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The International Bank And the Investor

By DR. HENRY C. WALLICH

Economist, Foreign Research Division, Federal Reserve Bank of New York

Reserve Bank Official Points Out That the Securities of the International Bank, Which Will Probably Begin Operating in New York City Within Six Months, Will Play an Extremely Important Role in the American Investment Market. The Funds Will Be Mainly Raised in the United States, Because of Our Low Interest Rates and Ability to Make Capital Exports. Dr. Wallich Notes That the Bank Will Operate by Borrowing Funds on Its Own Debentures, or by Guaranteeing Issues Floated Directly by the Borrower. He Concludes That the Bank Statutes Prescribe Hard-Headed Loan Policy, and That the Securities, While Not Completely Riskless, Will Enjoy a High Degree of Protection Enabling Them to Weather Difficult Periods.

Henry C. Wallich

With the signing of the Bretton Woods Agreements on Dec. 27, 1945, just before the deadline, the International Bank for Reconstruction and Development has become a reality. An organization meeting of the Board of Governors has been called for March 8, to take place on Wilmington Island, Ga. Once a set of by-laws has been adopted, the executive directors chosen, and a location selected, probably in New York City, the bank can begin to get organized. It is expected to ini-

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Business Under German Inflation

By LUDWIG von MISES

Head of "The Austrian School" of Economics

Author, "Theory of Money and Credit," "Omnipotent Government," "Bureaucracy," etc.

Austrian Economist Notes How Current "Expansionist" Fallacies Were Manifested in the German Inflation of 1914-1923. In Businessmen's Satisfaction With Rising Prices and Increasing Profits, They Overlooked the Accompanying Changes in the Mark's Purchasing Power. Through Engaging in Vast Over-Investment in Plant to Escape Into Real Values, Business Emerged From the Period in Greatly Weakened Financial Condition. Dr. von Mises States That Actually the Losses Far Exceeded the Gains in That (1) the Per Capita Wealth Was Reduced; (2) the Nation Consumed More Than It Produced; (3) Exports Were Dumped; and (4) Bad Investment Was Stimulated. The Pursuance of the Spurious German Doctrines in France and Other Countries Today Is Warned Against.

Paper-money inflation and credit expansion never fall upon a people like an act of God. They are always the outcome of a deliberate policy. The governments and the parties in power take recourse to inflation because they consider it as a blessing or at least as a minor evil when compared with the effects either of cutting down public expenditure or of choosing other methods of financing.

Ludwig von Mises

This applies both to peace and to war. Inflation as such does not contribute anything to winning battles. It does not produce arms and other equipment. It is merely one of the methods available for financing the huge expenditure caused by war. The other methods are taxation and borrowing from the public (and not from the commercial banks). If a Government prefers inflation, it must not plead as an excuse that there was no other way left.

Of course, the term inflation has fallen into disrepute. All governments and all political parties emphatically announce that their main concern is to fight this dreadful thing called inflation. In fact they are not fighting inflation, but only its symptoms and necessary consequences, namely the rise in prices. And this struggle is doomed to failure precisely because it is merely a tampering with symptoms. Nothing is done to end the root cause, i.e., the increase in the quantity

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Tax Effects on Business

By DR. JOSEPH J. KLEIN,*

Former President, N. Y. State Society of Certified Public Accountants

Dr. Klein Refutes Current Charges That Employers Are Purposely Prolonging Strikes Because of Alleged "Subsidies" Furnished by Current Tax Provisions. Lists Various Instances of Tax Discrimination and Favoritism and Discusses the Effects on Business of Anticipated Changes, as in the Levies on Excess Profits and Sales. Demonstrates the General Effects of Capital Gains Taxation on Business and the Markets. Discusses the Carry-Back and Carry-Over Provisions.

Dr. Joseph J. Klein

The history of taxation throughout the ages disclosed both discrimination and favoritism. In our own day and in our own country, history repeats itself. Both tax discrimination and tax favoritism have their effect on business. While present-day discrimination and favoritism are not exactly similar to those which prevailed in ancient days, the ultimate purpose and effect are quite identical.

Perhaps the most striking example of discriminatory Federal taxation is found in what has been referred to as the "Field" amendment, which provides for recalculation of tax liability

*An address by Dr. Klein before New York Credit Women's Group, Hotel Sheridan, New York City, March 5, 1946.

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American Productivity Our Protection—And Our Danger

By DR. JULIUS HIRSCH
Former Chief Consultant, Office of Price Administration

Contradicting the Theory Advanced in Recent "Chronicle" Articles That "Production Creates Consumption," Dr. Hirsch Contends That Our Excess of Productive Capacity Over the Propensity to Consume Is the Forerunner of Deflation and Depression. Traces the Remarkable Growth of Our Production Since the Turn of the Century, and the Brilliant Achievements of the War Economy. Contending That the Present Demand-Supply Picture Is Misleading, He Predicts That the Supply of Goods Will Soon Vastly Exceed the Demand, That Deficit Spending Will End, and That Hence Present Inflation Psychology Will Cease. He Further Predicts That by 1950 Our Productive Capacity Will Be Double That of 1929, Rendering Us Vulnerable to Another 1929-1939 Type of Deflation.

It seems to me that the vast proven and potential capacity for production possessed by this country, is not fully appreciated. And, as is evidenced in such articles as that by Dr. Robert Warren in the "Chronicle" of Jan. 31 last and by Mr. Walter Salant in the Feb. 21 issue, the effectiveness of mass production in combating inflation is vastly underestimated.

Julius Hirsch

I. The World's Mightiest Economy

When I made my first trip from Europe to the U. S. in 1924, more than anything else I was startled by the unparalleled productivity of American enterprise. It was easy to see that nature itself had a goodly share in this startling performance; raw materials which were scarce in the older industrialized countries, being found in abundance here. After a thorough study I came to the

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The Sinews of Peace

By RT. HON. WINSTON CHURCHILL*
Former Prime Minister of Great Britain

British War Premier Calls for an Anglo-American Military Alliance, With Joint Use of Bases and Facilities. Holds UNO Must Be Made to Work, but Holds That It Is, as Yet, No Assurance Against War or Tyranny. Would Keep Atomic Bomb Secret "While UNO Is Still in Infancy," and Calls Attention to Russia's Iron Curtain in Europe and the Soviet's Aggressions in Far East as Sorespots. Criticizes Russian Propaganda, and Accuses Russia of Aiming to Make Europe Communistic. Doubts Russia Desires War, but Holds Permanent Peace Can Be Achieved Only by Reaching a Good Understanding With That Country. Urges Faithful Adherence, Through Fraternal Association, to Charter of United Nations.

I am glad to come to Westminster College this afternoon and am complimented that you should give me a degree. The name Westminster is somehow familiar to me. I seem to have heard of it before. Indeed it was at Westminster that I received a very large part of my education in politics, dialectic, rhetoric and one or two other things.

Winston Churchill

It is also an honor, perhaps almost unique, for a private visitor to be introduced to an academic audience by the President of the United States. Amid his heavy burdens, duties and responsibilities—unsought but not recoiled from—the President has traveled a thousand miles to dignify and magnify our meeting here today and give me an opportunity of addressing this kindred nation, as well as my own countrymen across the ocean and perhaps some other countries, too. The President has told you that it is his wish, as I am sure it is yours, that I should have full liberty to give my true and faithful counsel in these anxious and baffling times. I shall certainly avail myself of this freedom and feel the more right to do so because any private ambitions I may have cherished in my younger days have been satisfied beyond my wildest dreams. Let me, however, make it clear that I have no official mission or status of any kind and that I speak only for myself. I can, therefore, allow my mind, with the experience of a lifetime, to play over the problems which beset us on the morrow of our absolute victory in arms, and try to make sure that what has been gained with so much sacrifice and suffering shall be preserved for the future glory and safety of mankind.

The United States stands at this time at the pinnacle of world power. It is a solemn moment for the American democracy. With primacy in power is also joined an awe-inspiring accountability to the future. As you look around you, you must feel not only the sense of duty done but also feel anxiety lest you fall below the level of achievement. Opportunity is here now, clear and shining for both our countries. To reject it or ignore it or fritter it away will bring upon us all the long reproaches of the aftertime. It is necessary that constancy of mind, persistency of purpose and the grand simplicity of decision shall guide and rule the conduct of the English-speaking peoples in peace as they did in war. We must and

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*An address by Mr. Churchill at Fulton, Mo., March 5, 1946, as reported by the Associated Press.

Money Management And Bank Investments

By CRAIG S. BARTLETT*

Vice-President, Central Hanover Bank and Trust Company

Bank Executive Reviews Business Situation, Taxes and Interest Rates, and Contends That Taxes Will Remain High and That Interest Rates Will Remain Low, Perhaps Permanently. Sees Limited Demand for Loans Compared With Heavy Bank Deposits and Calls Attention to Proposed Measures to Curb Deposits and Credit Expansion by Requiring Banks to Hold Non-Interest Government Bonds. Sees Conflict Between the Federal Reserve Board and The Treasury Regarding Interest and Concludes Treasury's Policy of Low Rates Will Prevail, Despite the Danger of Leading Public Into Low Grade Issues. Points Out as Proposed Remedial Measures (1) Balancing the Budget; (2) Gradual Debt Reduction; (3) Increase of Reserve Requirements and (4) Higher Margin Requirements on Governments. Holds Bank Income Is At Peak.

The flight of long-term bond prices into the money market stratosphere causes one to stop, look and listen! Money has become a drug on the market and the competition for satisfactory investment outlets has become something akin to the Nylon sales counter. Every one wants the scarce article and it seems to matter little what price is asked. Dealers mark up their bonds day by day and the poor investor comes, hat in hand, and begs for some of the choice pieces of paper.

Craig S. Bartlett

Where do we go from here? Shall we take profits? Shall we shorten up? Shall we lengthen out? The answers to these questions are not easy. Every portfolio must be a tailor-made job and what suits one situation may not necessarily apply to the other. There are some broad principles, however, that do seem pertinent, and perhaps we can examine the facts, figures and implications and draw some conclusions from these.

What Is the Business Situation?

It would appear that the labor difficulties will be solved within

*An address by Mr. Bartlett before Group 4 and 5 of the New York Savings Bank Association, New York City, Feb. 19, 1946.

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The National Debt and Inflation

By G. MASON OWLETT*

Republican National Committeeman

President of the Pennsylvania Manufacturers Association

Holding That We Are Caught in a "Truman Inflation," Mr. Owlett Attacks Policy of Price Controls and Heavy Government Expenditure. Urges an Immedate Balanced Budget and Reduction in the Government Debt. Says Playing Tag With Prices Is Like Trying to Stop a Blizzard by Catching the Snowflakes and Holds Back of Administration's Price Program Has Already Been Broken. Scores Government Planning and Calls for Less Government in Business.

On this occasion I wish to say a few words about current political trends. I am going to present them from the point of view of businessmen, but this is the same viewpoint as all other American citizens. We are all in the same boat.

Let me tell you why this is true.

Government is a business enterprise—the people's business. It differs mainly from other business only in size. Sound business principles in government pay dividends in prosperity. Bad methods make prosperity impossible.

G. Mason Owlett

All American citizens are stockholders in the National Government. Their taxes are the working capital; their shares entitle them to vote.

The only important difference between government business and private business is what happens when they go broke. Of course, governments can go broke—many have.

When a private concern fails, it closes its doors and the creditors

*An address by Mr. Owlett at the 37th Annual Meeting of the Pennsylvania Manufacturers Association, Philadelphia, Feb. 26, 1946.

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Petition Argued Before Circuit Court of Appeals

Duty of the SEC to Enter Order in Proceedings on NASD By-Law Amendments Now Before the Court

NEW YORK, March 4.—Argument was heard today in the United States District Court for the Second Circuit, before Judges Learned Hand, Swan, and Clark, on the application of some 30 securities dealers throughout the country, for a direction to the Securities and Exchange Commission, that it enter an order in the proceedings which were held before it on NASD by-law amendments.

The National Association of Securities Dealers, having certified to the SEC that certain amendments were passed by its membership, the Commission set a hearing down on Aug. 29, 1945, at Philadelphia, to determine whether such amendments were necessary or appropriate in the public interest and whether they were for the protection of investors.

Specifically, these amendments provided for the registration of salesmen, traders, etc., and also gave certain pow-

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The Stock Market Outlook

By G. Y. BILLARD, J. R. WILLISTON & CO.

Market Analyst Feels Main Uptrend Has Not Been Reversed.

Further shakedown of inflationary fires during the early part of the week served to chill temperatures in financial circles to a substantial degree.

Some time will undoubtedly be required to bring about a rise in the general price level back to around the peak reached last month, but the underlying forces behind the four year rise have lost none of their potency.

Gordon Y. Billard

Sentiment, however, remains mixed and cautious and is likely to continue so for some time. No doubt some further testing of the lows of the past week will be witnessed, but ultimately a resumption of the broad upward trend is in prospect with the eventual restoration of greater confidence in the longer range outlook. We advise retention of well situated dividend paying equities although we believe a switching policy for near and intermediate term purposes, in line with suggestions contained herein last week, can be employed advantageously.

Grave Dangers

The assumption that the main uptrend has not been reversed is of course predicated upon the contention that an artificially created depression at this juncture will prove minor in extent and brief in duration and that the market will appraise prospects accordingly.

Thus far the widely heralded postwar boom, which the market until recently has been in the process of discounting, has failed to materialize for obvious reasons. The demand for goods remains as large as, if not larger

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A Speeded-Up and Simplified Price Control Plan

By RALPH E. FLANDERS*
President of Federal Reserve Bank of Boston
Chairman, Jones & Lamson Machine Co.

Though Favoring the Continuation of Price Controls for Another Year, Mr. Flanders Calls Upon the OPA to Speed Up and Simplify Its Work. Says Evils of Continuing Indefinitely Price Control Would Be Even Greater Than Eliminating It Too Soon. Recommends Automatic Pricing by Individual Concerns Under Legislative Standards and OPA Regulations and Asserts That Price Adjustments Based Upon Earnings of a Base Period Are Impracticable. Recommends Prices Be Based on Actual Operating Experience and That a Vigorous Policy of Suspension of Price Ceilings Be Inaugurated. Asks for More Liberalized Standards of Price Relief.

We now see on every hand the evidence of extreme inflationary pressure. Incomes are high, the public has an enormous amount of money and the demands pent-up during the war are great. Although supplies for civilians are increasing, the public still wants to buy more of almost everything than is now being produced. Without price ceilings, the prices of many commodities would now be skyrocketing under the pressure of excess demand. We look forward to a further expansion of production, and we must do everything we can to hasten this expansion. But it is not at all clear that foreseeable production increases will eliminate, or even appreciably narrow, the excess of demand. Expanding production will bring higher incomes, increased bank credit and general optimism. It might conceivably increase rather than decrease inflationary pressure, particularly for goods in scant supply and under price control.

Ralph E. Flanders

I need not elaborate before this Committee the evils of inflation. Certainly every group in this nation—including the business community—would reap irreparable loss from such a price increase as followed the last war, to say nothing of more extreme possibilities. For some months price control will be an indispensable protection against runaway prices. We must not abandon it prematurely.

But the evils of indefinitely continuing price control would be even greater than the evils of eliminating it too soon. Our economy runs on prices. Prices determine who produces what and how much he earns for producing it. The authority to control prices cannot be centrally administered for any sustained period without inefficiency, inequity, breakdown

*A statement made by Mr. Flanders before the House Committee on Banking and Currency, February 28, 1946.

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Price Controls Should Continue

By HENRY J. KAISER*

Industrialist, While Asserting Production, Not Price Control, Will Cure Inflation, Urges the Continuation of OPA on Ground That the Competitive Bidding for Raw Materials Will Cause Excessive Finished Goods Prices and Eventually Lead to a Disastrous Slump. Denounces NAM Campaign to Remove Price Controls and Intimates That It Is Not Representative of Majority of Manufacturers. Praises Price Control During War and Calls for More Cooperation With OPA.

My response to your invitation to testify today stems from a deep sense of duty as an employer to my employees, as a seller to my customers, and as an industrialist to my colleagues in the business world.

Henry J. Kaiser

The subject before us is of such momentous importance to America and to the civilized world that it calls for a clear and uncompromising statement of position. In requesting my presence here, it may be assumed that your Committee believed we could speak from the experience of operating twenty-five industries, including steel, aluminum, chemicals, ships, home construction, household appliances, cement, concrete and many other construction, materials. It is not generally known that certain of these industries were in successful operation for many years before the outbreak of the war, and that for thirty years we have been marketing products to the public, direct and through dealers.

The Kaiser Industries

These twenty-five enterprises operate today at least fifty plants, grouped at five major regional centers — Southern California, Northern California, the Northwest, the Midwest, and the East. They produce more than 130 different items, marketed as individual products, some of which are listed here.

1. Agriculture
2. Aircraft
3. Aluminum
4. Automobiles
5. Cement
6. Chemical
7. Concrete
8. Contracting
9. Engineering
10. Ferroalloys
11. Gypsum
12. Household Appliances
13. Housing
14. Insurance
15. Iron and Steel
16. Lime
17. Machinery
18. Magnesium
19. Medical
20. Mining
21. Refractories
22. Sand and Gravel
23. Shipbuilding Yards
24. Ship Repair Yards
25. Steamship

Cause of Inflation Danger

The inflation which we are called upon to fight today is due in major part to the tremendous demand for goods of all kinds throughout the world. The unsatisfied needs of mankind, not only in America, but in every land, exert the greatest pressure on the price structure. Our huge wartime national income has swelled the demand for ample food, new clothing and adequate shelter. The price of these necessities is our first concern. They must not be priced beyond the people's reach. The people of America are hungry,

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*Statement by Mr. Kaiser before the House Banking Committee in Washington, March 1, 1946.

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Collectivism Versus Individualism

By HON. LYLE H. BOREN*
U. S. Congressman from Oklahoma

Representative Boren Decries "the Civil War Within Our Country" Conducted by Small Highly-Organized Minorities. Says That Current Minority Movements Embrace Collectivism Under Which Millions of Individuals Are Subjugated. He States That the New Collectivism Is "Endowed" by the Government With Various Subsidies, Including Tax Exemption. Attacking CIO Policies, He Charges That "While GI Joes Struggle for a Foothold, Union Leaders Struggle for a Stranglehold."

Even after this war's experience, can we look fordward to a wiser and a safer world?

Lyle H. Boren

Has the public opinion of the world solidified into convictions that will relegate self interest to its proper sphere?

We want to trust Russia. Can we?

All the world knows that America will wage unprovoked aggressive war on no one. Does all the world know that about Russia? Can you believe it—try, sincerely try, and see if you can believe it.

Is Bolivia afraid of us?

Is Cuba afraid of us, or is Canada?

Is Austria afraid of Russia?

Is Poland afraid of Russia or is China?

France has perfect confidence that every American soldier will depart, and so it is in Italy, in Austria, in Belgium, even in Germany. Can Poland, Czechoslovakia, Austria, Yugoslavia, Rumania, even China have confidence that the Russian soldiers will ever voluntarily depart?

There are too many people with alien allegiance in America . . . too many folks with us that are not for us.

Facts are tools and tools are to be used. Let each and every man that loves America put his hand to these tools and do something about it.

If we turn our eyes from distant horizons to the areas near at hand we find within our country that we have civil war of exactly the same kind and character as that war that had the territorial limits of the world as its boundaries.

Not long since we found the principles of law and order broken down on an international scale by small but highly organized minorities of the world's people under ruthless dictatorial leadership. Our world civilization is so complicated we could not be unaffected though the nominal combatants were from us far removed. Our interdependence is so great that what happened in Europe affected Asia and America. What happened to France or Holland or England was felt in the daily lives of everyone in all the national areas of the world. War cannot be confined to those who are supposed to be the belligerent pow-

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*An address by Representative Boren before the Investors League, at Buffalo, N. Y., Feb. 28, 1946.

Problems Facing Businessmen

By ALBEN W. BARKLEY*
U. S. Senator from Kentucky

Senate Majority Leader, Commenting That Politics and Economics Are So Entwined as to Afford No Visible Means of Unscrambling, Urges Care in Disposal of Surpluses and Foresees Increased Prices of From 10% to 20% to Correspond With Increased Costs. Contends We Must Furnish Financial Aid Abroad to Create World Stability and Denies Loan to Britain Is Act of Charity. Says if We Fashion Our Policy Wisely, We Can Foster Prosperity and Anticipates Business Profits Sufficiently Attractive to Induce Investment.

We all undoubtedly realize the impossibility of doing more than outlining the problems confronting the American businessman within the space of one single address.

Sen. Alben Barkley

These problems are so complicated and fundamental, and there are so many conditions which affect the welfare of American business, that the most one can do in a single appearance is to call attention to them and seek to present them in some understandable manner.

Not only in the United States, but throughout the world, the questions of politics and economics are inextricably entwined.

Politics is said to be the science of government, and our life has become so complex and so many people and so many problems depend upon Washington for guidance and solution that, in a very broad sense, politics and economics, both of which involve business, are so associated together as to afford no visible means of unscrambling them.

We have just emerged from the world's most disastrous war. This struggle has left mankind, in vast stretches of the earth, prostrate. Hundreds of millions of people are groping for a gleam of light and for a more solid rock upon which to plant their feet. During this war industrial output in the United States increased by 100%. Our savings amounted to more than a hundred billion dollars, over and above taxes and other expenditures. The output per man among the industrial workers of the United States increased by more than 10%. We have emerged with an annual income of 160 billion dollars and with a national

*An address of Senator Barkley before the New York Credit Men's Association, New York City, Feb. 28, 1946

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Lt. H. S. Allen, Jr. Resumes As Garvin, Bantel Partner

Garvin, Bantel & Co., 130 Broadway, New York City, members of the New York Stock Exchange, announce that Lieut. Henry S. Allen, Jr., USNR, has returned from service and has resumed active partnership in the firm.

Expanding Securities Regulation In Ontario

By WELLINGTON JEFFERS
Financial Editor, Toronto "Globe and Mail."

Mr. Jeffers Notes Great Increase in the Activities of the Ontario Securities Commission in Enforcing the New Act. This Is Manifested in the Appointment of Two Able New Commissioners, and of Competent Officials in the Registration and Auditing Branches. Sates That All Outstanding as Well as New Applications of Brokers and Salesmen Are Being Very Strictly Scrutinized. The Authorities Have Recently Taken Action Against Numerous Offenders Against Whom There Were United States Citations.

