHINE CO. on Feb. 11 filed a registration statement for 33,153 shares of common stock, without par value.

Details—See issue of Feb. 14.

Offering—The company is offering the new stock to its common stockholders of record Feb. 21, 1946, at the rate of one new share for each five shares held.

Underwriters—The underwriting group is headed by McDonald & Co., and the Ohio Company.

GRAYSON-ROBINSON STORES, INC. (formerly Grayson Shops Inc. of Cal.) on Feb. 11 filed a registration statement for 50,000 shares of cumulative convertible preferred stock, without par value, and 50,000 shares of common, $1 par.

Details—See issue of Feb. 14.

Offering—The price to the public will be filed by amendment.

Underwriters—Emanuel & Co. is named underwriter.

MONDAY, MARCH 4

BENDIX HELICOPTER, INC., filed a registration statement for 507,400 shares of common stock, par 50 cents. The shares are being sold for the account of the estate of Vincent Bendix, deceased.

Address—50 Rockefeller Plaza, New York, N. Y.

Business — Incorporated principally for the purpose of developing and ultimately manufacturing helicopter parts and assembling complete helicopters for commercial and private use.

Offering—The shares will be sold in the over-the-counter market.

Proceeds—Of the shares registered, 505,800 are being offered for sale to the public on behalf of the selling stockholders, Walter J. Buettner and E. O. Bendix, executors of the estate of Vincent Bendix, deceased. The remaining 1,600 shares will be transferred in satisfaction of a claim against the estate. The late Vincent Bendix, who died on March 27, 1945, initiated the organization and founding of the corporation which was incorporated under the laws of Delaware on July 29, 1943, under the name of Helicopters, Inc. On June 5, 1944, the name was changed to Bendix Helicopter, Inc. The corporation is in no way affiliated or connected with Bendix Aviation Corp.

Underwriters—Kobbe, Gearhart & Co., Inc. is named principal underwriter.

Registration Statement No. 2-6154. Form S-12. (2-13-1946).

HUDSON PULP & PAPER CORP. has filed a registration statement for 100,000 shares of 5% cumulative preferred stock, series A, $25 par.

Address — 220 East 42nd Street, New York, N. Y.

Business—Paper and paper products.

Offering—The price to the public will be filed by amendment.

Proceeds—The proceeds will be used principally to finance, through advances to or investments in its wholly-owned Florida subsidiary, a portion of the cost of construction a kraft pulp and paper mill, with converting facilities, outside Palatka, Fla. The total cost of the project is presently estimated at $6,000,000. The company expects to obtain the balance of the funds needed to meet the cost, in excess of the proceeds from the sale of its series A preferred stock, from its general funds and from a construction loan or long-term debt to be incurred shortly. No loan, however, has yet been negotiated. The new Florida mill will have a daily capacity of 150 tons of kraft paper, a portion of which will be used to expand gummed tape production. The balance will be converted into paper bags or sold as kraft paper. Bag manufacturing equipment, now located at Bellows Falls, Vt., will be moved to the mill.

Underwriters—Lee Higginson Corp. is named principal underwriter.

Registration Statement No. 2-6155. Form S-1. (2-13-1946).

YANK YELLOWKNIFE GOLD MINES, LTD. has filed a registration statement for 1,000,000 shares of common stock, par $1.

Address — 100 Adelaide Street, West Toronto, Ontario.

Business—Mining.

Offering—The offering price to the public is 30 cents per share, United States funds.

Proceeds—For exploration and development work.

Underwriters—J. J. Carrick, Ltd., Toronto, Canada, is named principal underwriter.

Registration Statement No. 2-6156. Form S-11. (2-13-1946).

TUESDAY, MARCH 5

CLAROSTAT MFG. CO., INC., has filed a registration statement for 240,000 shares of common stock, par $1. Of the total 90,000 shares are being sold by stockholders.

Address—130 Clinton Street, Brooklyn, N. Y.

Business—Volume controls and different types of resistors used in radio receivers.

Offering—The offering price to the public is $4.25 per share.

Proceeds—Net proceeds to the company are estimated at $517,000 which will be available for the general corporate purposes of the company. The present intention is to use the proceeds from the expansion of the company's productive facilities to the extent of approximately $100,000.