W. J. Jeffers

Great activity has been shown by Hon. Charles P. McTague, newly appointed Chairman of the Ontario Securities Commission, since Ontario Securities Act, 1945, went into force on Dec. 1. The Commission has been expanded to three members by the appointment as Commissioners of Assistant Master O. E. Lennox of the Supreme Court, and H. C. Rickaby, Deputy Minister of Mines, and by the appointment of highly competent officials in the registration and auditing branches. Moreover, the Commission has gone ahead with what it conceived to be its duty, that is, to review all registrations of brokers and security salesmen.

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Changing Sentiments On United Kingdom Loan

By HERBERT M. BRATTER

Washington Observer Cites Developments Which Have Been Affecting Congressional Attitudes Toward the Anglo-American Loan Agreement. Quotes Rep. Crawford as Seeing Rising Sentiment Toward Making the Loan a Gift and Sees a Change in Administration Attitude From Statement of Dr. White of the Treasury. Also Notes British Criticism of the Loan, but Concludes That Despite Objections, Loan Will Be Approved by Congress.

Former Ambassador Joseph P. Kennedy's suggestion that the $4.4 billions of financial assistance to the United Kingdom should be extended as a gift, rather than an interest-bearing loan coincides with a prediction on Capitol Hill that in the end Congress will do precisely that. In view of the widespread impression gained from Washington newspaper reports during recent weeks that the loan faces an uphill fight, the prediction that it will not only pass the Congress, but pass in the form of a gift, such as the British originally sought, seems surprising.

F. L. Crawford

In discussing this matter with the "Chronicle" correspondent, Representative Fred L. Crawford (R.) of Michigan, a senior member of the House Banking and Currency Committee, while making it clear that he was not offering this as his own suggestion of the correct way to help Britain, stated:

"Put yourself in the position of a Congressman discussing Britain's needs with his constituents.

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We Will Defend the UNO Charter

By HON. JAMES F. BYRNES*
Secretary of State

Asserting That the Dominant Question Is Prevention of Another War, Mr. Byrnes Points Out That UNO Will Fail Unless Its Members Give It Life. Deprecates Clashes of Interests Among Big Powers, but Holds UNO Is Off to a Good Start. Says U. S. Proposes to Defend the Charter and Urges That We Maintain Military Power to That End, Though There Is No Present Reason for War. Stresses We Cannot Allow Aggression, and, Though Admitting That We Approved Adjustments in Favor of Russia, We Will Not Countenance Troops in Territories of Sovereign States or Confiscation of Enemy Properties Except Under Reparations Agreement.

We are beginning to realize that the war is over. It is good to have sons, husbands and fathers home again. It is good to open a newspaper without fear of finding in the casualty lists the name of one near and dear to us.

James F. Byrnes

But this is not wholly a time of celebration and rejoicing. As families in their homes on the farms and in the cities settle back from the dinner table to hear the boys tell of Normandy and Iwo Jima, there is an unspoken question in every mind. The question is what we can do to make certain that there will never be another war.

During the war our goal was clear. Our goal was victory. The problems of industrial and military mobilization, it is true, were problems of the first magnitude. Production bottlenecks often seemed unbreakable, transportation difficulties and manpower shortages insurmountable. On the fighting front, the combined land, sea and air operations were heartbreaking in complexity.

These were hard tasks. Yet we were able to apply a yardstick to each proposal by asking a simple question: "Will it help to win the war?" The common goal of victory served to unite us and to give purpose and direction to our efforts.

Our Goal Is Permanent Peace

Now that we have come into calmer waters, our relief and gratitude are mixed with uncertainty. Our goal now is permanent peace, and surely we seek it even more anxiously than we sought victory.

The difficulty is that the path to permanent peace is not so easy to see and to follow as was the path to victory.

When an issue is presented, we ask, "Will it help to win the peace?" When the answer is slow to come or does not come at all, we grow uneasy and apprehensive.

While we may be in doubt about many things, there are certain basic propositions on which we are clear.

One is that a just and lasting peace is not the inevitable result of victory. Rather, victory has given us the opportunity to build such a peace. And our lives depend upon whether we make the most of this opportunity.

Another thing of which we are certain is that we Americans alone cannot determine whether the world will live in peace or perish in war. Peace depends quite as much upon others as it does upon us. No nation is the complete master of its fate. We are all bound together for better or for worse.

Pinned Hopes on UNO

Because we know this, we have pinned our hopes to the banner of the United Nations. And we are not content simply to take our

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*An address by Secretary Byrnes at a dinner of the Overseas Press Club of America, New York City, Feb. 28, 1946.

Broker-Dealer Personnel Items

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, GA. — **J. William Cook** has rejoined the staff of **Norris & Hirshberg, Inc.**, C. & S. Bank Building, after four years service in the U. S. Army.

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, GA.—**Herman C. Kennedy** is with **Clement A. Evans & Co., Inc.**, First National Bank Building.

(Special to THE FINANCIAL CHRONICLE)

BENTON HARBOR, MICH.—F. **Joseph Flaugh** is with **H. H. Diffenderfer & Co.**, Fidelity Building.

(Special to THE FINANCIAL CHRONICLE)

CHARLOTTE, N. C.—**James G. Marvin, Jr.** is now with **R. S. Dickson & Company**, Wilder Building.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — **George C. Johnson, Jr.** has become associated with **Ames, Emerich & Co., Inc.**, 105 South La Salle Street, after serving in the U. S. Navy.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—**Ernest C. Gill** is now connected with **H. M. Byllesby and Company, Incorporated**, 135 South La Salle Street.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — **Edward A. Golden** has become affiliated with the **First Securities Company of Chicago**, 134 South La Salle Street. He was formerly with Hallgarten & Co., and in the past with Ames, Emerich & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—**Paul A. Just** and **Norman C. Kalmar** have become associated with **Daniel F. Rice and Company**, Board of Trade Building. Mr. Just has been serving in the U. S. Army; prior thereto he was with Carter H. Harrison & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—**J. Benjamin Owens** has been added to the staff of **Slayton & Company, Inc.**, 135 South La Salle Street, after serving in the U. S. Marine Corps.

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, OHIO—**Richard T. Siegman** and **Robert L. Sutter** are with **Field, Richards & Co.**, Union Central Building. Both have been serving in the armed forces.

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, OHIO—**James R. Heckin** is now connected with **Edward Brockhaus & Company**, Union Trust Building.

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, OHIO — **Allen Thorndyke** is now affiliated with **Nelson, Browning & Co.**, Carew Tower.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, OHIO—**Earl W. Burgelin** is with **Fahey, Clark & Co.**, Union Commerce Building.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, OHIO—**Lee A. Caunter** has rejoined the staff of **Dodge Securities Corporation**, Engineers Building. He has recently been in the armed forces.

(Special to THE FINANCIAL CHRONICLE)

DENVER, COLO. — **Hugh K. Alexander** has joined the staff of **Boettcher and Company**, 828 Seventeenth Street.

(Special to THE FINANCIAL CHRONICLE)

DENVER, COLO. — **John S. Flower** has become connected with **Peters, Writer & Christensen, Inc.**, U. S. National Bank Building.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH.—**Joseph J. Kisch** has joined the staff of **Hornblower & Weeks**, Penobscot Building, after serving in the armed forces.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH.—**George E. Cockrane** is now with **Mercier, McDowell & Dolphyn**, Buhl Building.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH.—**Charles A. Floyd, Jr.**, has become associated with **Wm. C. Roney & Co.**, Buhl Building, after serving in the U. S. Army Air Corps.

(Special to THE FINANCIAL CHRONICLE)

DURHAM, N. C.—**Harvey B. Jones** and **George L. Lyon** are with **First Securities Corporation**, 111 Corcoran Street.

Geo. Hanson & H. Klein With T. L. Watson Co.

George T. Hanson and Harry Klein, both formerly with Gordon & Walther, have become associated with T. L. Watson & Co., 40 Wall Street, New York City, members of the New York Stock Exchange, it is announced.

C. G. McDonald & Co. Resuming Inv. Business

DETROIT, MICH. — C. G. McDonald & Co. is resuming its investment business from offices in the Buhl Building. George S. Allardyce will be associated with the firm as trader.

Death of Anthony J. Drexel

Anthony J. Drexel, former broker and grandson of the founder of Drexel & Co., nationally known banking firm, died at his home at Boca Grande, Fla., on Feb. 23. He was 59 years of age. Mr. Drexel, who was born in Philadelphia, married the former Marjorie Gould, daughter of George J. Gould. In the New York "Herald Tribune" of Feb. 26, it was noted that Mr. Drexel was the third to bear the name of Anthony J. Drexel and became identified with the Philadelphia banking firm of Drexel & Co.

Col. Barringer Rejoins Pennsylvania Company

PHILADELPHIA, PA.—Colonel Brandon Barringer has returned from U. S. Army to resume duties as vice president, Pennsylvania Co. for Insurance on Lives and Granting Annuities.

Manning With F. Miller

DALLAS, TEXAS.—W. K. Manning, who for the past three years has been in the Naval Reserve, is now associated with the Sales Department of Frank Miller & Co., Liberty Bank Building.

Prosperity and Employment

By IVAN WRIGHT

Dr. Wright Points Out the Lack of Clear Definitions of Both Prosperity and Full Employment and Indicates by Illustration That Different Persons Feel Prosperity in Different Degrees According to Their Living Standards. Contends Government Can Only Provide for Prosperity by Maintaining Fair and Equitable Conditions of Opportunity for All and That It Can Promote Real Full Employment Only by Creating Confidence in the Individuals and Maintaining Stability in Value of Money and in Economic Conditions and by Promoting Incentives to Effort.

Dr. Ivan Wright

"A strong, stable, and prosperous America will give courage and hope to all friends of democracy abroad."—James F. Byrnes.

Phrases, slogans, and ideals are sometimes hard to define. In fact, they are indefinable in many instances. The words "prosperity" and "full employment" are challenging demands at these times. Just what is prosperity? Where does prosperity end and the undue hardship of poverty begin?

While these terms are indefinable, perhaps something can be done to mark out their limits. Does prosperity mean a continuation of the way of life which one has established and come to enjoy, or does it include not only this accomplishment, but a continuous increase in what one thinks are necessities and luxuries? Does prosperity depend upon money or the purchasing power of money or does it depend upon the intelligent and discreet use of money? Does prosperity depend upon the quantity of goods or variety? Do high costs and high prices make for

(Continued on page 1259)

Public Utility Securities

Utah Power & Light

Utah Power & Light has been selling recently around 22, the 1946 range being 24½-21. The stock is a newcomer to the list, the company's plan of reorganization having been approved Jan. 16 by the Federal District Court. The new common stock was issued to public holders of the old preferred stocks in settlement of their claims, including dividend arrears. Electric Power & Light, which held 2,100 shares of 7% preferred and all the old common stock, received $650,000 cash in payment for its holdings.

The company now has a fairly conservative capital structure, with about 57% mortgage bonds, 7% debentures, etc., and 36% common stock equity. Assets have been reduced in recent years by some $23,000,000, as a result of plant write-offs ordered by the FPC and sale of the transit property. The remaining plant acquisition adjustment, amounting to $3,482,156, is being written off over a 12-year period.

Utah P. & L. has a heavy proportion of industrial business, but Utah Copper Company, which formerly purchased about two-fifths of the company's electric output, has now installed its own plant (it may continue to take a small amount of power). However, it seems unlikely that Utah P. & L. made any substantial profit on the electricity sold to Utah Copper, since the rate under the old contract was only 5 mills per KWH.

In the 12 months ended Nov. 30, 1945 Utah reported net income of $1,863,039, equivalent to $1.57 per share on the new basis. While the detail of federal taxes is not reported, some excess profits taxes would have been paid, (according to Moody's Service) if the company had not charged off $944,350 in lieu of federal income and excess profits taxes; hence earnings would be somewhat larger on the new tax basis. The earnings estimates submitted by the management to the SEC some time ago seem conservative ($1.40 was forecast for 1945). We quote as follows from a recent study prepared by Bear, Stearns & Co.:

Utah presented to the SEC detailed estimates of consolidated income for the years 1945 to 1950, inclusive, which reflect the estimated effect of the foregoing favorable and unfavorable factors. Utah contended that its estimate for the year 1950 represents reasonaly foreseeable income on the basis of present capitalization. Utah's estimate of net income gave no consideration to the possibility of refunding Utah's outstanding debt and in order to give effect to such potential refunding Electric Power & Light prepared an exhibit based on Utah's estimate but giving consideration to this factor. The table below presents a summary of Utah's estimate and also presents the estimate of net income prepared by Electric to reflect estimated savings arising from a refunding of Utah's outstanding debt:

	—Net Income (a)—	
Year	Utah's Estimate Per Share	Electric's Estimate Per Share
1945	$1.40	$1.40
1946	1.41	2.22(b)
1947	1.26	1.64
1948	1.42	1.67
1949	1.54	1.70
1950	1.64	1.89

(a) After amortization of plant acquisition adjustments of $270,000 annually.
(b) Reflects estimated non-recurring tax deductions in connection with assumed refunding.

The SEC adopted an estimate of $1.60 per share after the non-cash amortization charge equivalent to 24c a share (which will run through 1956). Based on the estimates of Bear, Stearns & Co. it appears that the company might realize earnings of over $2 a share after the 3¾% bonds are refunded, and somewhat more if the debenture 6s are replaced by a bank loan in 1947. On this basis the common stock appears to be selling at a reasonable level—about 14 times estimated 1945 earnings and about 10-11 times estimated future earnings, adjusted to the new tax basis and the potential refundings. No dividend has yet been declared on the new common stock.

At present the company has heavy sinking fund requirements on the first 3¾s of 1968 ($500,000 fixed, and $350,000 conditional beginning in 1948). However, the company might be able to get rid of part or all of these requirements in any refunding operation, permitting a more generous dividend policy.

Notes Continuation of Savings

Study by Life Insurance Companies Indicates That Accumulated Savings Increased Since V-J Day. Life Insurance Sales Continue to Expand.

Long-term accumulated savings of the American people as a whole increased $20,000,000,000 in 1945 to reach a new record high of $142 billions at the end of last year, the Life Insurance Companies in America reported today in a study based on data compiled from Government and private sources.

The year-end total, the study pointed out, was greater than the national income in any year prior to 1943, and was at the same time almost 40% greater than total consumer expenditures of $103,6 billions for 1945, the biggest consumer spending year on record.

The accumulated savings in this compilation consist of holdings of United States Savings Bonds after redemptions, funds accumulated behind life insurance policies, savings accounts in mutual savings and commercial banks and in postal savings, and net savings and investments accumulated by individuals in savings and loan associations.

Though the $20 billion gain in accumulated long-term savings was some $2 billions smaller than the 1944 increase, the life insurance companies called the showing a notable demonstration of the people's thrift in view of the rapidly-changing conditions last year marking the end of the war. Such factors as the stoppage of war production and consequent unemployment, income declines, and the widespread industrial strife and strikes toward the end of the year, the study continued, were among the developments which might seriously have affected savings habits.

"This continued demonstration of thrift by the people at large," the study said, "is one of the bright spots in the nation's fight against inflationary price rises, particularly under current conditions of unalleviated shortages of so many consumers' goods and the prospect that scarcities in many lines will be prolonged."

The net gain in United States Savings Bonds for the year was less than $8 billions, the study stated, the smallest annual increase since 1941. The total at the end of the year was given as approximately $47.8 billions.

Savings in life insurance, it was stated, continued their steady increase, and the total of $38.5 billions at the end of the year was about $3 billions greater than the total at the end of 1944.

The accompanying table gives the record of accumulated savings for the seven-year period, 1939-45, inclusive:

ACCUMULATED INDIVIDUAL SAVINGS
(Millions of Dollars)

Year-end→	U. S. Savings Bonds	Life Insurance	Savings Accounts	Savings and Loan Assns.	Total
†1945	$47,800	$38,500	$48,500	$7,250	$142,050
1944	39,906	35,577	39,790	6,400	121,673
1943	27,363	33,049	32,748	5,740	98,900
1942	15,050	30,797	28,431	5,250	79,528
1941	6,140	28,945	27,729	5,095	67,909
1940	3,195	27,238	27,738	4,785	62,956
1939	2,209	25,827	27,059	4,680	59,775

†Estimated.

Sources: U. S. Treasury Bulletin, Federal Reserve Bulletin, Institute of Life Insurance, United States Savings and Loan League.

Dealer-Broker Investment Recommendations and Literature

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

Airline Industry—analysis, with particular reference to the **Chicago & Southern Air Lines, Inc.**—Burnham & Company, 15 Broad Street, New York, 5, N. Y.

The Bretton Woods Agreements—a study embracing the accomplishments of the United Nations Monetary and Financial Conference held at Bretton Woods in July, 1944, with particular reference to the organization and purposes of the International Bank for Reconstruction and Development—Wm. E. Pollock & Co., Inc., 20 Pine Street, New York 5, N. Y.

Canadian Stocks—list available showing earnings, price range, dividends and yields of over 100 representative industrial companies—Charles King & Co., 61 Broadway, New York 6, 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.

Investment Guide—current issue containing a discussion of **Growth Securities**—First California Company, 300 Market Street, San Francisco 20, Calif.

"Invest in the West"—brochure of data on Pacific Coast industries—Maxwell, Marshall & Co., 647 South Spring Street, Los Angeles 14, Calif.

New Railroad Reorganization Bill—excerpts from and observations on new bill now before Congress which would take pending railroad reorganizations out of the courts and place them under the jurisdiction of the Interstate Commerce Commission — Buckley Brothers, 1529 Walnut Street, Philadelphia 2, Pa.

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.

Remarks by Emil Schram—reprint of address of President of New York Stock Exchange at a luncheon meeting of the Rotary Club of Tampa, Fla.—Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

Valuation and Appraisal of Railroad Equipment Certificates—copy on request from Stroud & Company, Inc., 123 South Broad Street, Philadelphia, Pa.

Also available is a **Valuation and Appraisal of City of Philadelphia Bonds** and a **Compilation of Pennsylvania Legal Bonds.**

"Where Do We Stand?"—a survey and some investment ideas—Bendix, Luitweiler & Co., 52 Wall Street, New York 5, N. Y.

Aerovox Common—detailed circular—Amos Treat & Co., 40 Wall Street, New York 5, N. Y.

Allis-Chalmers Manufacturing Company—study of a growth stock under technical pressure—Arnhold and S. Bleichroeder, Inc., 30 Broad Street, New York 4, 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—revised study of outlook and position—Penington, Colket & Co., 70 Pine Street, New York 5, N. Y.

Bost, Inc.—detailed circular on interesting low-priced speculation—Hardy & Hardy, 11 Broadway, New York 4, N. Y.

Bowser, Inc.—Memorandum—Buckley Bros., 1529 Walnut Street Philadelphia 2, Pa. Also available are memoranda on **Gruen Watch Co.** and **Midland Utilities Co.**

A. S. Campbell Co., Inc.—detailed analysis for banks, brokers, and dealers—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

Also available for banks, brokers and dealers are studies of **Metal & Thermit Corporation** and **International Cellucotton Products Co.**

Consolidated Dearborn Corporation — special memorandum — Butler-Huff & Co., of California, 210 West Seventh Street, Los Angeles 14, Calif.

Also available is a memo on the annual report of **The Home Insurance Company** and a comparative table of liquidating value and indicated earnings for 1944 and 1945 for 35 insurance companies.

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.**

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

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.**

Empire District Electric Company—analysis of issue offering attractive possibilities not only for income but for ultimate price appreciation—G. A. Saxton & Co., Inc., 70 Pine Street, New York 5, N. Y.

Also available is the current issue of the **Preferred Stock Guide** giving comparative figures on public utility preferred and common stocks.

Equity Oil—Utah Southern Oil—Rangely Oil of Colo.—detailed circular—Amos C. Sudler & Co., First National Bank Building, Denver 2, Colo.

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.

Fresnillo Co.—circular on an important lead and silver mine producing company — Troster, Currie & Summers, 74 Trinity Place, New York 6, 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.

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 is a study of **York Corrugating.**

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

Maryland Casualty Co.—analysis of 1945 Annual Report—Cruttenden & Co., 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 Realization common and **Midland Utilities** common—revised bulletin—Doyle, O'Connor & Co., 135 South La Salle Street, Chicago 3, Ill.

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, Lubetkin & Co., 41 Broad Street, New York 4, N. Y.

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

Niagara Hudson Power Corporation—interesting situation discussed—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

Also available is a **Financial News Digest** containing notes on a number of issues.

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

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.**

Province of Alberta — new three-page circular discussing factors of the Province's economic strength and reviewing finances of the past decade—Wood, Gundy & Co., Inc., 14 Wall Street, New York 5, N. Y.

Public National Bank & Trust Co.—Analysis, for dealers only—

C. E. Unterberg & Co., 61 Broadway, New York 6, N. Y.

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

Schenley Distillers Corporation—Brochure of articles they have been running in the Chronicle—write to Mark Merit, in care of **Schenley Distillers Corporation** 350 Fifth Avenue, New York 1 N. Y.

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

Soya Corporation—late memorandum—Peter Morgan & Co., 31 Nassau Street, New York 5, N. Y.

Sterling Engine Company—special letter on interesting citation of 55c cumulative convertible preferred stock—ask for Letter SF—Blair F. Claybaugh & Co., 72 Wall Street, New York 5, N. Y.

Stromberg Carlson—a special letter on the common stock calling attention to specific factors justifying the improved rating accorded the common stock of the subject company—Ask for Letter ML on Stromberg-Carlson—Blair F. Claybaugh & Co., 72 Wall Street, New York 5, N. Y.

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

United Drug, Inc.—memorandum—E. W. Clucas & Co., 70 Pine Street, New York 5, N. Y.

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

Also detailed circulars on **Fashion Park, Shatterproof Glass, Wellman Engineering Co.; Kendall Co.; Motorola.**

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

Western Light & Telephone Company, Inc.—analysis of situation and outlook—McDonald & Company, 1009 Baltimore Avenue, Kansas City 6, Mo.

Also available is a detailed study of **Shenandoah Dives Mining Company.**

York Corporation — detailed study—Seasongood & Haas, 63 Wall Street, New York 5, N. Y.

Hugh Long Announces Chgo. Branch Opening

Hugh W. Long and Company, Inc., national underwriter of open-end investment companies, having total assets of more than $85,000,000, announces the opening of a branch office in Chicago. The new office, located at 39 South La Salle Street, will be the headquarters of Harry L. Sebel, midwestern Vice-President, and Major Louis A. Stoner, A. U. S., who recently was released from active service and has rejoined the organization as Chicago Vice-President. The company's two other offices are located in New York and Los Angeles.

Garland Outlines IBA Program for Reforms

LOS ANGELES, CALIF.—Charles S. Garland, Alex. Brown & Sons, Baltimore, President of the Investment Bankers Association, addressed the California group at a luncheon meeting and outlined a national program seeking tax reforms, improved government debt management and dealing with other aspects of national affairs which apply specifically to the investment banking business.

Charles S. Garland

Mr. Garland was accompanied in Los Angeles by Murray Hanson, general counsel of the Association, who discussed regulatory legislation.

W. A. Fine & Co. Is Forming in New York

W. A. Fine & Co. will be formed as of today with offices at 1 Wall Street, New York City. Partners will be William A. Fine, Lucille Oldacre, and Myron L. Schafer, member of the New York Stock Exchange. Mr. Fine in the past was a partner in W. A. Fine & Co. and prior thereto in Francis I. du Pont & Co. Mr. Schafer was a partner in W. A. Fine & Co., did business as an individual floor broker, and was a partner in Moore, McLean & McDermott. Miss Oldacre was a partner in Vose & Co. and John G. Stewart & Co. and in the past was associated with W. A. Fine & Co. and Francis I. du Pont & Co.

Wm. G. Riley on Trip To Pacific Coast

William G. Riley, manager of the Trading Department of F. H. Koller & Co., Inc., is visiting Los Angeles, Calif., where F. H. Koller & Co., Inc., have a direct open-end wire to Edgerton, Wykoff & Co.

Mr. Riley flew on one of the new TWA Stratoliners leaving New York on Saturday, March 2, at 2 p.m. and arriving at Los Angeles at 10 p.m. He will fly back on the same plane on Saturday, March 9.

F. H. Koller & Co., Inc., have considerable dealer contacts on the Pacific Coast and this will be an annual, personal handshaking visit.

Rhoades at Goldman, Sachs

CHICAGO, ILL. — Goldman, Sachs & Co. announce that John H. Rhoades, formerly a Lieutenant Commander USNR, is now associated with them in their Chicago office, 208 South La Salle Street.

NSTA Notes

TWIN CITIES BOND TRADERS CLUB

The Annual Winter Dinner of the Twin Cities Bond Traders Club held at the Covered Wagon, Minneapolis, Wednesday evening, Feb. 27, was voted one of the most successful in years. Practically the entire membership was present, also a large number of local guests and the following out-of-town security men:

Edward Welch, Sincere & Company, Chicago; Jack Rogers, Hickey & Company, Chicago; Bill Sennott, Clement, Curtis & Co., Chicago; Bill Nelson, Bear, Stearns & Co., Chicago; Art Farrell, H. M. Byllesby & Co., Chicago; Dominic Cronin, A. C. Allyn & Co., Chicago; Neil De Young, De Young, Larson & Tornga, Grand Rapids; Herman Tornga, De Young, Larson & Tornga, Grand Rapids; Geo. Savage, Patterson, Copeland & Kendall, Inc., Chicago; Nate Sharp, R. S. Dickson & Co., Chicago; Dan Comstock, Comstock & Company, Chicago; Ralph Longstaff, Rogers & Tracy, Chicago; Andy Williams, Rogers & Tracy, Chicago; Les McElhiney, Loewi & Company, Milwaukee.

Howard, Labouisse & Friedrichs Open Firm

NEW ORLEANS, LA.—Howard, Labouisse, Friedrichs & Company, a new investment firm, formally opened for business March 1st with offices in the Hibernia Building.

The partners in the firm are Alvin H. Howard, recently a Captain in the Army of the United States and formerly President of The Danica Oil Company; John P. Labouisse, formerly a partner of the investment firm of Lamar, Kingston & Labouisse, and G. Shelby Friedrichs, formerly a partner of the investment firm of Woolfolk, Huggins & Shober.

Alvin H. Howard

John P. Labouisse

G. Shelby Friedrichs

Howard, Labouisse, Friedrichs & Company are members of the New Orleans Stock Exchange, and will conduct a general investment business as underwriters, dealers and brokers in Government and Municipal bonds and corporate securities, with special emphasis on financing the capital requirements of local industries.

Merrill Lynch to Open Kansas City Branch

KANSAS CITY, MO. — Merrill Lynch, Pierce, Fenner & Beane will shortly open a branch office in the Bonfils Building, it is reported. Bates Huffaker will be Manager of the new office, which will serve Missouri, Kansas and Nebraska, and will be the firm's 91st branch and the first in Missouri.

Some difficulty has been encountered in obtaining transmission facilities, quotation boards and other equipment, but formal opening is expected about April 15th.

Now Partnership

HOUSTON, TEXAS.—McClung & Knickbocker, First National Bank Building, is now doing business as a partnership, with Clinton C. McClung and Waldo E. Knickerbocker as partners. Both were officers of the predecessor corporation.

Pennsylvania Brevities

Pennsylvania Industrialists Decry Price Controls

Three leading Pennsylvania industrialists, Ernst T. Weir, Chairman of the National Steel Corp.; J. Howard Pew, President of Sun Oil Co., and Walter D. Fuller, President of Curtis Publishing Co., have, within the last week and upon separate occasions, expressed forceful opinions advocating the elimination of price controls and the substitution of full production as constituting the only logical and practicable means of checking the inflation spiral.

Commenting upon the Government's method of settling the steel strike, Chairman Weir said the Government should not have dealt with "one company alone, the United States Steel Corp.," because "no one man knows enough about the industry to speak for it." Mr. Weir urged the immediate and complete scrapping of price controls and a return to the "we give and they give" method of compromising wage disputes. By that, he said, he meant collective bargaining where management and labor "sit around a table and talk out settlement." Pointing out that individual companies have their own problems and that there is no one in the Government with enough knowledge of the facts to decide them, Mr. Weir said that, with price controls lifted, prices would eventually level off through full production and free competition. "The general disposition in industry is to keep prices down to encourage consumption," he asserted.

J. Howard Pew, reporting to the stockholders of Sun Oil Co., charged that OPA controls are strangling industry at a time when the only cure for inflation is abundant production of civilian necessities. Mr. Pew conceded that the maintenance of price controls found some justification when only half the country's workers were engaged in producing civilian goods, but that, at present, when all workers are available for the production of civilian goods, such controls become "altogether wrong."

Addressing the annual luncheon of the American Paper & Pulp Association, President Fuller, Curtis Publishing Co., accused OPA administration leaders of attempting to perpetuate a wartime necessity into peacetime days while claiming to guard against inflation. The one peacetime way of controlling inflation, according to Mr. Fuller, is the "logical, timeproven way of stimulating production and free competition." Two thousand years of history, said Mr. Fuller, reveal innumerable similar attempts to upset economic laws with never even one success.

"Let's Get Our Economics on Straight"

Under the above timely caption, Keystone Custodian Funds, in the latest issue of its trade commentary, editorializes: "If costs are encouraged to rise and prices are not allowed to rise correspondingly, the profit motive disappears and the manufacturer faces no profit or a loss on every unit that is manufactured. Under these circumstances production inevitably slows down and then stops. The very policy, therefore, that in theory is supposed to protect the American people against inflation is strangling production and aggravating the already serious shortage of goods."

Pittsburgh Snaps Back

With the resumption of steel mill operations, business level in the Pittsburgh district has made a quick recovery, according to a statement published by the University of Pittsburgh. For the week ended Feb. 23, the index stood at 122.2% of the 1935-39 average, compared with 101.8% on Feb. 16. Electric power output and rail and river shipments made decided gains. Department stores reported largest sales for any week this year. Steel production started last Monday at 91%, a gain of 12 points from the preceding week and equal to the rate when the steel strike was called. The rate a year ago was 92.

Pennsylvania RR. Is 100 Years Old

In 1846, 2,635 residents of Pennsylvania, most of them from Philadelphia, subscribed to the original issue of 60,257 shares of Pennsylvania RR., equivalent to an average holding of about 22 shares. Today there are more than 250,000 stockholders, including over 106,000 women stockholders, living in every State of the Union as well as 41 foreign countries. As of Dec. 31, 1945, there were 13,167,754 shares outstanding.

As of the year-end, investment in plant stood at $2,982,000,000, with publicly held debt of $946,000,000. Net debt was reduced $10,279,967 in 1945 making a net debt reduction of $148,670,000 during the last six years. The money put back into the railroad has not only increased stockholders' equity but has brought the total investment to a point where it is equal to more than $17,000 per employe.

Pennsylvania Power & Light Co.

Although described by the directors as simply "a dividend," the 20 cents per share payable upon the new shares of Pennsylvania Power & Light Co. on April 1 is generally considered in investment circles as establishing payment of this amount over forthcoming quarterly periods. The opinion is based on an estimate made by the management last August. At that time, indicated earnings on the new capitalization for the 12 months ended June 30, 1945, were said to be equivalent to about $1.10 on the new shares. Under terms of a dividend restriction, the company is limited to payments of 75% of available earnings until such time as common stock and surplus shall aggregate at least 25% of total capitalization.

Hajoca Corp.

Net additional tax assessments against Hajoca Corp. for 1945 will cost the corporation $374,109, states W. A. Brecht, President. While this charge reduced the cash assets of the corporation accordingly, Mr. Brecht says that it will in no way affect the company's earnings in 1946 or in subsequent years. The ratio of quick assets to quick liabilities on Dec. 31, 1945, was 1.97 to 1, compared with 3 to 1 on Dec. 31, 1944. Sales of Hajoca are reported at $14,685,911 for 1945, compared with $14,459,311 for the previous years. The company's reconversion problems were negligible. New lines have been added.

Warner Co.

Although building and construction activities are normally curtailed in the winter months and have been further adversely affected currently because of strikes and labor troubles, Warner Co. reports that pressure to get along with long-deferred construction needs in the Philadelphia area is apparent. The company states that sales in its three retail divisions are almost three times those of a year ago. Manufacturing and wholesale divisions in the main show improvement over last year and the company, as a whole, realized a satisfactory profit for January. Last October, the company completed a plan of recapitalization as a result of which the first and second preferred stocks, plus arrearages, were exchanged for common. Initiation of dividends on the new common stock is somewhat dependent upon a satisfactory solution of nation-wide labor disturbances.

Harrisburg Gas Co.

Seven percent preferred stocks and 5% first mortgage bonds are definitely out of style. Harrisburg Gas Co., subsidiary of United Gas Improvement Co., has filed a plan with the SEC, proposing to refund its $2,200,000 1st 5s with a similar amount of lower coupon bonds to be sold at competitive bidding. It is further proposed to replace the 7% preferred issue with a 4½% stock to be offered to present holders on a share for share basis plus a cash adjustment. U. G. I. will purchase all new preferred not taken in exchange and the unexchanged shares of old preferred will be called at 110 and accrued. The present common will be changed from $100 par to no par and the stated value will be reduced to $2,099,272 to create a capital surplus for property account adjustment.

Philco Corp.

Philadelphia's alert and aggressive Philco Corp. announces that it has signed an agreement with Kellogg Switchboard & Supply Co. to manufacture and market mobile radio telephone units incorporating the latest electronic developments. The devices are designed primarily for use in private automobiles, trucks, buses, taxicabs, yachts and other vehicles. A further potential use is in providing telephone service to farming areas, hunting camps and other remote places which cannot be reached economically by standard telephone equipment.

Fairmount Park Transit Co.

Philadelphia's "Toonerville Trolley" has asked the Pennsylvania Public Utility Commission for permission to discontinue service and abandon its tracks. For 50 years the antiquated but picturesque 4-wheelers of the Gay Nineties era have leisurely traversed the 6.18 miles of track carrying passengers from several Fairmount Park entrances to picnic grounds and recreational centers. In its petition the company states that it has lost $405,864 in the last 20 years and that it would require $625,000 to rehabilitate its equipment. To offset transit losses, however, the company owns and operates the profitable Woodside Amusement Park and Crystal Pool which it proposes to retain. The Philadelphia Transportation Co. has simultaneously asked for a franchise to operate a motor bus line to supplant trolley service.

Henry R. Pemberton, Director of Finances, University of Pennsylvania, has been elected director of United Gas Improvement Co.

H. A. Riecke & Co., Inc., 1528 Walnut Street, Philadelphia, celebrated its seventh anniversary March 1, with a dinner to members of staff at the Bellevue-Stratford Hotel.

Henry B. Bryans, Executive Vice-President, Philadelphia Electric Co., has been elected director of Midvale Co. to succeed late George E. Smith.

Herbert Oppenheimer Co., New York Curb Firm

Herbert D. Oppenheimer, Lee S. Oppenheimer, Oren F. Browning, Jr., all members of the New York Curb Exchange, and Thomas E. Quinlin, Managing Partner, announce the opening of offices under the name of Herbert D. Oppenheimer & Co. at 37 Wall Street, New York, to transmit a general stock brokerage business.

Disharmonies Between Costs and Prices

By WALTER E. SPAHR*
Professor of Economics, New York University
Executive Vice-President, Economists' National Committee on Monetary Policy

Dr. Spahr, Maintaining That There Is a Noticeable Practice to Treat Wages as Income but Not as Costs, Contends That Market Prices Are Not Determined by Costs but by Relationship Between Supply and Demand. Says Wage Level and Price Level Are Both Mathematical Abstractions and Reveal Little as to Harmonious Relationships Between Prices for Commodities and Personal Services. Sees Possibility of Business Recessions Regardless of Amount of Purchasing Power.

1. Wages Are Prices Too.

Many people today appear unable or unwilling to try to grasp the fact that wages are prices too. They consider it quite proper to speak and think of "holding the price line" while wages are raised but not, for example, if the prices of steel are raised.

Walter E. Spahr

The simple fact of the matter is that anything for which money is exchanged has a price, and there is no valid reason for relating price to only part of of the things money buys.

Our indexes of prices and of the value of money today are very incomplete, and they frequently mislead those who do not consider carefully just what kind of samples they are. A good index of prices and of the value of money would include all things for which money is spent—commodities at every stage of sale (raw material, wholesale, retail), wages and other personal services, the prices of stocks and bonds, taxes, prices in the black markets, and so on.

But, apparently because our commonly-published and commonly-utilized indexes are restricted samples, there is much generalization by the inexperienced or careless users of these indexes that is unwarranted. The behavior of prices is commonly related to the index of the Bureau of Labor Statistics on commodity prices at wholesale, or to the same Bureau's index of cost of living, another highly restricted sample. Neither index really reveals the actual behavior of prices in general.

Then there is the noticeable practice of many publications—especially those that like to call themselves "pro-labor" — which treat wages as income but not as costs (and costs are prices). The net result is a type of argument that is far removed from the economics of these matters.

2. Costs and Prices.

Another bit of lay economic jargon, which is in such common use today that it is rarely questioned, is the statement that "as costs rise prices must rise too." Anyone with training in elementary economics, and anyone who will pause to consider, should know that such a statement is not necessarily accurate.

First of all, the statement as generally made is concerned with the seller's asking prices, not with the prices he may get. Then there is the suggestion that costs are not prices too. Since costs for the buyer are prices for the seller, the question becomes one of the har-

*Reprinted from "Monetary Notes," March 1, 1946, published by the Economists' National Committee on Monetary Policy, Ore Madison Avenue, New York 10, N. Y.

(Continued on page 1252)

Ward Elected V.-P. Of Sheridan, Bogan

PHILADELPHIA, PA.—Sheridan, Bogan Co., 1616 Walnut Street, members of the Philadelphia Stock Exchange, announce that William Ward 3rd, who has been associated with the organization for a number of years, has been elected a vice president and director, in charge of the Trading Department.

Amott, Baker Branch Opened in Philadelphia

PHILADELPHIA, PA.—Amott, Baker & Co., Inc. has opened a branch at 1420 Walnut Street, under the management of Walter H. Dickerson.

Paul Denckla Rejoins Stone & Webster Co.

Stone & Webster Securities Corp., 90 Broad Street, New York City (formerly Stone & Webster and Blodget, Inc.) announces that Paul Denckla, major in the U. S. Air Corps Reserve, has been released from active service after four years of military duty and has resumed his position as assistant vice president of the organization and manager of its Philadelphia office, Packard Building. Prior to receiving his commission in the Air Corps in April, 1942, Mr. Denckla had been with the corporation for 24 years and since 1928 had been in its Philadelphia office.

N. Y. Security Dealers Association Completes Plans for 20th Anniversary Dinner

Entertainment Program Features Many Innovations

The New York Security Dealers Association announces that Frazier Hunt will be the principal speaker at its 20th Anniversary Dinner tomorrow night. His topic will be "One America."

Frazier Hunt

Mr. Hunt is an outstanding author, radio commentator and news correspondent who has been everywhere and seems to to know everybody!

Through two world wars and half a dozen revolutions, Frazier Hunt has reported history-shaking events. He has travelled all over the world collecting first-hand information for headline news, books and magazine articles. During his kaleidoscopic career he has been a Chicago newspaper reporter, Mexican sugar planter, country editor, war correspondent, author, lecturer and radio commentator. He is currently heard on network radio programs.

The Dinner Committee has many innovations in mind for the entertainment of those attending the dinner. Some of the entertainers will be: Catherine Duffy Dancers from "The Glass Hat," Belmont Plaza Hotel; Honey, Cole and Atkins from the Apollo Theatre; Paula Bane from "Call Me Mister"; Slate Brothers from the Latin Quarter; Bob Howard, Recording Artist; Rose Marie from the Copacabana; Bert Easley from the St. Regis Hotel; George & Gene Bernard from the Versailles and Bob Cronin and his NBC orchestra.

The dinner is to be held in the Grand Ballroom of the Waldorf-Astoria Hotel. Over 1,300 reservations have already been received.

Among the honored guests will be Ganson Purcell, Chairman of the Securities and Exchange Commission; Emil Schram, President of the New York Stock Exchange, and William K. Barclay, Jr., Chairman of the National Association of Securities Dealers.

Edward J. Caughlin Forms Dealer Firm

PHILADELPHIA, PA.—Edward J. Caughlin & Co. has been formed at the Finance Building as a trading organization with retail distribution specializing in over-the-counter securities.

The partners of the firm are Edward J. Caughlin, who has been identified with the trading of over-the-counter securities in Philadelphia since 1924, and C. J. Caughlin.

The firm will clear through themselves and the Pennsylvania Company for Insurances on Lives and Granting Annuities.

It was incorrectly reported in the "Financial Chronicle" of Feb. 28th that the firm would be located at 1420 Walnut Street.

Henderson & La Rocca Join Brailsford Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — Albert D. Henderson and Harry B. La Rocca have become associated with Brailsford & Co., 208 South La Salle Street, members of the Chicago Stock Exchange. Mr. Henderson has recently been with the OPA; in the past he was an officer of Perry, Spencer & Co. Mr. La Rocca was formerly manager of the municipal department of First Securities Company of Chicago and prior thereto conducted his own investment business for a number of years.

Butcher & Sherrerd Adds Three to Staff

PHILADELPHIA, PA.—Butcher & Sherrerd, 1500 Walnut Street, members of N. Y. and Philadelphia Stock Exchanges, announces that Wilbert A. Duvall and Willard M. Wright, Jr., Lieut., A. U. S., have become associated with their Sales Department. James M. Heward has also joined their organization in the Trading Department.

Real Estate Securities

Two interesting developments, evidencing the vigorous condition of the real estate market, came to light this week in proceedings before the courts affecting the holders of Series N-103 First Mortgage Participation Certificates, and Central Zone Property Corporation 6% Debentures.

In the former case, the trustee entered into a contract, conditioned upon the approval of the Court, for the sale of the property at No. 2-8 West 46th Street, New York, N. Y., securing the N-103 certificates, for the sum of $560,000, all cash, subject to brokerage commissions and other expenses of sale. This offer, being the best that has been received and the acceptance of which would have permitted a distribution of approximately 50 cents on a dollar of the original principal of the certificates, was tranmitted to the Court and to the certificate holders for approval. In a hearing before the Court on the last day of February, competitive bidding for the property ensued and a new all-cash offer of $825,000, net, was taken under advisement and submitted to the certificate holders. Sale at these new terms will give the certificates a liquidating value of from 75 cents to 82 cents on the dollar—a marked increase over the 50 cents on the dollar value, deemed fair at the start of these proceedings.

In the latter instance, the board of directors of the Central Zone Property Corporation, proposed to the Court a plan of reorganization consisting of the placing of a new first mortgage of $1,125,000 on the property and the distribution of the proceeds pro rata among the bondholders. It was anticipated that holders of each $1,000 bond would receive approximately $600 in cash and the balance of approximately $400 in new 4% income bonds. Approval of the plan was registered by holders of more than two-thirds of the principal amount of the outstanding securities prior to the Court hearing on March 4. At this hearing, it was disclosed that two substantial, all-cash offers to purchase had been made informally to the Court; these offers, if accepted, would give the bondholders an opportunity to receive a settlement of $1,100 or more per $1,000 of original bonds. Accordingly, a further hearing will be held on March 12, to consider the question of a complete presentation to security holders of the facts of these offers.

Nebeker-Burton Co. In Salt Lake City

SALT LAKE CITY, UTAH—Walter D. Nebeker, Jr., and Robert H. Burton are forming Nebeker-Burton Co. with offices at 10 Exchange Place, to engage in the securities business. Mr. Burton has been an officer of Edward L. Burton & Co. Mr. Nebeker in the past did business as a member of the Salt Lake Stock Exchange.

New York Stock Exchange Weekly Firm Changes

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

Elmer G. Samish, general partner in Friedman, Brokaw & Samish, became a limited partner effective March 1.

William McKenna, partner of Jas. H. Oliphant & Co., died on Feb. 27th.

Eastman, Dillon Offer Lowenstein Stocks

Eastman, Dillon & Co. heads a group of underwriters which today (Thursday) is offering to the public 75,267 shares of a new 4¼% cumulative preferred stock, series A $100 par value, of M. Lowenstein & Sons, Inc., and 325,000 shares of the company's common stock, $1 par value. The preferred stock is being offered at $104 per share and accrued dividends and the common stock at $21 per share. Of the preferred stock, 49,017 shares are being sold by the company and the balance by stockholders. All of the common stock is being sold by stockholders.