Underwriters—B. G. Cantor & Co., New York, is named principal underwriter.

Registration Statement No. 2-6157. Form S-1. (2-14-46).

WEDNESDAY, MARCH 6

MAXSON FOOD SYSTEMS, INC., has filed a registration statement for 475,000 shares of 50-cent convertible preferred stock, without par value.

Address—460 West 34th Street, New York, N. Y.

Business—The company was organized Nov. 7, 1945, to operate in a new and relatively unexploited area of the food business, that of processing and distributing precooked frozen foods. It began operations by acquiring the assets comprising the former Maxson Food Systems division of the W. L. Maxson Corporation as of Jan. 2, 1946, in return for 609,750 shares of its common stock.

Offering—The price to the public will be filed by amendment. The underwriter agrees, for a period of five days, to accept orders from stockholders of W. L. Maxson Corp. to purchase, at the public offering price, shares of preferred at the rate of two shares of preferred for each share of capital stock of Maxson held by such stockholders.

Proceeds—Of the estimated proceeds $1,400,000 will be used for additional plant facilities; $2,100,000 working capital to finance estimated inventories; $250,000 for research and development, and $500,000 for advertising, sales promotion, etc.

Underwriters—F. Eberstadt & Co., Inc., is named principal underwriter.

Registration Statement No. 2-6158. Form S-1. (2-15-1946).

SATURDAY, MARCH 9

PIPER AIRCRAFT CORP. has filed a registration statement for 150,000 shares of common stock, par $1 per share.

Address—820 East Bald Eagle Street, Lock Haven, Pa.

Business—Light low-priced airplanes.

Offering—The price to the public will be filed by amendment.

Proceeds—The net proceeds will be added to working capital. The increase in working capital is deemed advisable, particularly for use in the carrying of increased inventories, in connection with the corporation's again engaging in the manufacture of aircraft for civilian purposes on a scale which is expected to be considerably larger in volume than prior to the war. The corporation also expects to retire the existing mortgage of $63,000 and its notes payable in the amount of $18,179.

Underwriters — Hayden, Stone & Co. heads the underwriting group.

Registration Statement No. 2-6159. Form S-1. (2-18-1946).

CENTRAL NEW YORK POWER CORP. has filed a registration statement for 200,000 shares of cumulative preferred stock, par $100. The dividend rate will be furnished after the shares have been offered for sale at competitive bidding.

Address — 300 Erie Boulevard, West, Syracuse, New York.

Business—Public utility.

Offering—The price to the public will be filed by amendment.

Proceeds—The net proceeds, together with $4,000,000 proposed to be received from the sale of additional shares of common stock to Niagara Hudson Power Corp., its parent, and treasury funds, will be applied to the redemption on or about April 25, 1946, of the outstanding 251,584 shares of 5% series preferred at the redemption price of $105 per share plus accrued dividends.

Underwriters—The names of the underwriters will be filed by amendment.

Registration Statement No. 2-6160. Form S-1. (2-18-1946).

STATE BOND AND MORTGAGE CO. has filed a registration statement for accumulative savings certificates series 1217-A, $2,000,000 and investment certificates series 1305, $1,000,000.

Address—26½ North Minnesota Street, New Ulm, Minn.

Business — Issuing and selling face amount certificates.

Offering—Approximate date of proposed offering March 15, 1946.

Proceeds—For investment.

Registration Statement No. 2-6161. Form A-2. (2-18-1946).

SUNDAY, MARCH 10

DUMONT ELECTRIC CORP. has filed a registration statement for 51,000 shares of common stock, par value 10 cents. The shares are issued and outstanding and are being sold by Dumont Electric Co., a limited partnership.

Address—34 Hubert Street, New York, N. Y.

Business — Was incorporated in New York on Jan. 12, 1946, as successor to a limited partnership known as Dumont Electric Co. Manufactures capacitors, also commonly referred to as electric condensers.

Offering—The initial offering price to the public is $4.75 per share.

Proceeds—The proceeds go to Dumont Electric Co., the selling stockholder.

Underwriters—First Colony Corp., N. Y. is named principal underwriter.

Registration Statement No. 2-6162. Form S-1. (2-19-1946).

DATES OF OFFERING UNDETERMINED

We present below a list of issues whose registration statements were filed twenty days or more ago, but whose offering dates have not been determined or are unknown to us.

AIRLINE FOODS CORP. on Jan. 28 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).

Details—See issue of Jan. 31.

Offering—The offering prices to the public are as follows: debentures, 98%, preferred stock $10 and common stock $6.

Underwriters—Herrick, Waddell & Co., Inc., New York, is named principal underwriter.

AMERICAN POTASH & CHEMICAL CORP. on Dec. 28 filed a registration statement for 478,194 shares of capital stock (no par). The shares are issued and outstanding and are being sold by the Alien Property Custodian who directed the company to file the registration statement.

Details—See issue of Jan. 3.

Underwriters—The Alien Property Custodian proposes to sell the 478,194 shares of stock at public sale to the highest qualified bidder. If any such bid is accepted and if the successful bidder plans to distribute the shares the prospectus will be amended to include the requisite additional information. The shares to be offered constitute 90.79% of the 528,390 shares outstanding.

AMPAL-AMERICAN PALESTINE TRADING CORP. on Oct. 3 filed a registration statement for 400,000 shares of 4% cumulative preferred non-voting shares.

Details—See issue of Oct. 11.

Offering—The price to the public is $5.50 per share.

Underwriters—The shares will be sold through the efforts of the directors and employees of the corporation.

ANDERSON-PRICHARD OIL CORP. on Jan. 23 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.

Details—See issue of Jan. 31.

Offering—The prices to the public of the preferred and common stocks will be filed by amendment.

Underwriters—Glore, Forgan & Co. heads the underwriting group.

BURLINGTON MILLS CORP. on Feb. 1 filed a registration statement for 50,000 shares of preferred stock, par $100, and 100,000 shares of convertible second preferred, par $100. The dividend rates will be filed by amendment.

Details—See issue of Feb. 7.

Offering—The 100,000 shares of convertible second preferred will be initially offered by the corporation to holders of its common stock in the ratio of three-fiftieths of a share of convertible preferred for each share of common held of record on Feb. 14, 1946, at a price to be filed by amendment. The underwriters will purchase any shares of convertible preferred not subscribed for and offer them along with the 50,000 shares of preferred at prices to be filed by amendment.

Underwriters—Kidder, Peabody & Co. head the underwriting group.

BURRY BISCUIT CO. on Jan. 29 filed a registration statement for 100,000 shares $1.25 convertible preferred stock, par $20.

Details—See issue of Feb. 7.

Offering—The price to the public is $26.50 per share.

Underwriters—The underwriting group is headed by Van Alstyne, Noel & Co., N. Y., and Carlton M. Higbie Corp., Detroit.

CABOT YELLOWKNIFE GOLD MINES, LTD., on Nov. 13 filed a registration statement for 1,000,000 shares of common stock, par $1.

Details—See issue of Nov. 22.

Offering—The price to the public is 30 cents per share.

Underwriters—John William Langs is named principal underwriter.

CHESGO MINES, LTD., on Dec. 26 filed a registration statement for 1,250,000 shares of $1 par value stock, non-assessable.
Details—See issue of Jan. 3.
Offering—The public offering price is 35 cents per share.
Underwriters—W. R. Manning & Co. Toronto, Ontario, Canada.

COLORADO CENTRAL POWER CO. on Jan. 25 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.
Details—See issue of Jan. 31.
Offering—The shares are to be offered by Crescent for sale at competitive bidding and the offering price will be filed by amendment.
Underwriting—The names of the underwriters will be filed by amendment.

COMMONWEALTH TITLE CO. of Philadelphia on Jan. 28 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.
Details—See issue of Jan. 31.
Offering—The price to the public will be filed by amendment.
Underwriters — Merrill Lynch, Pierce, Fenner & Beane and Butcher & Sherrerd.

DOYLE MANUFACTURING CORP. on Jan. 11 filed a registration statement for 50,000 shares of 60-cent cumulative convertible preferred stock, series A, par $8, and 100,000 shares of common, par $1. The common shares are reserved for issuance upon conversion of the preferred on the basis of two shares of common for one share of preferred.
Details—See issue of Jan. 17.
Offering—The offering price of the preferred will be $10 per share.
Underwriters—Burr & Co., Inc. named principal underwriter.