M. Lowenstein & Sons, Inc., textile manufacturers, converters, and merchandisers, was organized in 1918 to operate the textile merchandising business established in 1889 by Morris Lowenstein and his son, Abram L. Lowenstein. The company reported net sales of $49,731,354 for 1945 and net profit of $1,717,986.

Proceeds received by the company from the sale of the prefered stock will be used to reimburse the treasury for approximately $3,000,000 paid on Jan. 14 to Merrimack Manufacturing Co. for a mill and inventory in Huntsville, Ala. The remainder will be used to reimburse the treasury in part for the amount expended and to be expended for the acquisition of the common stock of Entwistle Manufacturing Co.

Upon completion of the present financing the company will have outstanding 80,000 shares of series A cumulative preferred stock and 1,000,000 shares of $1 par common.

Paul D. Speer Opens Own Firm on Coast

LOS ANGELES, CALIF.—Paul D. Speer has opened offices at 610 South Broadway to engage in the securities business under the firm name of Paul D. Speer & Co. Mr. Speer has been serving in the U. S. Navy. He was formerly an officer of H. C. Speer & Sons Co. in Chicago.

Kaufmann Again Active

Jay W. Kaufmann has resumed his activity as a floor broker on the New York Curb Exchange after several years' service in the U. S. Army.

Fight for Fair Employment Practice Law Will Continue

By HON. LEWIS B. SCHWELLENBACH*
Secretary of Labor

Secretary Schwellenbach, Asserting That He Is Clothed With Authority to Speak on Behalf of the President, Says the Struggle to Enact the Fair Employment Practice Bill Will Continue, and That Defeat in Senate Was "a Minor Skirmish." Holds It Is Responsibility of Government to Insure Every American the Inalienable Right to Work, Regardless of Race, Creed or National Origin, and in Doing This, Provide Justice and Equality for All Americans.

I come here tonight to talk to you about two words—"justice" and "equality." They are old words but we cannot improve upon or modernize them. We must be sufficiently stout of heart to dare proclaim them. Thomas Paine and Thomas Jefferson dared to use them when by their mere use the lives of those who uttered them were endangered. Lincoln dared to use them against the threat that if he did our union would be destroyed. We cannot afford to use words of lesser ilk. I have no sympathy with those who would have us contrive substitutes for them. We have just passed through the travail of a great war. We were successful in that war. We have paid dearly for that success. A million of our young men gave up their lives or parts of their bodies that we might achieve that success. They made that sacrifice in order that you and I might still dare speak of justice and equality. We cannot in good conscience dare to face our futures if we bargain and settle for less than justice and equality.

L. B. Schwellenbach

These two words have particular significance in the fight that you are carrying on for the establishment of a Fair Employment Practices Act. These words summarize the basic principles of that act. Through it we are attempting to secure justice for all of our people and equality of opportunity in employment. Franklin Roosevelt conceived of this idea as a war measure. He knew that

(Continued on page 1251)

*An address by Secretary Schwellenbach before the New York Council for a Permanent Fair Employment Practice Commission, New York City, Feb. 28, 1946.

Reduction in Banks' War Loan Accounts

By FRANK C. RATHJE*
President, American Bankers Association

ABA Executive Urges Banks Get Ready for Reduction of War Loan Accounts by Placing Themselves in Highly Liquid Position. Says Failure to Do So May Exert Pressure on a Bank's Liquid Position and Recommends That Banks Accumulate Short-Term Treasury Certificates and Reduce Long-term Issues. Sees Regional Shifts of Bank Deposits, Which Further Magnifies Danger.

For more than a decade the banks of the country have experienced steadily rising deposits. Total deposits (exclusive of interbank deposits) plus currency rose from $42 billion on June 30, 1933, to an estimated $168 billion at the end of November, 1945. You are familiar with the basic causes of this great expansion of bank deposits and accompanying expansion of bank reserves, so I shall not discuss them with you at this time.

President Truman's budget message of Jan. 21, 1946, announced that the Treasury planned to reduce its cash balances from $26 billion to some $3 billion by June 30, 1947. In the process it is contemplated that the national debt would be reduced from $278 billion to $271 billion. You and I know from experience that the Federal budget often does not work out in practice the way it is planned.

Frank C. Rathje

However, the budget pronouncement I have referred to is tremendously important to you as bankers, not because of the specific figures cited in it, but be-

*Excerpts from address by Mr. Rathje before the Iowa Bankers Association, Sioux City, Iowa, Feb. 12, 1946.

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The Bank of England Nationalized

By PAUL EINZIG

Commenting on the Accomplishment of the Nationalization of the Bank of England, Mr. Einzig Points Out That It Was Due to the Simplicity of the Procedure Rather Than to Its Priority in the Nationalization Program. Holds That the Change Is Not Revolutionary, Since the Staff of the Bank Remains Unchanged and the Relationship of the Management to the Government's Financial Policy Is Unaltered.

LONDON, ENG.—As from March 1, 1946, the Bank of England has become a State-owned institution. The first step in the nationalization program of the Labor Government has thus been completed. It was given priority over the nationalization of coal, electricity, gas, transport and communications, iron and steel, not because of any considerations of urgency, but because it was a very simple operation. The nationalization of any of the above-mentioned industries is bound to be a highly involved operation. It means a thorough reorganization and an acceptable formula for the compensation of the owners has to be found. In the case of the Bank of England the change was very simple. All that happened was that the Government has acquired the entire volume of stocks hitherto held privately. Compensation, too, was a simple affair. Bank stocks were simply exchanged for Government bonds with an identical yield. The Bill which was to bring about these changes was short and simple.

Paul Einzig

Outwardly the Bank remains an independent corporation, unaffected by the change of the control of its capital. The Governor and Deputy Governor, Lord Catto and Dr. Cobbold remain the same, and the executive officers remain unchanged. The status of the staff also remains unchanged. They do not become Government officials—much to their satisfaction, since they receive much higher salaries than the corresponding grades of civil servants. It is true there have been changes in the Board of Directors. The number of directors has been reduced from 24 to 16—apart from the Governor and Deputy Governor—and the latter figure includes three directors nominated by the Government. Only two of the 18 members of the new board are Socialists: they are Lord Piercy, a businessman and a financial expert highly respected in the City, and Mr. George Gibson, an intelligent and moderate Trade Union official.

Evidently, the change has been anything but revolutionary. But, then, circumstances did not call for a revolutionary change, from the Labor Government's point of view. After all, even before it was nationalized, the Bank of England always loyally obeyed the Treasury's instructions. Throughout the lengthy debate in both Houses of Parliament, supporters of the nationalization of the Bank could only quote a single concrete instance in which they claimed that the public interest suffered because of the independence of the Bank: the surrender of the Czechoslovak National Bank's gold in Germany in 1939 after the German occupation of Prague. A fact which is not generally known is, however, that even in that instance the Treasury was consulted before the decision was taken; and there is no reason to believe that, had the Bank been nationalized, Lord Simon, the then Chancellor of the Exchequer, would have prevented Lord Norman, the then Governor, from handing over the gold to the Reichsbank.

It is true, many instances have been quoted in which Lord Norman exercised considerable influence over the various Chancellors of the Exchequer. It was largely on his advice that Mr. Churchill returned to the gold standard in 1925; and it was entirely on his insistent advice that Lord Simon put up the bank rate to 4%, quite unnecessarily, when the war broke out. But, then, the position of the Governor of the Bank, whether or not nationalized, is in no way different in this respect than that of any of the senior Government officials who are in a position to advise their Ministers. It is for the Minister to decide whether to accept the advice or not. As a matter of fact, Neville Chamberlain, when Chancellor of the Exchequer, was quite immune of the charm and persuasive power of Mr. Montague Norman (as he then was) whose advice had been so willingly followed by his predecessors and his successors.

There is no reason to believe that, now that the Bank of England is nationalized, Mr. Dalton will pay less attention to the advice of Lord Catto, the present Governor, than he did until Feb. 28. Indeed, he has every reason to pay attention to it, not only because he could hardly find a sounder advisor, but also because during the course of the debate on the Bank of England Bill he has materially strengthened the Governor's position by paying him well-deserved tribute on several occasions. Having declared that Lord Catto is a great public servant, of exceptional abilities, he cannot lightly disregard his insistent advice. And should a situation arise in which Lord Catto would feel compelled to resign in protest against the Government's attitude towards his Bank, his action would inevitably produce a profound feeling, so that a threat of resignation, if used at the right time and in the right way, might influence to some extent the Chancellor's decision.

For this reason criticisms of Lord Catto that are whispered in some Conservative quarters must be dismissed as unfair. It is not unnatural that some bankers and others should resent his decision to serve under the Labor Government and, even more, his evidence before the Select Committee on the Bank of England Bill, in which he described the compensation paid to stockholders as fair and reasonable. But if he had chosen to resign it would not have helped anybody. He could have easily resigned, as he is a wealthy man, and he would earn much more if he resumed his business interests which he had to relinquish on becoming Governor. In doing so, however, he would have destroyed an influence which will now work for moderation in the use of the powers conferred on the Treasury.

Bank and Insurance Stocks

By E. A. VAN DEUSEN

This Week — Bank Stocks

Important changes in the relative composition of the banks' earning assets have been taking place in recent months. They will bear watching.

The following table shows the principal loan and investment figures, in millions of dollars, reported each week by the New York City member banks, starting with June 27, 1945 and then at approximate quarterly intervals. The date of June 27 was selected for a starting point as being roughly midway between V-E Day and V-J Day. The date of Feb. 6, 1946 is shown, because on that date peak Government holdings were reported, while Feb. 27 is shown as being the latest date for which figures at this writing are available. The total period covered includes the last three days of the Seventh War Loan drive (May 14—June 30, 1945) and the entire Victory Loan drive (Oct. 29—Dec. 8, 1945).

TABLE I

FEDERAL RESERVE MEMBER BANKS, NEW YORK CITY

($000,000 omitted)

Date	—LOANS—					
	Brokers & Dealers	For Purch. or Carrying Sec.	Comm. Agric. & Ind.	All Loans	U. S. Govts.	Total Loans & Invest.
1945—						
June 27	2,220	1,304	2,241	6,247	15,481	22,824
September 26	1,824	722	2,301	5,361	14,824	21,434
December 26	2,197	1,219	2,838	6,838	15,849	23,817
1946—						
January 30	1,820	1,059	2,853	6,315	16,358	23,758
February 6	1,745	1,020	2,886	6,282	16,444	23,815
February 27	1,859	984	2,928	6,365	16,228	23,720

The most significant and noticeable thing in this table is the steady and uninterrupted increase in commercial, agricultural and industrial loans, which have expanded by $687,000,000 or 30.5%. Meanwhile total loans, due to the drop in brokers loans etc., have increased only $118,000,000 or 1.9%. Government bonds have increased by $741,000,000 or 4.8% and total loans and investments by $896,000,000 or 3.9%. It is important to note that on June 27, 1945, comercial loans represented 14.5% of U. S. Governments and 9.8% of total loans and investments, while on Feb. 27, 1946, they represented 18.1% and 12.3%, respectively.

It is of interest to remark that the low point in commercial loans in recent years was reached in 1943, when, on June 30 the New York member banks reported $2,139,000,000, with Governments at $11,717,000,000 and total loans and investments at $17,263,000,000.

Turning now to individual New York City banks, it will be instructive to examine the loans and discounts as reported on their quarterly statements since the low point on June 30, 1943. Figures for seventeen prominent institutions are recorded in Table II.

Since loans and discounts include other items than straight commercial loans, for example, brokers loans and loans for securities, etc., the figures for the individual banks will not necessarily follow the ups and downs of the member banks figures. However, it will be noted that each bank reported substantially higher loans and discounts on Dec. 31, 1945 than on June 30, 1943, though not in all cases higher than on June 30, 1945 even though the member banks show an increase of 26% in commercial loans during this period. The decline in brokers loans, etc., over the six months accounts for most of this difference.

In general, there has been a pronounced upward trend in loans since 1943 mid-year, with a sharper upturn in 1945, particularly when the first quarter statements of the banks are used as the basis of comparison.

Loans and discounts as of 6/30/43 and 12/31/45 for each bank, per share of stock now outstanding, are shown in Table III, also the percent increase for each bank between the two dates. In the last column loans and discounts as of 12/31/45 per dollar of current market are shown, thus permitting a direct comparison of one bank stock with another.

Average percent gain in loans and discounts from 6/30/43 to 12/31/45 is 93%. On this basis of measurement, the outstanding banks are Central Hanover, Chemical, Continental, First National, National City, Public and U. S. Trust.

TABLE III

	—Loans and Discounts Per Share—				Current Loans and Discounts Per $ of Mkt.
	6-30-43	12-31-45	% Increase	Market	
Bank of Manhattan	$124	$194	56%	33½	$5.80
Bank of New York	867	1,583	83	444	3.60
Bankers Trust	103	189	83	50¼	3.75
Central Hanover	231	527	128	116½	4.50
Chase National	97	172	77	43⅝	3.95
Chemical Bank & Trust	70	179	156	49	3.65
Continental	64	136	113	22½	6.05
Commercial	80	137	71	50½	2.70
Corn Exchange	43	73	70	63¼	1.15
First National	610	1,250	105	1,890	0.66
Guaranty	693	1,066	54	354	3.00
Irving	33	56	70	19¾	2.85
Manufacturers Trust	134	233	74	62½	3.75
National City	95	199	109	46⅞	4.25
New York Trust	237	390	65	114	3.40
Public National	124	249	101	46½	5.35
United States Trust	450	1,225	172	810	1.50
Average			93%		$3.50

If, however, comparative measures of gain are calculated from the first quarter of 1945, which would seem to be a more significant period as indicating the relative current loaning trend of each bank, then the comparative rank of each bank will differ somewhat.

In relation to the present market value of each stock, an average of $3.50 of loans and discounts per dollar of market is found. Corn Exchange, First National and U. S. Trust are exceptionally low in this respect. Particularly good are Bank of Manhattan, Central Hanover, Chase, Continental, Manufacturers, National City and Public.

TABLE II

LOANS AND DISCOUNTS

($000,000 omitted)

	6-30-43	9-30-43	12-30-43	3-31-44	6-30-44	9-30-44	12-31-44	3-31-45	6-30-45	9-30-45	12-31-45
Bank of Manhattan	247	288	281	276	276	232	345	292	395	357	388
Bank of New York	52	63	56	57	73	66	72	61	92	72	95
Bankers Trust	308	505	362	384	453	400	445	396	520	429	568
Central Hanover	243	333	280	267	325	296	377	336	467	418	553
Chase National	718	895	792	879	1,049	914	1,041	856	1,160	920	1,272
Chemical	174	247	203	221	271	234	275	229	386	338	447
Continental Bank & Trust	22	43	37	42	52	45	63	55	75	65	68
Commercial National	28	60	46	43	52	45	41	35	50	37	48
Corn Exchange	32	33	34	31	36	32	39	32	45	46	55
First National	61	140	51	83	133	53	120	78	203	126	125
Guaranty Trust	624	817	611	675	759	604	826	691	1,087	854	960
Irving Trust	164	213	208	213	236	220	267	214	274	228	279
Manufacturers Trust	276	346	299	335	375	326	367	340	485	395	480
National City	586	767	635	714	832	748	903	771	1,138	1,018	1,235
New York Trust	142	172	159	165	188	183	196	185	220	198	234
Public National	68	84	74	88	94	86	96	102	124	111	137
United States Trust	18	43	30	29	29	25	45	24	29	24	49
*Member Banks, N. Y.	2,139	2,325	2,418	2,465	2,337	2,290	2,464	2,346	2,241	2,301	2,838

*Commercial, agricultural and industrial loans, nearest comparable date.

Surgitube Products Class A Stock on Mkt.

An issue of 59,750 shares of class A stock (par $1) of the Surgitube Products Corp. was offered March 4 at $5 per share by Edward R. Parker Co., Inc. The stock is offered as a speculation. The net proceeds being offered are to be used for working capital, for acquisition of machinery, fixtures and equipment and for the manufacturing and promotion of the sale of company's products.

John Mayer Is V.-P. of Distributors Group

Distributors Group, Incorporated, 63 Wall Street, New York City, announces that John S. Mayer, who recently concluded his military service as Colonel A. U. S., has resumed his duties with the organization and has been elected a Vice-President. A reserve officer, Col. Mayer was called to active duty in September, 1940, and after two years service with the New York-Philadelphia Sector, Eastern Defense Command, was assigned to the 133rd Anti-Aircraft Gun Battalion which he commanded in the European Theater of Operations for 17 months. He served in Engand, France, Luxembourg, Germany and Austria, participating in the Northern France, Rhineland and Central Europe campaigns.

John S. Mayer

S. T. B. Terhune With Winslow Douglas Co.

Winslow, Douglas & McEvoy, 120 Broadway, New York City, members of the New York Stock Exchange, announce that Stephen T. B. Terhune, Lieut. Col., A. U. S., has become associated with the firm and will be in charge of institutional investments. Mr. Terhune was formerly with Dominick & Dominick.

NAM Supports Congressional Group In Seeking Balanced Federal Budget

The National Association of Manufacturers on March 4 pledged its wholehearted support for a bipartisan Congressional group's recommendation that the Federal budget be balanced for the fiscal year beginning next July. Robert R. Wason, President, has asked Norman W. Wilson, of Erie, Pa., Chairman of the NAM's Government Spending Committee, to offer that committee's assistance to the 16 Republican and Democratic members of Congress who have joined forces to bring about economy in Government and a balanced budget.

Mr. Wason pointed out that the goal set by the Congressional group, as announced by Senator Harry F. Byrd, of Virginia, coincides with the NAM's position. He insisted that balance can be achieved next year without increasing existing tax rates. He emphasized that deficit financing at a time when full production is hindered by OPA and other restrictions can only continue to reduce the value of savings bonds in the hands of 85,000,000 holders.

"The Government cannot continue to spend more money than it takes in," declared Mr. Wason. "It cannot afford to continue war agencies long overdue for demobilization, or war functions of doubtful value in civil life." Continuing, he said:

"It's time we called a halt to the public works program, now the largest in our history, or general Government expenditures almost twice what they were in the immediate prewar years. All citizens will applaud the demand by leading Democratic and Republican members of Congress for a balanced budget this year. Everyone wants to see the nation live within its income. We are convinced that the budget can be balanced if Congress ... savings now."

Mr. Wason asserted that the budget not only can be balanced beginning next July but that the nation should plan to reduce as soon as possible its huge public debt, which amounted to $279,000,000,000 on Jan. 31. "The more deficit dollars the Federal Government spends the more fuel is being heaped on the fires of inflation," explained the NAM leader. "Every piece of material which the Government buys unnecessarily increases the civilian shortage, whether it's lumber, lead pipe or cotton goods." He further asserted:

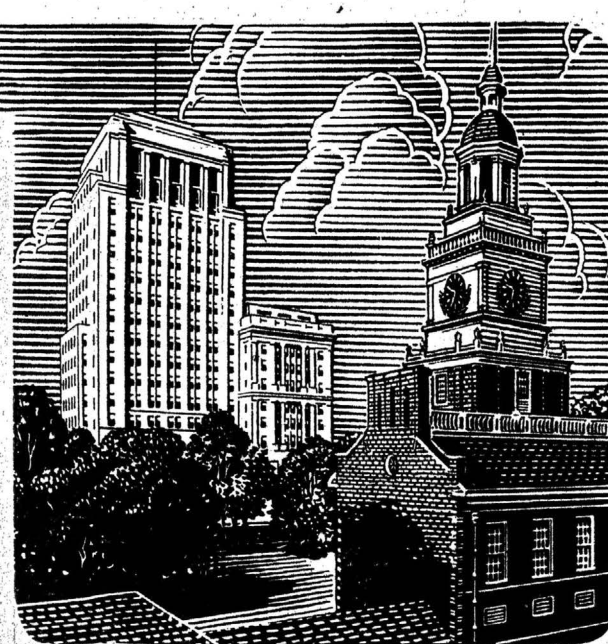
"Every hour of unneeded manpower which the Government uses next year will hamper industry's efforts to step up production. Under such circumstances the Government should not spend a penny for men and material beyond absolute needs.

"Government overspending is a major road-block astride the road to prosperity. We must cut it down and balance the budget at a level of income and outgo that taxpayers can stand."

Firms Lose Registration

TORONTO, ONT., CANADA.—The registrations of three Toronto brokerage houses, H. R. Bain & Co., M. F. Burrows & Co., and Charles S. Spratt & Co. have been canceled by the Ontario Securities Commission, it is announced. The Commission also stated that another Toronto broker, L. M. Atwell of Continental Securities Co., has voluntarily surrendered his registration.

BACK OF YOUR INDEPENDENCE STANDS THE PENN MUTUAL



For nearly a hundred years The Penn Mutual Life Insurance Company has stood back of the independence of American men and women—guaranteeing financial security to them and their families. The Company's sound financial condition is reflected in its report for 1945.

The Penn Mutual greets its family of policyholders, now nearly a half million strong, and especially those who, from the four corners of the Earth, are coming back to American life and peace-time careers. To them and to all policyholders of the Company, full and free life insurance counsel is gladly extended.

$144,325,620 of new business was paid for in 1945—a gain of 7% over 1944. $2,213,442,225 of life insurance protection was owned by Penn Mutual policyholders on December 31, 1945, the largest total in the history of the Company.

Penn Mutual's 98th Annual Statement

In accordance with the requirements of its Charter, this Company publishes the following statement which represents the principal features of its NINETY-EIGHTH ANNUAL REPORT to policyholders. A copy will be sent upon request.