EASTERN COOPERATIVE WHOLESALE, INC. on Dec. 29 registered 20,000 shares of 4% cumulative dividend non-voting preferred stock, series A ($25 par).
Details—See issue of Jan. 10.
Offering—Price to the public $25 per share. Securities are being sold by the cooperative directly to stockholders and friends interested in the cooperative movement without the interposition of any underwriter.
Underwriters—None.

EBALOY, INC. on Jan. 25 filed a registration statement for 75,000 shares of common stock, par $1.
Details—See issue of Jan. 31.
Offering—The price to the public is $8 per share.
Underwriters — Webber-Simpson & Co., Chicago, is named principal underwriter.

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 holders of common stock of record Feb. 11 and to the holders of certain options for subscription on the basis of one share for each seven shares of common held at $12 per share. Rights expire March 4.
Underwriters—E. H. Rollins & Sons, Inc., and Eastman, Dillon & Co., are named principal underwriters.

FEDERATED DEPARTMENT STORES, INC., on Jan. 10 filed a registration statement covering 151,694.15 shares of common stock, no par value.
Details—See issue of Jan. 17.
Offering—Of the securities registered, 151,694.15 shares of common of Federated are to be offered in exchange for common stocks of Wm. Filene's Sons Co., Abraham & Straus, Inc., Bloomingdale Bros., Inc., and F. and R. Lazarus & Co., subsidiaries of Federated. As to 94,035 shares to be offered, Federated is to receive 156,725 shares of Filene's common stock, at a price per unit of 1⅔ shares of Filene's common. As to 30,486 shares, Federated is to receive 15,243 shares of Abraham & Straus common, at a price per unit of ½ of a share of Abraham common. As to 23,588 shares, Federated is to receive 31,451 shares of Bloomingdale common, at a price per unit of 1⅓ shares of Bloomingdale common. As to 3,584 shares, Federated is to receive 3,259 shares of Lazarus common at a price per unit of 10/11 of a share of Lazarus common. Of the 151,694.15 shares registered, 116,315 shares were previously registered and became effective Sept. 6, 1943, to be offered in exchange for common stocks of Filene's, Abraham & Straus, Bloomingdale and Lazarus, subsidiaries of the registrant. The registrant is filing with the Commission a post-effective amendment of former registration statement, deregistering the 116,315 shares with the request that the amendment become effective simultaneously with the present registration statement becoming effective.

FORT WAYNE CORRUGATED PAPER CO. on Feb. 22 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.
Details—See issue of Jan. 31.
Offering—The price to the public on the 44,072 shares of preferred is $25 per share and 44,072 shares of common is $16.50 per share.
Underwriters—E. H. Rollins & Sons, Inc., heads the underwriting group.

GABRIEL CO. on Jan. 28 filed a registration statment for 120,000 shares of 5% cumulative convertible preferred stock (par $10).
Details—See issue of Jan. 31.
Offering—Price to the public is $10 per share.
Underwriters—Sills, Minton & Co., Inc., Chicago, is named principal underwriter

ROBERT GAIR CO., INC., on Jan. 22 filed a registration statement for 410,481 shares of common stock, par $1.
Details—See issue of Jan. 31.
Offering—The company is offering the new stock to common stockholders of record Feb. 11 on the basis of one share for each three shares of common held at $6.50 per share. Rights expire Feb. 26.
Underwriters—The principal underwriters are Ladenburg, Thalmann & Co., and Lazard Freres & Co.

GENERAL INSTRUMENT CORP. on Oct 25 filed a registration statement for 60,000 shares cumulative convertible preferred, $20 par, and 260,000 shares of common, par $1.
By amendment filed with the SEC the preferred stock has been eliminated and the number of common shares has been reduced to 79,590, of which 16,590 shares will be sold by certain stockholders to employees and others at $14 per share and 63,000 shares will be sold by certain stockholders to underwriters for public offering.
Offering—The price to the public will be filed by amendment.
Underwriters—Burr & Co. heads the underwriting group.

GENERAL SECURITIES CORP. on Sept 28 filed a registration statement for 200,000 shares of common stock, par $5.
Details—See issue of Oct. 4.
Offering—The price to the public is $7.50 per share.
Underwriters—General Finance Co., Atlanta, Ga., is fiscal agent.

ADOLF GOBEL, INC., on Jan. 10 filed a registration statement for 412,899 shares of common stock, par $1. The shares are issued and outstanding and are being sold on behalf of the Adolf Gobel, Inc. Syndicate.
Details—See issue of Jan. 17.
Offering—The common stock is being offered for sale to the public on the New York Curb Exchange on behalf of the Adolf Gobel, Inc., Syndicate. The securities will be sold through regular market channels over the New York Curb Exchange at the best price obtainable in small lots so as not to unduly depress the market. The propsed stock offering constitutes 63.9% of the company's outstanding common stock. There are 12 members in the syndicate.
Underwriters—No underwriting discounts and commissions are being paid.

GOLD CITY PORCUPINE MINES, LTD., on Jan. 4 filed a registration statement for 600,000 shares of common stock, $1 Canadian currency par value each.
Details—See issue of Jan. 10.
Offering—The company is offering its common stock to the public at 50 cents United States currency per share. If the company accepts offers from dealers to purchase the stock, the company will sell to such dealers, if any, at 32.5 cents U. S. currency per share for resale at 50 cents U. S. currency per share. The estimated proceeds to be raised by the company is $300,000 U. S. currency maximum, and $195,000 U. S. currency minimum, if all the shares are sold by dealers, and assuming in any event that all the shares are sold.
Underwriters — No underwriters named.

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.

HIGGINS, INC. on Jan. 29 filed a registration statement for 900,000 shares of common stock, par $1, to be offered to public, and 300,000 shares issued in connection with acquisition of property.
Details—See issue of Feb. 7.
Offering—The price to the public is $11 per share, or a gross of $9,900,000. Underwriting discounts or commissions are placed at 90 cents a share, leaving net proceeds to the company of $10.10 a share or a total of $9,090,000. Higgins, Inc., was incorporated on Jan. 9, 1946. Andrew J. Higgins, acting on behalf of himself and associates, was active in the organization of the company. The statement points out the company is not to be confused with Higgins Industries, Inc., now in statutory liquidation. It is intended Higgins, Inc., shall acquire from Higgins Industries Inc. a portion of its business, plant and property for approximately $4,238,000 in cash and 300,000 shares of common stock, including the shares subscribed for by the incorporators, and 100,000 warrant shares entitling the holders to purchase 100,000 shares of common stock (the shares of common stock and the warrants being taken at an aggregate valuation of $3,040,000). The underwriters are also purchasing from the company at 10 cents per warrant share, warrants entitling holders to purchase 100,000 shares of common stock. The capitalization of the company is as follows: Common stock, ($1 par), 2,000,000 shares authorized, of which 1,200,000 will be outstanding and 200,000 warrants to purchase common stock all of which will be outstanding. Under date of Jan. 29, 1946, the company entered into employment contracts with Andrew J. Higgins and Morris Gottesman, for a period of five years from Jan. 1, 1946, at an annual compensation of not less than $80,000 and $35,000, respectively, plus, in each case, the right to share in any additional compensation based on bonus or profit sharing plans.
Underwriters—Van Alstyne, Noel & Co. heads the underwriting group, with names of others to be filed by amendment.

LOGANSPORT DISTILLING CO., INC., on Jan. 29 filed a registration statement for 185,000 shares common stock, $1 par.
Details—See issue of Feb. 7.
Offering—The price to the public will be filed by amendment.
Underwriters — Lehman Brothers head the underwriting group.

M. LOWENSTEIN & SONS, INC., on Jan. 30 filed a registration statement for 475,000 shares of common, par $1, 80,000 shares of cumulative preferred, series A, par $100 and common stock purchase warrants to purchase 50,000 shares of common. The company is offering 49,017 shares of preferred.
Details—See issue of Feb. 7.
Offering—The prices will be filed by amendment.
Underwriters—Eastman, Dillon & Co.