Statement of Income and Surplus Reserve

For the Year Ended December 31, 1945

Your Company's income during the year consisted of:		
Insurance premiums, annuity deposits, dividends left with the Company to accumulate at interest, and policy proceeds left with the Company for future distribution under options of settlement	$96,390,686.56	
Investment income consisting of interest, dividends and rents, less net decrease of $67,585.34 in values of investments, and less expenses of foreclosed real estate including $262,188.01 for real estate taxes	30,913,158.51	
Net gain from sale or other disposition of assets	7,979,877.88	
Other income	70,894.93	
		$135,354,617.88
During the year your Company:		
Made payments of policy benefits to policyholders and beneficiaries amounting to	$56,072,172.42	
Made normal increases in the policy reserves and accumulated dividend fund amounting to	45,383,761.22	
Paid the cost of operations for the year, including $2,027,473.14 for federal and state taxes, licenses and insurance department fees, of which $535,000.00 represents estimated federal income tax for 1945	12,815,939.35	
		114,271,872.99
For the year 1945, your Company's net income was		$ 21,082,744.89
At January 1, 1945, the surplus reserve, for the protection of policyholders and available for mortality and investment fluctuations and other contingencies, amounted to		48,563,396.59
		$ 69,646,141.48
From the above, your Board of Trustees provided for:		
The payment of dividends to policyholders, on policy anniversaries during 1946, in the amount of	$10,400,000.00	
Further additions to policy reserves, in the amount of	9,382,741.00	
		19,782,741.00
So that the surplus reserve at December 31, 1945, amounted to		$ 49,863,400.48

JOHN A. STEVENSON, *President*

Statement of Financial Condition

December 31, 1945

ASSETS

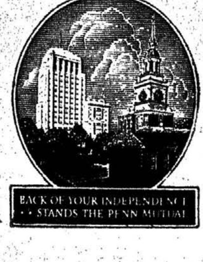
Cash on hand and in banks		$ 10,309,728.54
Bonds and stocks at amortized or other values prescribed by National Association of Insurance Commissioners:		
Bonds:		
United States Government direct obligations (See Note A)	$424,151,993.64	
Canadian Government direct and guaranteed obligations	18,203,262.23	
State, county and municipal obligations	14,682,642.77	
Railroad obligations	118,876,901.59	
Railroad equipment obligations	27,108,167.02	
Public utility obligations	120,737,462.49	
Industrial and miscellaneous obligations	63,302,297.50	
	$787,062,727.24	
Stocks, preferred and guaranteed	18,612,110.00	
		805,674,837.24
Mortgages, including $3,210.59 foreclosed lien subject to redemption:		
City	$116,398,219.67	
Farm	3,571,754.65	
		119,969,974.32
Real Estate:		
City	$ 10,497,557.62	
Farm	1,099,827.98	
	$ 11,597,385.60	
Home office building	6,785,751.35	
		18,383,136.95
Loans to policyholders on policies of the Company		44,038,818.94
Interest due and accrued on bonds, mortgages and loans on policies; and rents due and accrued on real estate		6,841,583.66
Premiums due and in process of collection from policyholders and premiums not yet due within current policy year, for which full statutory policy reserves have been set up; and miscellaneous assets		11,759,470.23
Total Admitted Assets		$1,016,977,549.88

LIABILITIES

Policy reserves which with future premiums and interest earnings provide for the payment of benefits as they fall due under the policies in force		$868,923,419.06
Dividends left by policyholders with the Company at interest, and interest credited thereon		58,722,195.77
Dividends payable to policyholders on policy anniversaries during 1946. (This amount is distributed from savings in mortality, expenses, etc., and from interest earnings in excess of amount required for policy reserves.)		10,400,000.00
Policy claims in process of settlement		4,232,330.69
Bank loans incurred in connection with war loan bond subscriptions		8,000,000.00
Premiums, interest and rents paid in advance; accrued taxes; dividends to policyholders in course of payment; bills for current operating expenses; and miscellaneous liabilities		12,228,896.17
		$962,506,841.69
Surplus Funds.		
Reserve for mortgages	$ 2,500,000.00	
Unrealized appreciation on stocks and non-amortizable bonds	2,107,307.71	
Surplus reserve for the protection of policyholders and available for mortality and investment fluctuations and other contingencies	49,863,400.48	
		54,470,708.19
Total Liabilities and Surplus Funds		$1,016,977,549.88

NOTE A—United States Government bonds carried at $260,000 and $10,000,000 in the above statement are on deposit respectively with certain States as required by law and as collateral on bank loans.

NOTE B—The Statement of Financial Condition and the related Statement of Income and Surplus Reserve are prepared in accordance with accounting principles applied by the Insurance Department of Pennsylvania.



THE PENN MUTUAL
LIFE INSURANCE COMPANY
FOUNDED 1847 • INDEPENDENCE SQUARE • PHILADELPHIA

Canadian Securities

By BRUCE WILLIAMS

Domestic doubt obscures the clearer international indications of the trend of interest rates. The recent wealth of inspired statements with possibly deliberately opposite inferences have temporarily checked the one-way direction of investment markets. Hard money advocates have received considerable support especially on the question of the employment of anti-inflationary measures, but there is still a disposition to treat the symptom rather than the cause.

Increasing attention is being paid to the international aspects of the monetary situation although the domestic scene naturally commands the major interest. Consequently the increasing importance of international monetary implications have not yet registered their full effect.

The necessity for world financial cooperation, the tremendous universal demands of reconstruction, and the impoverishment of war-ravaged Europe all point towards a growing international monetary market at low rates of interest. The European trend towards low cost financing is dictated by sheer necessity. To assist in the international scheme and also to play its proper leading role as the world's principal financial center, it would be difficult for this country to seek to raise money rates higher than the international level.

One possibly significant provision of the British Loan proposal has received scant attention, namely the undertaking that Britain can not negotiate any other international loan on terms more generous to the lender than those accorded by this country. The current British credit discussions in Ottawa are complicated to some degree by this requirement. The Dominion has to grant terms at least as generous as those proposed in Washington and at the worst they can be only 2% for 50 years with waiver clauses.

On both sides of the border the 2% long-term rate is proving somewhat of a political embarrassment in view of the higher domestic interest level. It can, of course, represent an ultimate goal and current trends in both countries certainly do little to contradict such a development.

The abrupt descent of rates in the Government bond market here from 2.50% to 2.20% on the longest bond in the space of a few months, and the even more dramatic break from the wartime 3% level in Canada are events of utmost significance. In a rapidly shrinking world with a growing necessity for international collaboration it is more likely that the international rather than the national level of interest rates will set the standard.

During the past week market interest again centered on the Alberta issues which were generally bid through the par level, Albertas to a lesser degree were also in demand but the high-grade section continued on the dull side. There were also indications of a halt in the strong upsurge in the internal market. This is not unexpected as some consolidation is necessary following the rapid rise of the longest term Dominion issues from a 3% to a 2.55% level. Free funds in consequence were dull and virtually unchanged at 9¼%.

With regard to future prospects, apart from the possibility of further strengthening in Albertas and Montreals, the high-grade externals, having lost their momentum are now likely to display some hesitancy. The course of the internal market, left to itself should tend to react, but the determining factor will be the attitude of investors on this side of the border.

Canadian Government Lowers Interest Rate on Debt Certificates

Reduces Rate From ¾% to ⅝% and Makes Agreement With Banks That Limit Holdings of Long-Term Dominion Government Securities to 90% of Their Savings Deposits. Indicates Cooperative Spirit of Banks With Government.

J. L. Ilsley, Canadian Minister of Finance, announced on Mar. 1 a reduction in the interest rate paid by the Canadian Government on deposit certificates sold to the chartered banks, and also the results of an agreement reached with the banks limiting their holdings of Dominion Government securities other than very short term securities such as deposit certificates and treasury bills to a fixed proportion of their savings deposits.

Hon. J. L. Ilsley

The rate of interest on deposit certificates sold to chartered banks will be ⅝ of 1% per annum instead of the present ¾ of 1%. The new rate will be effective on any further issues of deposit certificates and on outstanding issues as they mature during March and April.

Financing arrangements between the Dominion Government and the chartered banks have been on the basis of maintaining rates of remuneration to banks which would be sufficient to cover their costs but which would leave only a reasonable margin for profit. Up to date it has been possible to follow this policy by appropriate arrangements with respect to deposit certificates which have proved to be a very suitable type of security to use in meeting direct Government borrowing needs from the chartered banks.

Because of the scale of wartime Government financing the Canadian public—like people in most other countries—has chosen in recent years to hold an increasing amount of its accumulated savings in the form of interest-bearing savings deposits at the chartered banks. At one time deposits largely in their commercial banking activities, chiefly in the form of loans. Times have changed, however, and the counterpart of Canadian savings deposits in banks' balance sheets of necessity has more and more become their holdings of Dominion Government bonds. This situation is not peculiar to Canada alone, but exists today in many other countries. The association between savings deposits and holdings of government bonds is more obvious of course in countries where there are special savings institutions than in Canada where chartered banks perform the functions of both commercial and savings banks.

To the extent that chartered banks' holdings of Dominion Government securities are associated with their Canadian savings deposits which nearly all bear interest at the rate of 1½% per annum, it is appropriate, in order to cover banks' costs, that such investments be in the form of Dominion Government bonds rather than deposit certificates. However, as banks' holdings of Dominion Government bonds are becoming more nearly the full counterpart of their Canadian savings deposits, certain arrangements appeared to be desirable for the future.

Following discussions on this subject between the Government, Bank of Canada and the chartered banks, the banks have agreed that their holdings of Dominion Government domestic bonds (including guaranteed issues) will not average more than 90% of the amount of their Canadian saving deposits (i. e., their notice deposits other than balances of corporations). The banks have also agreed that their earnings on such Dominion Government bonds held for investment account should not exceed their operating costs on Canadian savings deposits in the form of deposit interest and other expenses, by more than a moderate profit margin for this type of banking business.

The agreement regarding the amount of their holdings of Dominion Government bonds places the savings bank function of the chartered banks in approximately the same position as if it were being performed by separate savings institutions which would tend to have about 10% of their deposits in the form of cash and other non-earning assets. Chartered banks, of course, may add to their holdings of Dominion Government bonds to the extent they now hold an amount less than 90% of their Canadian savings deposits and also in proportion to any increase in such deposits which may take place in the future. If chartered banks wish to invest in Dominion Government securities beyond the amount which has been recognized as appropriate in connection with their Canadian savings deposits, there will be available to them short term securities bearing interest at the rate of ⅝ of 1% per annum, or treasury bills.

The new arrangement will not affect the ready marketability of Dominion Government bonds Banks will be able to engage in their usual day to day dealings with buyers and sellers of these securities.

The effect of the agreement with respect to earnings on banks' holdings of Dominion Government bonds is that banks will not increase the average maturity of such investments beyond the point where their earnings from this source would leave more than a reasonable margin of profit over their costs in connection with operating Canadian savings deposits. Separate statistics of banks' earnings, expenses and net profit on Canadian savings deposit business will be made available to the public by the Minister of Finance in the form of a supplement to the Statutory Annual Return of Banks' Earnings and Expenses.

These agreements, with respect to chartered banks' holdings of Dominion Government bonds, provide for continuing the existing objectives of financing arrangements between Government and chartered banks which have hitherto been evident in deposit certificate financing, in the changing situation which has been described. The fact that it has been possible for a voluntary agreement on this subject to be reached through discussions between Government, Bank of Canada and chartered banks is a tribute to the cooperative spirit with which the chartered banks have approached the various problems involved.

R. J. Mayer & Co. Export-Import Firm

Richard J. Mayer and Michael A. Hessberg announce formation of the import-export firm of R. J. Mayer & Co. The new firm, with a membership on the New York Produce Exchange, will specialize in trade with the Netherlands, Belgium and the Belgian Congo. Offices will be maintained at 107 Water Street, New York City.

Mr. Mayer was formerly commodity editor and columnist on the "Wall Street Journal," following which he became Manager of the Commodity Department of Jacques Coe & Co. He was in charge of food price press activities for the OPA in Washington during 1942 and part of 1943. From April, 1943 to November, 1944 he was Foreign Economic Administration representative to the Belgian Congo and later became FEA representative to the Netherlands.

Mr. Hessberg is a member of the New York Produce Exchange and has spent the last four years in the United States Naval Reserve.

Briggs, Schaedle & Co. Adds Three to Staff

Briggs, Schaedle & Co., Inc., 44 Wall Street, New York City, announces that Robert H. Britton, Lieut. A. U. S.; Everett Smith, Jr., Lieut. (j. g.) U. S. N. R., and James P. White, Lieut., U. S. N. R., have all been released from active duty and are now associated with the firm.

HIGHLIGHTS OF AN ACTIVE YEAR—

A summary of the annual report for 1945 of

THE DETROIT EDISON CO.

THE YEAR'S GROSS EARNINGS

From the Sale of Electricity, Steam, Gas and Water (Amount reflects reduction of $6,000,000 refund to electric customers for 1945. Our rate litigation is ended, and $16,450,000 in impounded funds is being refunded to electric customers for 1944 and 1945, as ordered by the Michigan Public Service Commission and the Court.)	$85,177,152
From Interest, Rentals, etc.	640,376
	$85,817,528

THE YEAR'S EXPENSES AND APPROPRIATIONS

TO GIVE SERVICE TO 825,000 UTILITY CUSTOMERS

FOR EMPLOYES

Operating Payrolls Average Number of Operating Employes—6,390	$22,325,073
Deposits with Trustee for Employe Pensions The Year's Appropriations for Past and Future Service Benefits	2,432,000
Social Security Taxes Company Payments Toward Federal Pensions and Unemployment Insurance	423,950
Insurance Portion of Employes' Insurance Paid by the Company	240,450
	$25,421,473

FOR OTHER OPERATION AND MAINTENANCE EXPENSES

Cost of Fuel 2,810,764 Tons of Coal and Equivalent Gas	$15,097,976
Other Materials, Supplies and Expenses A Multiplicity of Things Needed to Run the System	7,944,065
For Future Retirements of Property Wear and Tear and Obsolescence of Properties	9,330,000
Miscellaneous Losses, Uncollectible Accounts, Write-offs of Intangibles, etc.	415,227
Set Aside for Postwar Adjustments Postwar Uncertainties	2,681,500
	$35,468,768

REQUIRED FOR THE GOVERNMENT

State, Local and Miscellaneous Taxes (Excluding $423,950 Social Security Taxes) Mostly Real Estate and Personal Property Taxes	$ 7,914,945
Federal Income Taxes Represents Estimated Income Tax Liability for the Year	3,599,000
	$11,513,945

FOR BONDHOLDERS

Interest on Mortgage Bonds $115,000,000 Outstanding at Year End	$ 4,685,000
Portion of Cost of $1,084,849 to Redeem $19,000,000 Series F Bonds That Portion of Net Redemption Expense Which Equals the Reduction in Federal Taxes on Income Attributable to Such Cost	797,000
	$ 5,482,000

FOR STOCKHOLDERS

Net Income Available for Dividends and Earned Surplus ($1.25 per Share) Dividends of $1.20 per Share Paid ($7,633,560) for Use of Stockholders' Money	$ 7,931,342
	$85,817,528

THE DETROIT EDISON CO.

This advertisement is published for the general information of the public, and is not intended to induce, or for use in connection with, any sale or purchase of any securities of the Company.

Railroad Securities

One of the most controversial aspects of Section 77 of the Bankruptcy Act is again in the limelight with announcement last week by the Interstate Commerce Commission of the results of the balloting on the Chicago, Rock Island & Pacific reorganization terms. Of 11 classes of security holders voting, nine approved the plan. Two classes voted against it. One was the small issue of Little Rock & Hot Springs Western 1st Mortgage bonds, which is in a unique position in that holders of the bonds participate in both the Rock Island and Missouri Pacific reorganizations. The other opposing group was holders of the Rock Island Convertible 4½s, 1960 who rejected the terms by more than a three to one vote.

The Convertible 4½s, 1960, outstanding in the amount of $32,228,000, represent the most junior debt of the company. They are not secured by mortgage. Under the plan they did get a nominal ($12.42 per $1,000 bond) allotment of cash but to all intents and purposes their claim was met entirely in common stock, at the rate of a little less than five shares per $1,000 bond. In the aggregate this would represent only slightly more than 10% of the new common to be outstanding under the plan.

The plan has already gone through the Federal Court and been approved. The question now arises as to whether or not it can actually be consummated over the adverse vote of the junior bond holders. Section 77 specifically provides that a plan may be confirmed by the Federal Court even though turned down by one or more of the classes voting thereon. This provision has never been fully adjudicated. It is true that the Chicago & North Western plan was consummated despite the fact that there was one group of creditors which failed to vote a favorable majority. This was considered as a non-representative case, however, in that the entire adverse vote came from one institutional holder. Junior bond holders in the Missouri Pacific reorganization voted against the terms of the plan but in this instance the whole plan was abandoned in favor of a new so-called "Compromise Plan" before validity of confirmation over an adverse vote was tested. The Denver & Rio Grande Western plan, in which there was also an adverse vote of junior bond holders, is now before the Supreme Court.

While there is a question as to whether a plan could be consummated over the objections of such a large proportion of the 4½s, 1960 there can be no question but that the action of the holders of the bonds at this time will have an important bearing on the ultimate outcome of the reorganization. At least it should be possible to keep the whole proceedings open through litigation for a sufficient time to take advantage of new legislation now under consideration. Among railroad observers there is almost unanimous agreement that some new reorganization formula will result from present hearings before the Interstate Commerce Committee of the Senate. It is expected that new legislation will not be so stultifying nor so inflexible as the Hobbs or Reed Bills originating in the House. Neither will it likely attempt to create values by fiat where no values in reality exist. On the other hand, it is indicated that an attempt will be made to provide recognition for the very substantial war earnings and the utilization of those earnings by the railroads to improve physical plants.

Aside from the interest generated by announcement of the results of balloting on the Rock Island plan and general interest in the reorganization group due to Senate hearings on proposed new legislation there has been little of particular note in the railroad field. The January earnings have been widely mixed. New York Central's performance was particularly disappointing (a loss of over $1,000,000 compared with a net profit of close to $600,000 a year earlier) when recognition is taken of the fact that in January 1945 operations were seriously hampered by heavy storms. On the other hand, in the instances where gains were reported the improvement was largely, if not entirely, due to lower taxes. Operating results continued to deteriorate and will probably do so for some months to come.

Nationwide Railroad Strike Called for March 11—30-Day Delay Is Expected

A nationwide strike of railroad engineers and trainmen will begin Monday morning (March 11), unless a settlement is reached before the deadline, P. O. Peterson, General Chairman of the Brotherhood of Locomotive Engineers, announced at San Francisco on March 5, according to an Associated Press dispatch, which further states in part:

"Under Railway Labor Act procedure, the next step to avert a strike will be for President Truman to appoint an emergency fact-finding panel, which would have 30 days to look into the situation and make recommendations. Then, if nothing came of it, the unions could strike. Should a strike actually come off, the probability is that the Government would then seize the railroads. For instance, the Illinois Central RR. is now operating under Government seizure because of a strike threat for which no solution could be reached between the carrier and the union concerned.

"Among the first lines affected by the strike call would be the Southern Pacific; the Atchison, Topeka & Santa Fe and Northern Pacific.

"The following dates had been set for strikes on southern railroads:

"Louisville and Nashville Railroad; Georgia Railroad; Atlantic Coast Line; Southern Railway; Atlanta, Birmingham and Coast; and Atlanta and West Point on March 11 at 6 a.m., EST.

"Nashville, Chattanooga & St. Louis; and Central of Georgia on March 12 at 6 a.m. EST.

"Seaboard Railway on March 13, at 6 a.m., EST.

"The walkout as it affects Detroit will begin Monday at 6 a.m. CST on the Pere Marquette, Michigan Central, Chesapeake & Ohio and Wabash systems, extending Tuesday at 6 a.m. to the Baltimore & Ohio, and Wednesday at the same time to the Pennsylvania Railroad."

A United Press dispatch from Tulsa, Okla., on March 5 stated: "Local employees of three railroads received orders from national union leaders to go on strike March 12 and 13 in concert with railroad brotherhood members throughout the nation.

"J. L. Dunn, Secretary of the Tulsa-Sapulpa local of the Brotherhood of Railroad Trainmen, said employees of the Missouri-Kansas-Texas RR. would strike at 6 a.m. March 12. Local employees of the St. Louis-San Francisco Ry. and the Sand Springs RR. will strike at the same hour the following day."

Wm. D. Dana Resumes At Burton, Cluett

Burton, Cluett & Dana, members of the New York Stock Exchange, announce that Col. William D. Dana, who recently terminated his active military service as Chief, Supply Division of the Air Technical Service Command, U. S. A. A. F., had resumed his active duties as a general partner in the firm.


Col. William D. Dana

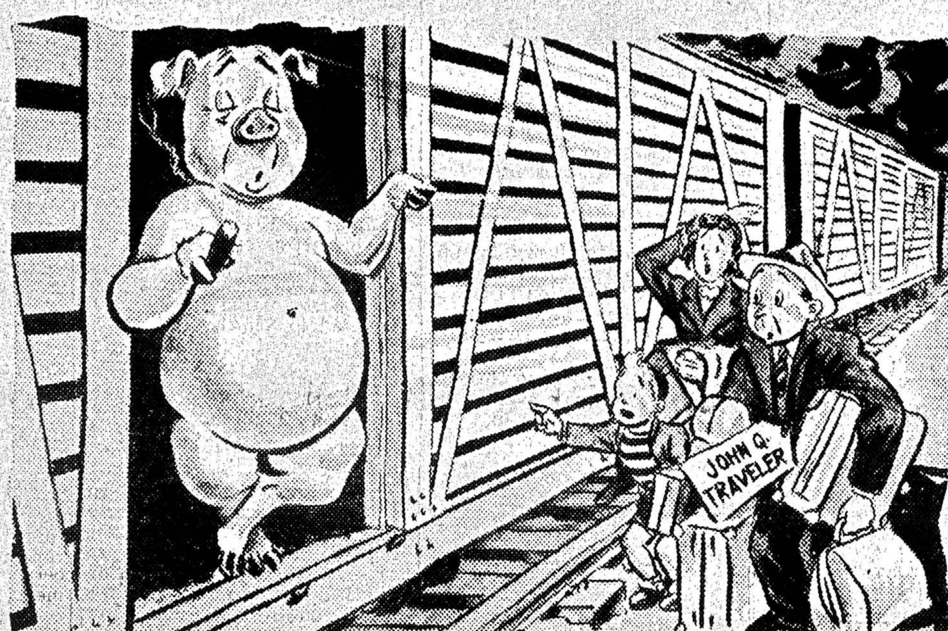
Col. Dana, who entered military service in April, 1941, was named Chief of the Supply Division of the ATSC at Wright Field, Ohio, in July of last year, succeeding Major Gen. L. T. Miller, after more than a year of service as Deputy Chief. As Chief of Supply, Col. Dana was responsible for the procurement, handling and distribution of all supplies and equipment needed to initiate and maintain our great aerial offensives against the enemy. Under the direction of approximately 2,000 officers and over 75,000 enlisted men and civilian workers, this task entailed the handling of more than 725,000 different kinds of items and shipments of over 5,500,000 tons of equipment annually. In line with his supply responsibilities, Col. Dana visited all the active war fronts.