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—Alison & Co. named principal underwriter.

THE McBEE CO. on Jan. 24 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.
Details—See issue of Jan. 31.
Offering—The price to the public will be $7.50 per share.
Underwirters—Burr & Co., Inc., New York, is principal underwriter.

MEAD CORP. on Jan. 24 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).
Details—See issue of Jan. 31.
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.
Underwriters—The offer is not being underwritten.

MORRIS PLAN CORP. OF AMERICA on Jan. 29 filed a registration statement for 100,000 shares of preferred stock, series A, with common stock purchase warrants attached, par $1, and 150,000 shares of common, 10 cents par value. The dividend rate on the preferred will be filed by amendment. The statement covers 200,000 additional shares of common reserved against warrants.
Details—See issue of Feb. 7.
Offering—The price to the public will be filed by amendment.
Underwriters—To be supplied by amendment.

NATIONAL MALLINSON FABRICS CORP. on Jan. 9 filed a registration statement for 123,460 shares of capital stock. The shares are issued and outstanding and are being sold by 19 selling stockholders.
Details—See issue of Jan. 17.
Offering—The price to the public will be filed by amendment.
Underwriters—Laird, Bissell & Meads will head the underwriters group.

NICKEL CADMIUM BATTERY CORP. on Nov. 23 filed a registration statement for 35,000 shares of capital stock, par $10.
Details—See issue of Nov. 29.
Offering—The price to the public is $10 per share.
Underwriters—None. The securities are being offered by the corporation.
Registration Statement withdrawn Dec 29, 1945.

PALESTINE ECONOMIC CORP. on Dec 28 registered 20,000 shares of common stock, $100 par value.
Details—See issue of Jan. 3.
Offering—The offering price to the public is $100 per share.
Underwriting—No underwriting.

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.
Public offering indefinitely postponed.

PORTLAND MEADOWS on Dec. 20 filed a registration statement for $900,000 in unsecured income notes due Jan. 1, 1971, providing for interest at the rate of 10% payable only from income.
Details—See issue of Jan. 3.
Offering—The offering is to be at par, with total net proceeds to the corporation placed at $900,000.
Underwriters—No underwriter named.

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.

RED BANK OIL CO. on May 31 filed a registration statement for 990,793 shares of common stock (par $1).
Details—See issue of June 7.
Underwriters — Principal underwriter Bennett & Co., Inc., Dallas, Texas.
Stop Order Hearings—Stop order hearings to determine whether the effectiveness of registration statement should be suspended now pending before the SEC.

REGAL SHOE CO. on Jan. 29 filed a registration statement for 425,000 shares of common stock, $1 par, of which 325,000 shares are being presently offered for sale for cash and 100,000 shares are reserved for issuance upon the exercise of warrants.
Details—See issue of Feb. 7.
Offering—The price to the public is $6 per share. In addition to the 300,000 shares being offered by the underwriters, the company is selling 25,000 shares direct.
Underwriters—Van Alstyne, Noel & Co. and Cohu & Torrey are named principal underwriters.

SINCLAIR OIL CORP. on Dec. 26 filed a registration statement for 150,000 shares of common stock (no par). The shares are issued and outstanding and are being sold by a present stockholder.
Details—See issue of Jan. 3.
Offering—The price to the public will be filed by amendment. The statement says shares purchased upon the initial offering will carry the right to receive the dividend of 25 cents per share which has been declared payable on Feb. 15, 1946, to stockholders of record Jan. 15, 1946.
Underwriters—Kuhn, Loeb & Co.

A. E. STALEY MANUFACTURING CO. on Jan. 24 filed a registration statement for 50,000 shares of cumulative preference stock, $3.75 series.
Details—See issue of Jan. 31.
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 $107 per share.
Underwriters—Smith, Barney & Co. and The First Boston Corp. are named principal underwriters.

TEXTRON, INC., on Dec. 28 filed a registration statement for 300,000 shares of 5% convertible preferred stock, par $25.
Details—See issue of Jan. 3.
Offering—The price to the public will be filed by amendment.
Underwriting—To be filed by amendment.