An aviation enthusiast from the early days of flying, Col. Dana has owned a number of airplanes and for many years has been a member of the Aviation Commission of the State of New Jersey. His pre-service business connections included a number of board memberships in various corporations.

Col. Dana, who resides in Llewellyn Park, West Orange, N. J., is a descendant of William B. Dana, who headed the Dana Publishing Company which published the "Commercial and Financial Chronicle," one of the oldest business and financial publications in the United States. Another ancestor was Capt. William Dana, who fought in the American Revolution. Other well-known members of the Dana family were Charles A. Dana, the famed editor of the old New York "Sun"; Richard H. Dana, author of the classic, "Two Years Before the Mast"; Murat Dana, Cincinnati, Ohio, editor who died in the early 1900's, and John Cotton Dana, noted librarian.

A Hog Can Cross the Country Without Changing Trains—But YOU Can't!

The Chesapeake & Ohio and the Nickel Plate Road again propose to give humans a break!



It's hard to believe, but it's true.

If you want to ship a hog from coast to coast, he can make the entire trip without changing cars. You can't. It is impossible for you to pass through Chicago, St. Louis, or New Orleans without breaking your trip!

There is an invisible barrier down the middle of the United States which you cannot cross without inconvenience, lost time, and trouble.

560,000 Victims in 1945!

If you want to board a sleeper on one coast and ride through to the other, you must make double Pullman reservations, pack and transfer your baggage, often change stations, and wait around for connections.

It's the same sad story if you make a relatively short trip. You can't cross that mysterious line! To go from Fort Wayne to Milwaukee or from Cleveland to Des Moines, you must also stop and change trains.

Last year alone, more than 560,000 people were forced to make annoying, time-wasting stopovers at the phantom Chinese wall which splits America in half!

End the Secrecy!

Why should travel be less convenient for people than it is for pigs? Why should Americans be denied the benefits of through train service? No one has yet been able to explain it.

Canada has this service . . . with a choice of two routes. Canada isn't split down the middle. Why should we be? No reasonable answer has yet been given. Passengers still have to stop off at Chicago, St. Louis, and New Orleans—although they can ride right through other important rail centers.

It's time to pry the lid off this mystery. It's time for action to end this inconvenience to the travelling public . . . NOW!

Many railroads could cooperate to provide this needed through service. To date, the Chesapeake & Ohio and the Nickel Plate ALONE have made a public offer to do so.

How about it!

Once more we would like to go on record with this specific proposal:

The Chesapeake & Ohio, whose western passenger terminus is Cincinnati, stands ready now to join with any combination of other railroads to set up connecting transcontinental and intermediate service through Chicago and St. Louis, on practical schedules and routes.

The Nickel Plate Road, which runs to Chicago and St. Louis, also stands ready now to join with any combination of roads to set up the same kind of connecting service through these two cities.

Through railroad service can't be blocked forever. The public wants it. It's bound to come. Again, we invite the support of the public, of railroad people and railroad investors—for this vitally needed improvement in rail transportation!

Chesapeake & Ohio Railway · Nickel Plate Road

Terminal Tower, Cleveland 1, Ohio

Mutual Funds

Let's Get Our Economics on Straight

Keystone Co.'s current issue of Keynotes contains an excellent discussion of one of the most important problems of the day—inflation. Because we believe it offers a logical solution to the problem we quote it below in its entirety:

"A large supply of money—a small supply of goods—and the stage is set for inflation. Unless the situation is relieved with reasonable promptness, disastrous inflation results.

"If production is stepped up so that there is a large supply of goods to match the large supply of money, the danger of an explosive inflation is removed. The only other solution is to reduce the supply of money to match the limited supply of goods. Belgium and France are trying this one now.

"The same administration in Washington that is publicly in favor of maintaining farm prices and increasing wages is attempting to protect the United States against serious inflation by holding down retail prices. This is a good deal like pouring gasoline on the fire and then trying to prevent the explosion by pegging the hand of the steam gauge.

"If costs are encouraged to rise and prices are not allowed to rise correspondingly, the profit motive disappears and the manufacturer faces no profit or loss on every unit that is manufactured. Under these circumstances production inevitably slows down and then stops. The very policy, therefore, that in theory is supposed to protect the American people against inflation is strangling production and aggravating the already serious shortage of goods.

"Let's get our economics on straight. If we are to avoid serious inflation, the spawning of vicious black markets and widespread suffering, we must produce a tremendous supply of goods — and quickly. American industry which amazed the world with its phenomenal volume of wartime production is capable of producing as amazing a volume of peacetime goods: Grant the workers a reasonable wage increase, relax the price ceilings and ask manufacturers to pledge a record-breaking volume of production. Prices may rise somewhat, but as a tremendous flood of goods reaches the market, normal competition will bring prices back to the proper level and concentrate the volume in the hands of the most efficient producers."

Timeliness

A special stockholders' report as of Jan. 31, 1946 on **Wellington Fund** is at hand. This report shows the changes in investment holdings which were made prior to the recent market decline. Common stocks and other securities selected for appreciation were reduced and the holdings in more conservative investments. Government bonds and cash were increased.

A chart is used to show the percentage breakdown in types of investments as at Dec. 31, 1942 and 1944 and Jan. 31, 1946. On Dec. 31, 1942, 68.74% of investments were in common stocks with 9.77% in appreciation bonds and preferreds. On Dec. 31, 1944 these percentages had dropped to 55.0% and 8.7% respectively, and as of Jan. 31, 1946, to 42.14% and 12.2%, respectively. It is pointed out that at present the common stock and other equity portion of the Fund is about 50% of resources which is 4% lower than at Jan. 31.

Market Action

In a new folder entitled "Which Market for You?" **Hugh W. Long and Company** uses charts to demonstrate the market action of the various Series of **New York Stocks** compared with the Dow-Jones Industrial Average for the past three years.

In each of the years shown at least 75% of the series had greater advances than the general market. In 1945, 15 of the 20 industry series out-performed the Average, with the three best performers—Alcohol & Distillery, Aviation and Merchandising — showing gains of over 90%, 70% and 65%, respectively, against 35% for the Dow-Jones Industrial Average.

Boston Fund

At the close of its fiscal year on Jan. 31, 1946, **Boston Fund** reported net assets of $22,378,608, an increase of $8,477,643 over the corresponding date last year. Net asset value per share amounted to $25.21 on the 887,790 shares outstanding, an increase of 35.4% over last year. Adjusting net asset value per share for the special distribution of 90 cents per share of capital gains in January, 1946, the gain for the year would be 40.2%.

O. Kelley Anderson, President of the fund, notes in his letter of shareholders that the proportion of assets represented by preferred stocks, bonds and cash has been increased to 25.3% of the fund. In outlining the reasons for this change from a rather fully invested position in common stocks previously maintained, he observes that:

"The future is highly encouraging, but gains can be preserved only when they exist. Thus, regardless of the extent to which business prosperity materializes in the future, we shall be content to have 'salted away' a portion of our gains and share more conservatively in any future improvement in equity values and dividend payments."

Stock Prices

The latest issue of Investment Timing, **National Securities & Research Corp's** weekly service, is devoted to a study of previous market highs in relation to current market prices. A table has been prepared giving this data on 300 leading stocks. The 300 stocks are sub-divided into four categories: those whose current price is higher than both 1929 and 1937; those higher than 1929 only; those higher than 1937 only, and those lower than 1929 and 1937.

The survey further calls attention to the industries which are prominently represented in each of the four categories.

The conclusion reached is that "prices in previous cycles in themselves are, of course, no reliable basis for judging present and future stock prices. The present business outlook in the main contains greater possibilities than existed for many companies even during the highs of previous bull markets. Strikes and labor difficulties, material shortages and price ceilings, have temporarily cast a pall on the current bull movement, but these handicaps cannot prove permanent to American industry. The vast wealth of the country and the pent-up demand for goods should bring production to new peaks when resumed in full swing, and stocks of selected individual companies, especially those that enjoy the benefit of marked plant expansion and strengthened finances and those developing new products and processes, are likely to surpass former levels eventually."

Tack

"Life for the investor would be greatly simplified," writes **Lord, Abbett** in a current Investment Bulletin on **Affiliated Fund**, "if the path of the market were like that of the stratoliner." In such case, where the vehicle in question takes off and plunges in a straight line to its objective, all the participant would need to do would be to buy his securities as fast as he could pay for them and just sit tight for the ride. It is pointed out that such a state of affairs would be doubly advantageous for he would also know that when his direction changes he should get off as quickly as he can.

However, continues the bulletin, the moves of the market are like those of a sailboat—not in a straight line, but back and forth from port to starboard, with definite intent as to direction, but forced to make adjustments from time to time to the elements in which it moves.

The bulletin concludes: "These periods when the market takes a down 'tack' are, to the short-term speculative mind, found quite disturbing. The thoughtful investor, however, recognizes that downward reactions in periods when the fundamental outlok remains highly constructive represent opportunities rather than threats. The type of market now under way is, therefore, the one in which he prefers to make his investment purchases."

New Common Stock Issues

Selected Investments Co., in a current issue of "These Things Seemed Important" makes a study of new capital raised through common stock issues from 1919 to date.

From 1919 to 1927, inclusive, it is estimated that new capital raised through common stock issues totaled $4,292 million, averaged $477 million annually. 1928-30 totaled $7,310, averaged $2,437. 1931-39 totaled $1,034, averaged $115. 1940-45 totaled about $804 (partly estimated) averaged $134, although the amount of investible funds sky-rocketed during this period.

Conclusion: "Acording to the Federal Reserve, personal holdings of cash and bank deposits rose from $36.5 billion on Dec. 31, 1939 to 89.8 billion on Dec. 31, 1945. Some of that $53.3 billion increase will want to buy stocks; if new ones aren't available, it may go into the old ones."

H. G. Moulton V.-P. Of Blyth & Co., Inc.

Blyth & Co., Inc., 14 Wall Street, New York City, announces that Herbert G. Moulton, Colonel, Officers Reserve Corps, who recently completed three years of active Army service, has become associated with the company as Vice-President in charge of engineers and research.

Col. H. G. Moulton

Col. Moulton's Army service covered tours of duty in Brazil, Panama and the European Theatre of Operations. He is a member of the American Society of Civil Engineers and a former President of the American Institute of Mining and Metallurgical Engineers. At one time he served as consulting mining engineer on subway construction in New York City.

For many years Col. Moulton was associated with Eugene Meyer, owner and publisher of "The Washington Post," and also maintained a consulting engineering practice which comprised world-wide investigations and reports on many of the principal mining and metal producing companies. He also served as an expert for banks, trust companies and protective committees in numerous railroad reorganizations.

Col. Moulton served on the War Industries Board and the War Finance Corporation during World War I, and also as Special Adviser, Railroad Division, Reconstruction Finance Corporation, in 1932. He is a native of Idaho, and a graduate of the University of Oregon.

Organized Research vs. Individual Selection

Broad Street Sales Corp's current Items compares the performance of **National Investors** with the 30 individual stocks comprising the Dow-Jones Industrial Average from March 31, 1937 to Dec. 31, 1945. National Investors out-performed all but two of the individual stocks with a percentage increase of 57.5 during the period.

Mutual Fund Literature

Distributors Group — Revised folder, "Why We Employ Institutional Methods in the Management of your Savings." . . . **Keystone Co.**—Revised Formula Plan Investing folder; Worksheet for rebalancing a seven step formula account; Made-to-Measure Formula Plan with Worksheet; Investment Timetable 1946. . . . **Lord, Abbett**—Current issue of Abstracts. . . . **National Securities & Research Corp.**—Current Information folder for March; memo to dealers re fiscal year-end distributions on **National Securities Series** and **First Mutual Trust Fund**; memo showing portfolio changes during February of National sponsored funds. . . . **Hugh W. Long & Co.**—Memo on **Steel Industry Series of New York Stocks** entitled "Why Steel Stocks Should Lead the Next Market Advance."

Dividends

Union Trusted Funds, Inc.—The following quarterly dividends payable March 20, 1946 to stock of record March 9, 1946:

Fund	Per Share
Union Bond Fund A	$.23
Union Bond Fund B	.19
Union Bond Fund C	.08
Union Preferred Stock Fund	.25
Union Common Stock Fund	.06

The International Bank and the Investor

(Continued from first page)

tiate its operations in the second half of the current year. From the viewpoint of the investor, these operations will be of considerable interest, because the greater part of the bank's loans, which with its present membership could total up to about $7.6 billions, will probably be financed in the American market. A study of the securities and of the operations which are to be financed will therefore be worth while.

As it looks now, the bank may be somewhat smaller than originally anticipated, because Russia, Australia, New Zealand and a few other countries did not sign the Bretton Woods Agreements. With the present signatories, the aggregate capital of the bank will be $7.6 billions, of which the United States will contribute $3,175 million. If all the countries represented at Bretton Woods had been present, the total capital would have been $9.1 billions. Under the present set-up the United States will have 37.8% of the voting power. There is a possibility, however, that the countries which did not ratify the agreements, as well as some others which did not attend the Bretton Woods meeting, will later be admitted to membership.

Different Methods of Financing

The total commitments which the bank can make are limited to the amount of its unimpaired capital and reserves. Only up to 20% of this capital, however, is to be employed for lending; the remainder is to be held on call to serve as a surety fund in case of losses. For the most part, therefore, the bank will operate by borrowing funds on its own debentures and lending them out, or by guaranteeing issues floated directly by the borrower.

In practice, the amount of loans made out of capital probably will be less than the permissible 20%, because member countries may veto the use of their contribution for such purposes. This provision was obviously necessary, because many countries are in no position to permit capital exports. At the start, it probably will be the United States, Canada and a few smaller countries whose 20% quotas will become available for direct lending.

For much the same reasons, the bulk of the funds to be obtained in the market will have to be raised in the United States. We are the only large country capable of exporting capital on a major scale. In addition, our market offers the lowest interest rates. Some smaller flotations, however, are likely to take place also in Canada. Ultimately it may be desirable to make at lest token flotations in as many countries as possible, in order to strengthen their interest in the soundness of the bank and to give them the flavor of the lender's viewpoint.

Flotations in the American Market

The securities to be floated in the American market pose a number of very interesting questions. Exploratory discussions have already been held between Government officials and various groups of investors. Prominent among the issues to be settled is the question whether the bank's operations should be financed chiefly through the issuance of debentures or by guaranteeing obligations floated by the borrower. The matter presents different aspects from the viewpoint of the bank, the investor and the borrower.

From the bank's viewpoint, the debenture method has special attraction for the following reasons: In the first place, the bank will be able to finance a number of small loans out of a single debenture issue. The placement of a large number of small issues of individual borrowers would plainly be more difficult.

Secondly, the issuance of debentures would give the bank better control of its liabilities. The bank would find it easier, for instance, to control the maturity structure and other features if its commitments take the form of debentures rather than guarantees.

Third, the bank would have better control of the use which the borrower makes of the loan. All loans, whether financed by debentures or floated in the market, are to be made only for specific purposes (with some exceptions). The actual accounting supervision would plainly be easier for the bank if it were itself paying out the funds to the borrower.

Fourth, a homogeneous debt would avoid the danger that individual issues might sell at different prices, as might happen in the case of guaranteed issues. A guaranteed issue of a strong borrower might well be appraised more highly by the market than one of a weaker borrower, a situation which might create complications of various sorts.

Fifth, the bank would find it easier to arrange for transfer moratoria on loans held in its own portfolio than on securities held in the market. Such moratoria, allowing the debtor to make service temporarily in his own currency, are permitted under the Bretton Woods Agreement. While the bank, of course, would take over the service of a guaranteed issue on which it agreed to a moratorium, the market's reaction might nevertheless not be too favorable.

Sixth, if a loan goes into default, the bank will not be faced with the troublesome decision of whether to take the entire issue out of the market or continue its service under the terms of the guarantee. Since the market in general does not look with favor upon issues serviced under guarantee, this angle, too, seems to speak in favor of debentures.

In favor of guaranteed issues, on the other hand, it has been argued by experienced bankers that a foreign borrower interested in maintaining a good credit record is more likely to exert himself on behalf of private creditors than for the benefit of a foreign government or similar institution. This would seem to indicate that guaranteed issues might provide better security against default.

Many of the foregoing considerations apply not only to the bank's viewpoint, but also to that of the investor. From his angle, too, a good deal is therefore to be said in favor of debentures. On the other hand, it is to be noted that a guaranteed issue constitutes two-name paper, in a sense, whereas the debentures bear only the bank's signature. The name of a strong borrower might add, in some measure, to the security provided by the bank's guarantee, even though it is the latter upon which investors will primarily rely. In the case of a weak borrower, however, this consideration would be of less importance to the borrower.

From the viewpoint of the borrower, finally, it seems that the debenture method may be relatively less attractive than from that of the bank and the investor. A guaranteed issue gives the borrower an opportunity to bring his name before the market and to establish his credit standing. Eventually he may be enabled to borrow without guarantee, a desirable position to which the relative anonymity connected with direct borrowing from the bank is less likely to bring him. A strong borrower issuing guaranteed securities may also be able to exploit his relatively good standing to secure a lower interest rate than he might be able to obtain on a loan directly from the bank. For weaker borrowers, on the other hand, this would work in reverse; they could probably secure better conditions from the bank than from the market.

Other Aspects of the Securities

Most of the bank's loans will probably be of a long-term character, and hence the securities to be issued or guaranteed by it will be predominantly long-term. A certain amount of short-term obligations, however, may also come on the market, which would be desirable because of their easier salability and because it would facilitate investment by commercial banks. Stabilization loans, for instance, of the kind which the American Bankers Association suggested, might be properly financed on a short-term basis. A certain amount of short-term material could also be made available if the bank issues serial debentures. Sinking fund payments made by the borrower could then be used to meet the earlier maturities. It is true, however, that this would deprive the longer maturities of the market support which sinking fund payments applied to an entire debenture issue would otherwise provide. Finally, the fact that the bank will ordinarily tend to have on hand idle funds of varying size suggests that a certain amount of short-term financing could properly be done, in order to secure the needed flexibility.

On the subject of interest rates, it is probably still too early to attempt specific comments. The bank will have to feel its way with the market and no doubt will eventually set a rate which will permit adequate distribution of the securities without making the cost of money too high to the borrower. It must be remembered that this cost will ordinarily be at least 1 to 1½% in excess of its cost to the bank, since the bank is

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Securities Salesman's Corner

By JOHN DUTTON

The Long-Term Viewpoint

It finally came to pass—we've had a reaction in the stock market. The Dow Jones industrials dropped 8.39 points in one day. A lot of newcomers in the stock buying business have found out something that some of us have known for a long time—the tree never grows to the sky. They don't go up forever! This reaction has been a good thing and a healthy awakening for many people. Whenever the public begins to think that all you have to do to become rich overnight is buy some stock or bond and watch it go up—then certain old-fashioned laws of economics catch up with them. Some people can only learn by experience.

However, many thinking investors are beginning to wonder whether or not, at current levels, the market is entering the danger zone. Some prudence and caution is certainly justified, but it probably would be a good time to bring forward a few facts which illustrate just where stock prices are today in relation to the general inflation that has taken place during the past five years since 1940.

True enough, stock prices have risen from 128.27 on the Dow Jones industrial averages, which they reached on May 14, 1940 (the day the Germans broke through at Sedan), to a high of 206.97 for this bull market. They closed at 189.06 on February 27. This is an advance of 60.79 points, OR EXPRESSED IN PERCENTAGES ABOUT 47%. Now let us look at the advance that has taken place in other parts of the nation's economy. By making this comparison we can secure a better perspective of where the market is today and whether or not the advance in stock prices is out of line with other factors that make up our overall price situation. Here is a record of inflation forces at work—compare these figures with this 47% advance in the average of industrial stock prices and figure it out for yourself.

	1940	Now
Urban real estate (1940 equals 100)	100	142
Farm real estate (1912-14 equals 100)	84	133
Cost of living (1935-39 equals 100)	100.2	129.2
Commodity prices (1926 equals 100)	78.6	107
Hourly factory wage rate	66.1¢	98.5¢
	(In Billions)	
Net farm income	$4.4	$12.5
Corporation profits after taxes	4.8	9.3
Retail trade	46.4	83.3
Wage and salary payments	49.7	102
National income	76.2	158

(Source: United States News, 1/25/46)

These are important figures; they tell a more complete story of just where we are today, as far as prices are concerned, than pages upon pages of headlines, strike news, and pros and cons concerned with inflation, price control, etc. These figures INDICATE NOTHING MORE THAN THAT OUR DOLLAR TODAY IS BUYING JUST ABOUT 50% LESS ON AN AVERAGE THAN IT BOUGHT IN 1940. That same dollar is also buying 50% LESS THAN IT BOUGHT IN 1940 WHEN IT WENT OUT TO PURCHASE STOCKS.

When we look at stock prices from this broad overall viewpoint we come to another conclusion which can be summed up as follows: No attempts to control stock prices, whether they consist of such inanities as the elimination of margin privileges, or any **other artificial** controls that are set in motion by government will have any lasting effect upon the general price level, just so long as the basic causes of monetary depreciation continue their devastating effect upon the purchasing power of the nation's currency.

It seems only proper that we should also mention (since this column is devoted to the merchandising of securities) that the facts and opinions that we have brought forward regarding this subject might also form the basis for a timely letter that many investors would appraciate at this time. One of the best ways of keeping your customers is to think of them when they may be thinking about such current problems as whether the market is out of line with prospects, or other factors in the economy. Personally, we believe that carefully selected common stocks are still attractive investments, and that the stock market has only advanced proportionately along with a similar rise in the prices of other property. The foregoing summary makes convincing evidence that such is the case.

The International Bank and the Investor

(Continued from page 1235)

to charge a corresponding commission.

Quality of Bank's Obligations

The interest rate to be placed on the new securities, as well as their general market appeal, will chiefly depend upon the intrinsic worth of the securities. Basically, the soundness of the bank's securities will be determined by the course of international economic and political relations. It would be wrong, however, to say that the bank's securities will not be good unless these relations prove to be good. As a matter of fact the bank probably could stand very severe disturbances. Calculations to which we shall turn later indicate that even an international financial debacle such as that of the '30's would be unlikely to break the bank. It is only in case international economic and political relations should deteriorate beyond anything experienced in the past that the bank could be in danger.

The two pillars upon which the soundness of the bank rests are (1) the goodness of its loans and (2) the capital subscriptions held in reserve as a surety fund. Neither of these offers complete certainty to the investor, but combined they represent very considerable strength.

Goodness of Loans

The framers of the Bretton Woods Agreements endeavored to formulate rules for the bank's operations which would help it to avoid, in so far as possible, the errors sometimes inherent in our foreign loans during the 1920's. Although the main purposes of the bank are stated quite broadly—to assist in reconstruction and development, to promote private foreign investments, to promote a balanced growth of international trade—the conditions governing actual loans are specific and hard-headed.

1. The bank's decisions are to be governed exclusively by economic considerations and shall not be influenced by the political character of the members.

2. Each loan proposal must be studied by a competent committee.

3. In cases where the borrower is not a government or governmental agency, the loan must be guaranteed by the government of the country where the borrower is located or by an agency of that government.

4. The rate of interest and other charges must be reasonable, and interest and amortization charges must be appropriate to the project.

5. Loans must be for the purpose of specific projects of reconstruction or development, except in special cases. Ordinarily they must not exceed the cost of the imports which the project occasions, local expenditures being left for local financing.

6. Due regard must be had to the prospect that the borrower or guarantor will be in a position to meet the obligation, and the bank shall act prudently in the interests both of the country receiving the loan and of the members as a whole.

7. The members agree to protect the bank's assets against confiscation and against restrictions and regulations which would prevent the bank from carrying out its functions.

8. The bank is required to balance its assets and liabilities in each currency, so as to be protected against exchange depreciation. In addition, the members undertake to protect the value of their subscriptions against exchange depreciation.

The favorable effect of these requirements upon the safety of the bank's loans will be enhanced by each debtor's realization that his failure to perform would hurt not only the United States or some other rich country, but all of the members.

Special Reserve and Calls on Subscription

The best of loan policies cannot altogether avoid the occurrence of defaults. In such cases, the bank will fall back upon an intermediate line of defense, in the form of the special reserve to be accumulated by a 1-1½% charge on all loans. This reserve should be adequate to deal with moderate losses, except in the unlikely case that defaults occurred very soon after the bank had begun to operate. If commissions at the rate of 1% are allowed to accumulate for five years, they would be sufficient to meet for three years thereafter defaults on something like 14% of the bank's maximum commitments. This estimate is based on reasonable assumptions as to the interest rate, maturity and sinking fund of such loans and as to the rate at which the bank's loans will be built up. If the special reserve is accumulated at the rate of 1½% per annum for 10 years, it could take care, during a three-year period, of the service on about 55% of the bank's top commitments.

If the special reserve and other minor accumulations should prove insufficient, the bank must fall back upon what will constitute the main source of its strength, its power to call up capital subscriptions. The members are bound to make good on such calls, for the purpose of meeting the bank's liabilities, up to the amount of their unpaid contributions. [Calls for the purpose of taking issues out of the market, unlike calls for the purpose of continuing current debt interest and amortization payments, are limited to 1% annually of the contributions.] Should any of the members fail to meet its call, the bank will make a new call against the solvent members, until the required amounts have been obtained. It is to be noted that even if all calls are met, the aggregate contributions of the members would not necessarily be sufficient to take care of all of the bank's commitments. If the bank uses its capital funds to pay interest on defaulted guaranteed issues, or on the debentures with which its own defaulted loans have been financed, instead of taking the issues out of the market, it will be dissipating its capital. Since the immediate redemption of large amounts of obligations probably would impose too heavy a burden upon the members, the chances are that, in case of substantial losses, some degree of dilution of capital through interest payments will occur.

In addition, it cannot be anticipated that calls will be met by all members. The member which defaults on its loan, for instance, obviously is not likely to meet a call on capital. The American investor can count with virtually absolute assurance only upon the United States contribution. Since under present conditions of membership this amounts to nearly 42% of the total, the investor's protection through the American quota alone is quite high. Even if we allow for the dilution resulting from interest payments on the bank's obligations, the American quota, together with currently accumulating guarantee commissions on solvent loans, would permanently take care of complete defaults on about 35% of the bank's maximum commitments. This estimate is based on present membership and upon reasonable assumptions as to the amounts going for interest payments instead of repayment of principal.

In addition to the United States, there are quite a number of other countries on whose ability and willingness to meet calls the investor can rely with a good deal of assurance. Even if we assume that the rather low standards of international financial morality prevailing during the '30's will continue, it is unlikely that a country would destroy its credit standing in order to save a relatively small amount of money. Calculations show that the calls to which individual members might be liable are hardly worth defaulting upon in most cases.

Without attempting invidious forecasts of the future solvency of individual members, we may say that, even if the commitments of Britain, Canada, Holland, Belgium, France, Norway and Czechoslovakia were the only ones that were met, the total contribution, together with the American subscription, would amount to nearly 6 billion dollars. Adding to this the commissions on solvent loans, the bank's surety fund will be sufficient to take care of a total loss of about 60% of its loans, under present conditions of membership. Needless to say, such a loss ratio is much worse than our experience during the '30's, when (as of 1935) less than 40% of outstanding foreign dollar bonds were in partial or complete default. Investors in the bank's securities will therefore be well protected against loss through defaults. Such defaults as may occur will be borne, in that case, by the participating governments which fulfilled their guarantee commitments.

If the membership of the Bank should be increased through the admission of Russia, and of some of the neutrals who were not at Bretton Woods, the maximum loan limit of the bank would rise, but so would the capital contributions which could be called upon. No very significant change in the safety factor would be involved, except that the American contribution alone, which some investors will regard as the piece de resistance, will not go quite so far.

No matter whether the membership increases or not, some time will pass before the bank can expand its loans to the permissible limit. During this period, the percentagewise coverage provided by the American subscription will be correspondingly larger. In fact, until the volume of the bank's obligations passes 3,175 millions, they are fully covered, in a sense, by the American contribution alone. It is hardly to be expected, however, that the market will pay too much attention to this feature. Knowing that the bank's commitments eventually are almost sure to be more than double the American contribution, the market presumably will appraise the securities on that basis.

Money Management and Bank Investments

(Continued from page 1215)

the next few months and with people back to work, business activity is bound to be at a high level. The demand for all kinds of commodities is large and will continue large. The supply of money at the disposal of the people is equally great and industry is in a position to produce the goods. Prices, to be sure, will be somewhat higher along with wages, yet fairly satisfactory profit margins may develop with high production. High activity will mean high national income but with our ability to produce, I do not look for inflation in the European sense. There should be several years of excellent business activity ahead.

What About Taxes?

One may wish for tax relief but such is not likely. The President's budget message indicates that 25 billion dollars is about as low a postwar figure as can be anticipated. If some of the new spending schemes are adopted, a higher figure will be seen. Drastically reduced expenditures do not seem politically feasible, and further deficit financing would be difinitely unsound. Twelve million people have been eliminated from the Federal tax rolls, the excess profits tax has been eliminated and the corporation tax has been reduced to 38%. Some adjustment in taxation doubtless would prove very salutary, yet I look for but minor net changes in the years immediately ahead. We will have high taxes for many years!

What Is the Trend of Interest Rates?

We have seen the peak of national debt for some time to come but an interest charge in excess of 5 billion dollars is the number one expense item. The total interest cost averages about 2%, the short-term, bank-held, low-cost issues offsetting the long-term, mostly ultimate-investor-held debt. Interestingly enough, the Victory Loan issues are costing the Treasury about 2⅛% and although sold primarily to non-bank investors, the Treasury does not like this increased overall rate. Financial institutions own about 53.4% of all Government debt and about 74% of the marketable debt. An increase in interest rates obviously would benefit the financial institutions and since financial institutions do not vote, some broader economic reason must be developed if this group is to be so benefited.

Do the Federal Reserve Banks and the Treasury have the power to control interest rates? I believe they do.

RESERVE REQUIREMENTS

	10-3-42	6-21-17-8-15-36	Difference
Central Reserve cities	†20%	13%	7%
Reserve cities	20	10	10
Country banks	14	7	7
Time (all)	6	3	3

†Was 26%.

It is to be noted that bank reserve requirements are almost double those that prevailed from 1917 to Aug. 16, 1936. Except for a 6% increase still possible in central reserve cities, legislation would be required to increase reserves. However, if more credit is desired, requirements could be reduced by a stroke of the pen. Similarly, open market operations can create or withdraw credit as seems necessary. The Reserve Banks counteracted the increase of money in circulation during the war period by purchasing short-term Governments. During January 1946 conversely, they sold 740 million of Governments to counteract the return flow of 735 million of money from circulation and a small increase in gold stock. The Treasury, of course, could monetize its silver seignorage and perhaps utilize the gold in the stabilization fund. The Federal Reserve Board, of course, can change the rediscount rate.

Other devices, both qualitative as well as quantitative, might be employed. However, the problem as I see it, is not one of maintaining low interest rates, but rather one of determining, if possible, how much lower they will be permitted to go. I think that many people have come to the conclusion, perhaps reluctantly, that interest rates will remain low, perhaps permanently.

Where Will We Get New Loans And Investments?

1. The sale of short-term Government obligations by corporations and the redemption of Series E bonds by individuals, probably will be cared for through refunding eventually,—commercial bank investments and deposits rising as a result of this movement;—more Certificates of Indebtedness.

2. Some state and municipal offerings as materials, supplies and labor become available. In due course, we may get 1½ billions per annum of such new issues. Shortly, we may get about 2 billions of bonus issues.

3. Further refunding in the corporate market. Few 3¼% and 3½% bonds appear safe now, many of them will be refunded. There should be some new corporpate issues, also.

4. Some loan demand, we hope. However, it is to be noted that total loans for all banks, including savings banks, increased but $6,718 billion from Dec. 31, 1938 to June 30, 1945.

Interestingly enough, real estate loans of all insured commercial banks increased but $556 million in this period to $4,413 billion. Total savings bank loans declined $590 million to $4,307 billion. These figures suggest that it will take a considerable amount of new commercial loans and new mortgage loans to absorb the insatiable demands of lending institutions. Inventory loans should increase as prices rise and as supplies become available, yet cash and Governments may be used in many situations before such loans are required. Stocks of goods move fast, too, in periods of good business and distribution is faster and better than ever before. With the further development of chain stores, and super-markets, local financing of the small retailer tends to decline.

5. Some foreign loans—limited by goods available.

What of the Movement of Deposits?

1. Some shift from war production areas is to be expected.

2. Some shift from farm areas, too, may develop as new equipment is purchased.

3. Probably some deposit increase will be seen in the Northeast and Middle Atlantic Areas.

4. An increase in money centers is to be expected.

5. The banking system probably will gain deposits on balance as a result of:—

a—return flow of money from circulation.

b—inflow of gold.

c—refunding operations caused by redemptions of Series E Bonds and sales of short Governments by corporations.

6. Savings deposits generally increase in periods of good business.

U. S. SAVINGS BONDS ISSUED AND REDEEMED THROUGH JAN. 1, 1946
(In Billions of Dollars)

Series	Issued	Redeemed	Outstanding	Redeemed
A-D	4.555	1.063	3.492	23.34%
E	40.980	9.979	31.001	24.35
F & G	15.032	.837	14.256	5.55
All	60.627	12.009	48.617	19.81%

Politics Suggest Low Interest Rates, Too.

Emanuel Goldenweiser—Economist, Federal Reserve Board—last Spring wrote in the Federal Reserve Bulletin—"Banks' earnings must be adequate to secure sufficient capital, to pay expenses, to yield a reasonable return, and no more. With a very large growth in the Government portfolio, there is danger that bank earnings may be unnecessarily large. Some device must be found to prevent this from happening, for this would be no more desirable than it would be to permit the banks to suffer from inadequate earnings. The banking function, like every other economic function, is justified only insofar as it gives service for the returns it receives and the policy of the banking authorities should be guided by that principle.

2. Congressman Patman's bill last year read in part as follows: "That the Secretary of the Treasury, with the approval of the President, is authorized to issue from time to time United States bonds, the proceeds of which shall be available to meet any public expenditures authorized by law and to retire any outstanding obligations of the U. S. bearing interest or issued at a discount. . . Such bonds shall not bear interest or be issued on a discount basis, and shall not be negotiable or transferable.

"Bonds issued under the provisions of this Act shall be issued solely to the Federal Reserve Banks and shall be subscribed for by the various Federal Reserve Banks.

"The authority of the Secretary of the Treasury to issue any interest bearing obligations of the United States under any other provisions of law is hereby terminated insofar as the issuance of United States bonds to any bank receiving demand deposits is authorized hereby." It might be added, in passing, that a somewhat similar proposal has been advocated by Professor Leland of University of Chicago.

3. Congressman Voorhis of California had this idea in his bill: "That the Secretary of the Treas-

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Money Management and Bank Investments

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ury is hereby authorized and directed to issue non-interest-bearing certificates of the U. S.—The amount of such certificates of indebtedness issued in each fiscal year shall be equal to the difference between total disbursements of the U. S. and the sum of (a) tax revenues and (b) the proceeds derived from sale of war bonds to individuals or non-financial corporations.

"Such certificates shall be evidence of a non-interest bearing debt to the Federal Reserve Banks and such debt shall be liquidated out of any surplus of revenues over expenditures of the United States Government which may arise in future years. No interest bearing obligations of the U. S. shall be sold to any bank or financial institution except for cash."

On Jan. 17, Chairman Eccles of the Board of Governors of the Federal Reserve System, in connection with the announcement of the increase in margin requirements on stock exchange collateral from 75 to 100%, warned that:

". . . So long as the public debt continues to be monetized through the purchase of Government securities by the banking system, the supply of money will continue to increase, thus tending further to reduce the interest rate on savings and investment funds. The resultant pressure of an increasing money supply and of lower interest rates is bound to have a further inflationary effect upon all capital assets and to increase the difficulty of holding down the cost of living.

"It is, therefore, imperative that the process of further monetizing of the public debt through the banking system be ended so that the rate of return on investments would be stabilized and would reflect the supply of savings and investment funds in relation to the demand instead of reflecting an increasing amount of bank credit. This process needs to be stopped not only by bringing about a balanced budget, but also through measures to check further unnecesasry expansion of commercial bank holdings of government securities."

A few days later Allan Sproul, President of the Federal Reserve Bank of New York, referring to the abundant supply of money and liquid assets in the hands of the public, the restricted supply of goods and services, and the favorable business outlook for the next few years, said:

". . . As gilt-edged securities, both public and private, rise in price under pressure of the abundant money supply, funds flow over increasingly into lower grade securities and into equities, and into commodity, real estate and other markets, under the pressure of rising expectation of profits and the apparent minimizing of risks. The stage was never better set for for another demonstration of this character.

"To promote an inflationary boom at this time would be a poor prologue for the maintenance of full production and high employment in the post-transition period. I do not suggest that monetary controls can cope single-handed with the inflationary aspects of the present situation, nor even that they can be used so vigorously as to constitute a major anti-inflation weapon. At the moment the development of a wage-price spiral seems our greatest danger, and **monetary action is not the answer.** But we must devise a monetary and credit policy which, taking due account of the appropriate requirements of the management of the public debt, will discharge our responsibility for promoting economic stability, and support the measures taken by other agencies to curb inflationary tendencies, in the present temporary circumstances."

Still a third statement bearing upon present credit tendencies was that issued the end of January by John K. McKee, concluding a ten-year term as member of the Board of Governors of the Federal Reserve System, in which he expressed the view that reducing further the interest rates on government securities would impair the financial health of the nation's banks. Speaking particularly about smaller banks, he said:

"Nothing would appear to be more shortsighted than the proposals which we hear from time to time for reducing interest rates below present abnormally low levels. . . We made a serious mistake in the Nineteen Twenties in ignoring the spread of difficulties among our country and small city banks. Let us not repeat the same mistake in the next decade.

On Feb. 13, 1946, the "Wall Street Journal" stated in a Washington dispatch: Continuation of a low interest rate policy, both on commercial and government obligations, is advocated by Secretary of the Treasury Vinson.

The Secretary's position was disclosed yesterday when recent testimony before the House Appropriations Subcommittee on the Treasury Department bill was made public.

"I believe in the wisdom of a low interest rate policy," Mr. Vinson declared, "because of the widespread benefits throughout the economy.

"Low interest rates greatly benefit the taxpayer by making possible a lower level of taxation to cover expenditures than would otherwise be possible. More important, low interest rates constitute a stimulating force throughout the economy, as they make it posible for the home buyer to get more home for his monthly payments; for business to get more plant for its fixed charges; and for state and local taxpayers to get more highways, hospitals, schools, and so forth for their taxes."

The Secretary gave no indication in his testimony whether the Treasury would attempt to lower still further present interest rates on Government securities. The current average interest rate on government obligations is 1.95% compared with 1.93% a year ago.

From these comments it would appear that while there is some wish for stability, there is little desire for higher interest rates being evidenced in political circles.

It can be seen readily that powerful controls can be exercised and that credit can be made available to an almost unlimited degree. Recently, however, we have noted a tendancy on the part of Federal Reserve authorities to act more cautiously and conservatively. New loans upon registered (listed) stocks for the purpose of buying other registered stocks may not be made. The larger Government bond dealers must report their positions daily and **trading limits** (in prices) have been established. Offerings of Government securities in recent War Loan drives were restricted, primarily because of Federal Reserve advice, to ultimate investors and now there is a market of about $54 billion of restricted issues (in addition to savings bonds.) Reserve officials are disturbed because the volume of bank deposits is so large, and because banks have been seeking to maintain income by extending maturities. Some officials are disturbed because they fear bank credit will be used exceesively for speculative purposes and have suggested rather drastic measures to reduce bank deposits and reserves. Federal Reserve officials, commercial bank officers and insurance company executives have conferred with the Secretary of the Treasury on these problems recently.

The President and the Secretary, naturally enough, wish to finance at a low rate and, apparently, are not apprehensive of the consequences. Officials of financial institutions, however, see far reaching economic consequences, which bode ill for the future. They suggest that low interest rates are an indirect tax upon everybody and especially injurious to fixed income groups. They believe that the present drift or rush to lower yields is forcing all types of investors into investments of lower and lower quality which well may prove embarrassing in periods of poor business conditions. Reserve authorities would prefer to take measures which would rectify this situation. However, these meaures might serve to increase interest rates and since increased interest costs are not acceptable to the Treasury, an impasse seems to have been created.

The most important step is to balance the Federal budget as soon as possible. This would permit a real start on debt retirement. Furthermore, debt retirement can be so handled that bank held securities would be reduced and, simultaneously, bank deposits are reduced. In the first debt retirement since the 1920's, this is exactly what the Treasury is undertaking to do. However, one should note that the budget is not yet balanced and the forthcoming retirement of $2,779,720,600. (1% of the debt) merely cancels out some of the excess borrowing of the recent Victory Loan. Most of the 3¾s, 1s and ⅞s to be retired are held by banks or security dealers, the latter carrying their holdings through loans. The effect of the retirement, therefore, will be for the War Loan deposit account and loans and investments to decline. It should be noted that the War Loan account will decline before these funds have entered into the credit stream. Bank earnings, of course, will be reduced by the operation and because of this, there may be renewed interest in intermediate and longer-term higher yielding bank eligible issues. No easing of investment pressure results from this action for no securities are being made available in those sections of the market where securities are needed most. To a degree, the Treasury is paying off issues, averaging 1.44% with money costing it about 2⅛%.

It is not clear as to how far the Treasury will go in the retirement policy. President Truman did suggest in his budget message that $7 billions of obligations were to be retired by June 30, 1947. If redemptions of savings bonds are not too heavy, we should expect retirement of the 3s and 3⅛s on June 15. This would require about $1,855 billion. These issues, too, are held mostly by commercial banks and security dealers and thus the effect of such action would be the same as the March retirement.

To the extent that these retirements serve to reduce deposits, the effect is deflationary. However, where the individual receives cash, the effect is inflationary. Dealers, assuredly, can be expected to replace issues retired and to finance the new purchases with loans.

Next, it would seem desirable to refund a part of the short-term debt into long-term debt. There are about $65 billions of maturities due in the next 12 months and over $48 billions in savings bonds confronting the Treasury. The Treasury doesn't appear disturbed by this situation, however. Since the Federal Reserve Banks doubtlessly will continue to sell short Governments as money returns from circulation, bank investments and deposits will rise as a result. This could offset the retirement currently being effected.

The Treasury could, however, refund maturing debt with long-term restricted issues. This would make available new investments for savings banks, insurance companies, other institutional investors and individuals. It would reduce commercial bank investments and deposits and absorb some of the inflationary dollars. This might steady "tap" prices and stop the current upward price trend in these restricted issues.

However, the Treasury might refund the called 3⅛s and the 3s, and maturing ⅞s with an intermediate dated issue. This would partly alleviate the one-year maturity situation and would not increase the interest cost much if any. It would provide commercial banks with additional medium dated maturities and thus relieve the pressure on this sector of the market. Unless done in volume, however, present prices might well be undisturbed.

Federal Reserve might (with legislation) increase reserve requirements. This would cause banks to sell securities which Federal Reserve Banks probably would buy. Federal's earnings would increase at the expense of the commercial banks. The commercial banks might seek to make up this lost income by selling short maturities and by purchasing longer better yielding securities. The general tendency, however, would be for prices of securities to decline and yields to rise. Since the Treasury has so large a short-term debt, this procedure would prove costly to the Treasury and, I think, would be opposed strongly.

The Federal Reserve might eliminate the preferential discount rate of ½ of 1%. This would mean but little, in reality, but might cut down some borrowing. As a gesture it could cause some dealer liquidation and some individuals might be psychologically disturbed. At June 30, secured loans (all commercial banks) amounted to $6.714 billion. The Treasury might fear that interest in Certificates of Indebtedness would decline and thus might oppose the action. Broadly speaking, however, it would not mean much.

The Federal Reserve might take some action to increase margin requirements on Government securities. This could cause some liquidation of these thinly margined issues. Such liquidation would cause some price declines but securities so sold would be absorbed, in due course.

The Federal Reserve Banks might sell sufficient of its holdings of short-term Governments so as to absorb the present excess reserves. Since both New York and Chicago have little or no excess reserves, sales would have to be made to out-of-town institutions. These institutions prefer longer higher yielding issues. Such action would disturb the balance and liquidity of the market. Prices would tend to decline and the Treasury's refunding problem would be aggravated.