UNITED STATES AIR CONDITIONING CORP. on Nov. 21 filed a registration statement for 500,000 shares of common stock, par 10 cents, of which 150,000 shares are to be offered through an underwriter.
Details—See issue of Nov. 29.
Offering—The price to the public is $4.50 per share. Application has been made by the corporation to list on the New York Curb Exchange 350,000 shares of its common stock which is presently issued and outstanding and application has been made to list on the Curb 150,000 additional shares to be sold under this prospectus.
Underwriter — George F. Breen, New York, is named underwriter.

U. S. INDUSTRIAL CHEMICALS, INC., on Jan. 9 filed a registration statement for 62,405 shares of common stock (no par).
Details—See issue of Jan. 17.
Offering—The new stock will be offered by the company to its present common stockholders at the rate of one share of new for each 7 shares held at a price to be filed by amendment. Air Reduction Co., Inc., owns 106,050 shares out of a total of 436,836 shares, or approximately 24% of the outstanding common. Air Reduction has stated that it will subscribe to all additional common shares that it is entitled to by virtue of its ownership of 106,050 shares, and it will also purchase, for investment, at the subscription price, all shares of common stock which are not subscribed for by other stockholders.
Underwriters—None.

UNITED STATES RADIATOR CORP. on Jan. 29 filed a registration statement for 92,344 shares of common stock, par $1.
Details—See issue of Feb. 7.
Offering—The company has granted to holders of its common stock rights to subscribe for not exceeding 92,344 shares of common at $11 per share at the rate of one new share for each 2½ shares held. Unsubscribed shares will be purchased by underwriters and offered to the public at a price to be filed by amendment.
Underwriters—White, Weld & Co. named principal underwriters.

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.
Registration Statement withdrawn Feb. 6, 1946.

VIRGINIA RED LAKE MINES, LTD. on June 24 filed a registration statement for 220,000 shares of capital stock, par $1 (Canadian).
Details—See issue of Aug. 2.
Offering—The offering price to the public is 60½ cents Canadian or 55 cents United States funds.
Underwriters—Willis E. Burnside & Co. New York.

YOUNG RADIATOR CO. on Jan. 29 filed a registration statement for 100,000 shares of common stock, par $1. The company is also registering 40,000 shares of common reserved for issuance upon exercise of warrants.
Details—See issue of Feb. 7.
Offering—The price to the public is $8.25 per share. Of 40,000 warrants to purchase common stock at $8.25 per share prior to Feb. 1, 1951, 20,000 were issued to stockholders on recapitalization and 20,000 are being sold to underwriters at 10 cents per warrant share.
Underwriters—The group is headed by Van Alstyne, Noel & Co.

Blair & Co., Inc., Stockholders Report

Blair & Co., Inc., 44 Wall Street, New York City, investment bankers, in their annual report released to stockholders revealed that the net booked profits of the corporation and its consolidated subsidiaries for the year ended Dec. 31, 1945, amounted to $1,644,159, the largest since 1936. Net booked profits in the previous year were $1,023,097. One of the few investment banking houses with its stock publicity owned, Blair & Co. report that after provision for Federal and state taxes and other charges the balance of net profits for the year was $968,351, equivalent to 66¢ a share, against $686,403 or 47¢ a share in 1944. After deducting the dividend of $291,492 payable Feb. 15, 1946, there was added to surplus $676,858. Net worth on Dec. 31, 1945, was $2,650,239 compared with $1,924,058 at the end of 1944.

The report signed by Edward D. Keil, Chairman of the Board, and Jonas C. Andersen, President, points out that 1945 witnessed further substantial improvement in the corporation. Blair & Co. now maintain offices in New York, Boston, Philadelphia, Pittsburgh, Buffalo, Chicago, St. Louis, Cleveland and San Francisco. During the past year the corporation participated in 69 underwritings of municipal and corporate securities. Volume of sales of U. S. Government securities continued to increase.

Plans were completed during the year, the report discloses, for a substantial increase in the number of super markets owned and operated by Lucky Stores, Inc., a wholly owned subsidiary operating in northern California. The volume of business done by these markets amply justifies the proposed expansion, it is explained.

To provide for expansion of the corporation's activities in 1946 the directors have recommended an increase in the capital stock to 2,500,000 shares from the present 1,471,012 shares, par $1. Subject to approval of stockholders it is proposed that 468,552 of the additional shares be issued to Pacific Coast Mortgage Company in exchange for the latter's holdings of all the issued and outstanding stock of Pacific Affiliates, Inc., a California corporation.

The assets of Pacific Affiliates consist of cash in the amount of $1,040,752 and all of the outstanding stock of Pepsi-Cola Bottling Co. of Los Angeles. The most valuable asset of the Bottling Company, according to the report, is an exclusive franchise for the manufacture and distribution of "Pepsi-Cola" in four southern counties of California. A meeting of stockholders of Pacific Coast Mortgage Company will be held in the near future to vote formally on the proposed transfer.

Trends in Public Utility Values

(Continued from page 963)

and larger accumulated reserves.

Improvement in the basic quality of utility securities has accompanied a declining trend in general interest rates and the two features together have brought the return on prime utility mortgage bonds to the lowest figure ever attained. Only recently, such an issue was sold successfully to the public on a 2.39% yield basis.

Seekers of better returns may well look at utility preferred stocks. Of course, a preferred stock does not have the debt obligation characteristics of a bond but, aside from that fact, it can be demonstrated that many utility preferred stocks of today have asset and earnings coverage comparing favorably with that of bonds sold a few years ago. To illustrate this point, it may be stated that despite the huge increase in Federal taxes, combined fixed charges and preferred dividends of some companies are now earned as many times as the fixed charges of the same companies were covered ten years ago.

Utility Common Stocks

The field most attractive for exploration by both private and institutional investors is that of utility common stocks. Today, as never before, the better grade of these qualify as prime investments and may be appropriately considered by buyers who have heretofore purchased only bonds and preferred stocks but need to keep up their income. Despite their greatly enhanced quality, these stocks may still be purchased to yield returns of from 4% to 5%, which rates are much better than are obtainable from the good industrial stocks. Furthermore, the present return is not the highest to be expected in many cases because dividend increases are in sight. Earnings of many utility companies are bound to improve with growth of business and relief from wartime taxation. Common shareholders should fare better accordingly. Also, expansion programs are probably going to require some new financing and within the near future we may see the resumption of the practice of offering attractive subscription rights to common stockholders.

One of the fruitful fields to watch is the break-up of holding companies and the coming of operating company stocks, previously closely held, into the hands of the public for the first time. Experience has shown that stocks which come to the market in this manner follow a rather definite cycle. When the shares first appear, the name 's unfamiliar. Over a period of time as the stocks become better recognized and well-placed, the prices almost invariably trend higher. Often it is possible to obtain an added profit by purchasing holding company stocks as there is, in many instances, a spread between the market price for these stocks and their indicated break-up values. Such purchases must not be indiscriminate for some issues are over-valued.

Subject to fluctuations in the general market it seems safe to venture the prediction that the trend in values of good utility stocks promises to be upward in the foreseeable future.

George J. Eising to Be Kerngood & Co. Partner

George J. Eising, member of the New York Stock Exchange, will be admitted to partnership in Kerngood & Co., 39 Broadway, New York City, Exchange member firm, on March 1st. Mr. Eising has been active as an individual floor broker.

Gordon Williamson Is With J. G. White & Co.

J. G. White & Co., Inc., 37 Wall St., New York City, announces that Gordon Williamson has joined the organization and is in charge of the statistical and research department. Mr. Williamson was recently associated with Morgan Stanley & Co. and prior to that was with the statistical department of the National City Bank for more than ten years.

Sparrow & Co. Formed In Boston, Mass.

BOSTON, MASS.—Sparrow & Co. has been formed with offices at 68 Devonshire Sstreet to engage in the investment business. Partners are Frederick Sparrow, Frank M. Packer, and Albert E. Bolton. Mr. Sparrow and Mr. Packer were formerly associated with Bond, Judge & Co.

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Michigan and Connecticut Securities Sections on page 970; Missouri on page 971.

Nimitz to Address New York Bond Club

Fleet Admiral Chester W. Nimitz, USN, will address a luncheon meeting of the Bond Club of New York, in the ballroom of the Hotel Biltmore, today, Feb. 21st.