From the foregoing, it is apparent that Federal and Treasury aims are somewhat different and it is our guess that the Treasury's desires will control. It well may be that no further action will be taken by Federal Reserve authorities and that the market will be permitted to drift to lower yield levels. Perhaps the Treasury is aiming toward a long-term 2¼% or even 2% yield basis. If such is the case, it can but mean a continuance of the problem of finding suitable investment outlets for funds.

Undoubtedly the insurance companies and the savings banks will experience some relief when mortgage loans become available in greater volume. Commercial banks in smaller communities, too, should have some relief presently in new sound mortgage loans, in new commercial loans and, perhaps in consumer credit loans. Obviously every conceivable outlet must be examined carefully, the risk weighed and action taken accordingly. Although bank profits are large, the period of easy income appears over and the time has come for aggressive solicitation of old and

The National Debt and Inflation

(Continued from page 1215)

take over the assets. Neither of these can happen with government. Government can't just shut its doors—it must keep on in some fashion, solvent or not. And as to its assets, these already belong to its principal creditors—the people themselves.

Since government can't go through bankruptcy, it passes into the hands of receivers. As for the debt, that falls on the people themselves. The bigger the debt, the harder the blow. In a nation such as ours, where the debt is about equal to the total value of all property and where all forms of property have been pledged to the support of the debt, everyone loses everything.

Of course this all doesn't happen in five minutes. It takes time. And, of course, the government concerned never for a moment admits what is going on. The would-be receivers call for more and more power—"just trust us," they say. And they seek for some way to cushion the blow. They always try the same mattress. Its name is inflation.

Now, there is one law of economic life which all American citizens should learn by heart. Public debts are going to be repaid, one way or the other. We can pay them across the board, as debt should be paid; or we can try to dodge them—and economics will collect double; out of our pocketbooks and out of our hides.

History is full of examples of what happened to peoples who attempted to step out from under their national debts.

Germany tried it after the first World War.

The German Government offered financial schemes which were cast in the same mold as those now presented by President Truman and Chester Bowles.

This program, mind you, was presented as being strongly anti-inflationary. The Government was going to hold the line. Inflation was to be prevented by price controls and rationing.

The Germans fought a series of losing battles. These followed exactly the lines of the six-month skirmish which our OPA has just lost. The spiral of inflation was unchecked.

There were two results I wish to bring home to you. One is that the German people themselves, and not just a class among them, took the final loss in dollars and cents. The other is that the demoralization which resulted from this inflation was what opened the door to Adolph Hitler.

As is happening in America today, National Socialism was presented as a cure; it proved a curse.

Let me give you another example. At the end of the French Revolution, a committee of ivory-tower experts—who would be right at home in Washington today—worked out a plan which was going to get rid of public debt. This debt had haunted the nation since Louis Fourteenth—who also might have been a New Dealer.

These French experts promised to avoid the mistakes which had pricked the Mississippi Bubble less than a century earlier. All they were going to do was to extend the nation's credit in some new fields and start some new pump-priming. Does this sound familiar?

And the program was anti-inflationary. Oh, yes! They said so. They were going to stop inflation by controlling prices. Does that also have a familiar ring?

They passed the most rigid price-control program of all history. A man could be guillotined for charging too much, for dealing in the black-market—even for asking what kind of coin he was going to be paid with.

But inflation is inflation and putting it in the false whiskers of anti-inflation doesn't change its nature.

The loss fell directly on the French people. Their possessions were wiped out. The liberty and equality and free government they had set up in the new Republic disappeared. Even in money, the loss was many times greater than the national debt they were trying to escape; and in place of freedom, they wound up with Napoleon Bonaparte as dictator.

Let me tell you another piece of history with a happier ending.

When this nation adopted the Constitution, we took over the war debts of the Continental Congress and of the States.

Then, as now, there were those who argued it would be a mistake to try to pay it. Debt was good for us; we could escape it by a little controlled inflation. Perhaps the debts would disappear if we ignored them.

Alexander Hamilton pleaded for the repayment of the debt. One of his arguments was a matter of business foresight—if we ever hoped to be able to borrow again, we must have a record for paying off old borrowings in full.

The other plea was not in the field of finance at all, but in that of morals. Hamilton demanded the debt be paid because that was the right thing to do—because a Government which will do a wrong in a financial matter will do wrong in other fields. The arguments for public credit and good faith, he said, "rest on the immutable principles of moral obligation."

Hamilton's advice was followed and it soon demonstrated its soundness. His counsel guided the fiscal policy of this nation through all of its growth and prosperity.

The basic issue in national politics today is the same question as in Hamilton's era: "Shall our Government tighten its belt and pay its debt the only way debt can ever be paid—by spending less than it receives?"

As I said earlier, our national debt is at a critical point. It is a mortgage approximately the same size as the property it covers.

It still is within the physical power of this nation to retire it. If it continues to grow, the time is not far distant when repayment will be impossible.

The size of this debt, coupled with the fact that the national administration is making no realistic plans to liquidate it, are the factors in national life which are the true inflationary pressures. Playing tag with prices has nothing to do with the cause. The OPA might just as well be trying to stop a blizzard by catching the snowflakes.

The hard thing about the national debt is not paying it off so much as getting started. The mere act of clearing the decks for a serious wrestling match with the debt would be one of the most powerful industrial and moral stimulants this nation could have.

But we are not on the right track under a President who says, as Mr. Truman did recently, "We are rich," and who makes his plans accordingly.

We could have been out of the woods and on the highway to abundance today if six months ago the President had wrung the extravagance and waste out of his Administration.

Instead, he listened to some mighty bad advice. He was told on the one hand, "the hope of future votes for the Democratic party lies in big Federal payrolls—if you fire the 2,000,000 war employees of the Government, it may lose you political support."

And on the other, he was told, "No matter how inflationary the Government's financial policies may be, inflation can be prevented by controlling prices."

Both statements are untrue.

America begged for a balanced budget this year. This, if ever, is the year to do it. An era of transient prosperity seemed inevitable in merely catching up the shortages caused by the war. It took real genius in mismanagement from preventing a boom of several years' duration.

Instead of a balanced budget, with reasonable taxes and expenditures reduced to leave a surplus for the debt, President Truman produced the biggest peacetime budget in all history.

It is 10 times more than a normal budget, four times higher than the biggest pre-war budget of the New Deal, and even on the face of it 30% in the red. The deficit would be far more than that, because many expenditures the President hopes to make are not included in it.

Arguments that the budget is anti-inflationary and that it would reduce the public debt are a fraud and a deception.

It is much the most inflationary budget ever laid before the national Congress. It sent the stock-market skyrocketing, it further tangled the strike deadlock, and it caused a new crisis in national housing.

And it broke the back of the President's price-control program. It is no coincidence that only a few days after announcing his budget, the President found it necesary to weaken his stand on the Bowles "hold the line" battle.

The choice of the American people is exceedingly simple. They can pay the National debt by economy and hard work, or they can pay it many times over, with a loss of resources and a loss of liberty, through Truman inflation.

The President is asking for a blank check when he ought to be calling for the pruning shears.

Alexander Hamilton emphasized the close relationship between bad finances and bad public morals. The kinship is shown by a host of current trends in Washington.

The plotters are on the march. The storm warnings are flying. The nation is still staggering under the paralyzing effect of strikes and the threat of strikes and it may be many months before the choppy seas of labor unrest are completely calmed. Reconversion has had a serious setback. Washington is bogged down by that altogether too numerous class of worshippers at the shrine of radicalism and social revolution.

Unfortunately, there is no real, heart-warming leadership in the White House.

No one can doubt that ours is at once a glorious and perilous age; glorious because of its prospects for unprecedented good; perilous by its posibilities of unparalleled ill.

The fact that you are here today to listen to a talk of this nature; the fact that more Americans are examining the foundations of their liberty than at any period since the Civil War; the fact that so many businessmen have become politically conscious of their obligations to state and nation, all indicate that the thinking people of America are coming alive to the seriousness of the situation that confronts us.

The freedom we have enjoyed in America is not the fruit of fortuitous circumstances or of great natural resources. Freedom is something you either guard or lose. It is not something you can lay down and pick up later.

Businessmen, of course, know too well the hazards of mounting debt and see too clearly the mass fraud of inflation not to wish to restore financial and moral integrity to the national administration.

I am convinced that all of us are as one in the desire to uphold the stimulating influence of the competitive process against the dead uniformity of government planning and control. That has been our great trouble—too much government in business.

It behooves those of us who can mould public opinion to tell the story of America under free enterprise in words so simple that advocates of State Socialism cannot distort their meaning.

As we stand today on the threshold of decision, I say thank God for the Lincolns and Washingtons whose abiding faith in America must be our inspiration as we draw our battle lines against the present day destroyers from within.

Ours must be the total victory if we are to keep the faith with those millions of brave American boys who fought that freedom might be ours.

That is the task that lies ahead. I am confident that all of us are ready to accept that challenge!

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new possibilities. The corporate market certainly affords but little and one could be locked in eventually if care is not used now.

Considering the existing circumstances, it seems desirable to maintain a fully invested position. There should be enough cash for normal and emergency needs, of course, but ample liquidity is available in your holdings of 2s and the 2¼s of 56/59. From time to time switching opportunities may be presented to you, yet one must weigh the possibilities carefully. The opportunities for profit do not appear to be quite as good as those provided during the war loan campaigns, yet there should be some refunding operations in due course that may be interesting to you.

Even if the market base does not move up further, the "tap" or "restricted" issues still appear to have price appreciation possibilities. Similarly, high grade corporates have appreciation possibilities, but obviously corporates do not have the liquidity of Governments and certainly corporates at still higher prices would prove less desirable to commercial banks several years hence, than they do even now.

At best, the problem of investing funds is not going to be easy and competition is already very keen. We must continue, therefore, to be vigilant and keep one eye cocked on the competitor and the other eye on the money managers. As far as one can see ahead, interest rates appear likely to remain low and the Treasury appears to be the stronger influence in the market than the Federal Reserve Board.

Naturally enough, we have no knowledge as to what the money managers may do, yet our guess is that the decisions of the Treasury will determine the future course of prices.

American Productivity Our Protection—And Our Danger

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conclusion that about two-fifths of the stupendous wealth of this country was due to the gifts of nature, while three-fifths was due to the high efficiency of American management and labor.

The result of my trip was a book, which my publisher entitled, "The American Economic Miracle." Needless to say, I had to contend with many bitter critics, not only because the book became a best seller, but because after 1929 America was plunged into a depression. I had never promised lasting prosperity, but I was criticized because of the slump.

The best justification for the title given to my book is the performance of American economy during the second World War, which by far exceeded anything we could have imagined. In December 1941 Hitler was practically the master of the European Continent with all its resources. Within two years America had out-produced him. American economic strategy scheduled the means by which Hitler would be surpassed—and even the timetable. The manpower in the Armed Forces at the end of the European war was scheduled to be 11 million; on V-E Day the figure was 12.3 million. Civilian labor was forecast at 53 million; actually employed were 52 million. The end of the European war was forecast for December, 1944, and it ended 5 months later. Never before had such accomplishments occurred—not even in planning a world-wide war. Thus President Roosevelt spoke of the "Miracle of the American War Economy."

There are other nations or empires whose natural wealth can be compared with that of America. Russia and the British Empire have a greater number of people. None of them can show a similar economic performance.

II. A Moment of Hesitation and Doubt

Nevertheless, at this very moment we are in a strange state of doubt as to our productive power. The war ended 6 months ago. Our civilian labor force is somewhat larger than it was a year ago. Our war production is shrinking to a minor, soon perhaps to a negligible, percentage. Nevertheless, we still have scarcities in civilian commodities which seem to be almost as sharp as they were a year ago. It is certainly not easy to ascertain the real reasons for the relatively slow course which we are taking in returning to peace-time production. One thing, however, is pretty certain:

After some months America will have regained her productive power in full strength. At the same time some of the pressing demand, which I think gives a misleading picture of the demand-supply situation, will have been satisfied. Nine to ten million men will again be clad in civilian attire. Three to four million GI families will have found some kind of furniture. The mustering-out pay which has helped to finance heavy buying will stop, as will tax refunds in the industries. Reconversion and retooling are far advanced and about completed in most industries. Demand for many goods, therefore, is bound to shrink or to become less pressing, while the supply will increase, or in some cases be abundant.

As soon as this is evident, the talk about inflation will recede. I have never seen inflation develop with full markets. The only step which would result in higher prices might be large-scale deficit spending by the Government. There are many who believed until quite recently that we were bound to have huge budget deficits for a number of years to come. The Budget Message of 1946 announced that the national debt would not grow any more, but would rather decrease during the next 18 months. At any rate, the much-decried "borrowing from the banks and Federal Reserve System" had petered out. This source of creating additional purchasing power will soon be gone.

The great problem then is: When will we reach the point where our productivity will catch up with the demand? It cannot be too far away. While I found it necessary to deflate the somewhat over-enthusiastic contention that American production necessarily doubles every 20 years, I feel obligated to emphasize that it has progressed up to 1929 at a higher rate than in any other comparable nation.

After 1929 the increase in production proved to be by far too great for the obtainable (or at least obtained) consumption, including investment. I consider the fact that our productive capacity had by far exceeded our "propensity to consume" to be the decisive cause of the great depression. Therefore, the charming theory that "production makes markets" has never been strong enough to convince those who were old enough to remember what really happened in heavy depressions. In 1929 we had production in abundance, but it just did not create sufficient markets. It needed the greatest war in mankind's history to overcome the depression of the 30's with its open and half-hidden unemployment.

III. The Scope of the Increase in our Productivity

For 3 centuries this country has been rich in soil fertility, poor in communications, hungry for immigrants. When the colonies freed themselves from Great Britain, they had a population of 4 million people, most of them farmers. Our great industrialization began with the development of the railways, of modern iron production, and the utilization of oil. The growth of our total production in volume looks as follows:

TABLE 1
*TOTAL PRODUCTION IN U. S. 1899-1944
1935-1939=100

	Total Industrial Production	Agriculture	Minerals	Consumer Services
1899	32	--	30	--
1903	57	79	55	--
1914	61	86	62	--
1929	110	99	107	105
1932	58	96	67	76
1939	109	106	106	103
1944	235	133	140	116

*See Senate Committee on Banking and Currency, Basic Facts on Employment and Production, Washington, D. C., 1945, page 4.

If we exclude the war time developments, from 1899 to 1939 our population increased by about 80%; our industrial production by about 315%; our mineral production (including oil) by about 333%.

While our population in 1939 was approximately 6½% of the existing world population, we ran almost two-thirds of all the automobiles; we had three-quarters of all telephones; the greater part of the world's gold supply was here, and although the expansion of our railways was stagnant since the twenties, we still had one-third of all railways on earth within our borders. What other country had a comparable standard of living?

IV. Over-Confidence, Rapid Productivity, and Deflation Catastrophe, 1929-1933

When I revisited this country in 1927 I found the country overconfident in the belief that America had found the key to everlasting prosperity. Some economic authorities then believed that prosperity could be maintained permanently by monetary means. A House Committee headed by Congressman Strong published 3 large volumes of hearings under the title of "Stabilization" (1927-1929) not on the question **if** we could stabilize the economy and completely and forever eliminate business cycles, but **how** we would do it. This had become a kind of general conviction. (Now we have a somewhat similar faith in "full employment by wishful thinking.") In 1927 I found only two or three men who warned against a breakdown which they thought was already in the offing. Mr. Paul M. Warburg stressed that it was a bad sign that our industrial production had risen without employing additional labor.

Even today there is little agreement about the real causes of the terrible depression of 1929-1934. To me it seems that sufficient material is available to prove beyond a doubt that our productive power had by far exceeded our consumptive power. For the first time in its history the country came to realize that there was a dangerous and seemingly incurable abundance of labor, instead of a shortage.

Perhaps the policy, started in 1924-1925, of maintaining agricultural prices by storing larger quantities of Farm Board wheat and cotton, ultimately enforced a sharper breakdown of prices than would have occurred if, with increased agricultural production, we had gradually lowered these prices during the prosperity years. As raw material prices are the basis of almost all other prices, the breakdown occurred all along the line. The assets on the left side of the balance sheet shrank while the weight of the liabilities increased. Most industries worked in the red. Our wonderful progress in productivity had ushered in an excess of goods and services far beyond all available purchasing power.

VI. The Next Miracle: Productivity Progressed Even During the Depression

It belongs to the most astonishing events in economic history that the output per man-hour progressed almost unchecked, even during the depression.

When productivity increases, two very different factors may be the cause:

(a) Increase in the volume of production: When production or sales volume increase, the overhead or "fixed costs" up to a certain point either do not increase at all, or at a very low rate. This means a reduction of total costs or "input" per unit. As we measure the progress of productivity in man-hours, a substantial increase of total sales (or production) volume must, ceteris paribus, result in lower "input," i.e., a greater output per man-hour.

Under the same circumstances, when the sales volume decreases, this rule is reversed, that is the output per man-hour necessarily decreases as the "input" increases.

(b) The other possible cause is the real increase in productivity. A better know-how, new efficient techniques, as a rule result in a greater output per man-hour; this does not only apply to improved machinery. Better organization of plants, sales methods, everything called "scientific management" serve the same end.

Our development during the depression showed irrefutably that great progress in productivity was accomplished even in those dark years.

TABLE 2
OUTPUT AND MAN-HOURS PER UNIT IN MANUFACTURING INDUSTRIES
1927-1939—1899=100

Year	Output	Wage Earnings Per Unit	*Man-hours Per Unit*
1927	317	55	*47*
1929	364	51	*42*
1930	311	52	*41*
1931	262	52	*40*
1932	197	59	*41*
1933	228	57	*39*
1934	252	60	*38*
1935	301	53	*35*
1936	353	49	*35*
1937	376	51	*36*
1938	295	54	*35*
1939	374	47	*32*

From 1929-1939 the use of labor per unit of product in farming has gone down (1900=100) from 76 to 58; the output per man-hour in mining, including petroleum, from 100 to 64.*

Thus, while the volume of our consumption and of investment, increased by about 4% between 1929 and 1939, the number of unemployed which was less than one-half million in 1929, rose in 1939, in spite of shorter weekly hours, to between 9 and 10 million.

VI. The Greatest Performance: Our War Production

The war removed practically all unemployment. These are some highlights in the unparalleled picture of our war production:

TABLE 3

	1939	1945
	—Billions—	
National Income	$70.6	$162
Gross National Product	88	198-199
Retail Sales Volume	42	74.4
Labor Force:	Million persons	
Civilian Labor Force	45	52
Number in agriculture	10	*3
	—Billions—	
Exports, includ. lend-lease	$3	$12

*Agriculture produced in volume one-third more during 1945 than during 1939 with 20% less manpower.

VII. Did We Increase Our Productivity During the War?

There is profound disagreement among economists as to the question of whether or not our productivity has arisen during the war. There are many who believe that the ostensible war time progress in efficiency was only limited to the specific war time industries while the others showed no progress.

I am one of those who are convinced that the increase has been considerable, not only in the war industries, but as far as "civilian type" goods are concerned, also. Our farmers have, in 1944 and 1945, produced on the average, one-third more than in the years 1935 to 1939, in spite of the fact that farm labor has decreased by 15 to 20%, and the demand for farm machinery and equipment could not be satisfied. We might very well be at the threshold of a new rationalization in farming. The output per employed person has increased by almost 50%.

In the manufacturing industries, there is no doubt that the real effort of the laborers has not risen during the war in many business lines. The contrary is true, since skilled labor has been replaced by unskilled. But this has been widely overcome by managerial ability, better organization, and by the higher volume of production itself. There has been much retooling during the war. The surprising speed of most of our reconversion is witness thereof.

Nevertheless, the idea has been maintained that the increase of productivity per employed person in agriculture was 24% at best, and in the manufacturing industries of "civilian type" practically zero.

I think that the development itself has decided a good deal of the controversy. If, as the President's Budget Message of 1946 stated, 20% of all industrial workers got wage increases after V-J Day, without necessitating corresponding price increases; if the

*Solomon Fabricant, Labor Savings in American Industry 1899-1939, Occasional Paper 23, National Bureau of Economic Research, New York 1945, page 46.

automobile industry, in spite of the large-scale increases in wages and the prices of materials which had occurred during the war could, before the General Motors strike, get along at prices only 5-7% higher than in 1941, this should show sufficiently the impact of the increased efficiency.

VIII. Large Production Prohibited Serious Inflation During the War

The purchasing power of the American people more than doubled in the war years, due to the fact that Uncle Sam spent 90-100 billion per year. As a result of deferred demand and extensive savings our purchasing power is undoubtedly still greater than the volume of commodities available.

When the enormous spending for winning the war started, heavy pressure for higher prices was expected, due to the anticipated lack of civilian goods. The Presidential Message of Dec. 31st, 1941, forecast that our gross national production in 1942 would be 100 billion dollars, and civilian expenditures 50 billion dollars. As the national income would be high and the volume of goods for civilians low, many economists expected perilous consequences of an "inflationary gap." The gap was there, but fortunately the inflation did not materialize. America's productivity performed its greatest miracle, since civilian consumption instead of going down, rose while production for war also increased. For the individual consumer there was a volume of perhaps one-fifth more available in commodities and services on V-J Day than in 1939.

Our consumers, far from outbidding each other with their "surplus purchasing power," did the unexpected; they saved for a rainy day. As a consequence, in spite of serious loopholes in our price control, the general price increase was hardly half as great as it had been in the first World War, though the expenditures of this war were many times that of the last.

IX. The Real Great Test to Come

The gloomy prophesies of a war time inflation have proved to be wrong. Fortunately it is already visible that nothing will come out of the prophesies of a post-war inflation based on the large war time savings. There is at present undoubtedly greater private spending than ever before. There is, however, no sign that the "dissavings" are larger than the additional savings.

Have We Found the Stone of Wisdom?

Our factories, many of them well improved in their equipment, will after the end of the strikes pour out a greatly increased production. Already in the second half of the year we can expect that our budget will come close to being balanced. Uncle Sam's spending will be one-third of that of 1944-45. Replenishment demand, except for homes, automobiles and consumer durables, will become less urgent. With the beginning of the 1946 harvest, even Europe's food demand will slow down.

This means: In the course of this year the markets will become fuller, pent-up demand will decrease, except for housing and some consumer durables. Manpower will become freely available.

While the wage-price concessions made in the first quarter of 1946 may raise the cost-of-living index by some percent (scarcely more than 5%), the consumers will not feel the pinch fully, because black markets are bound to disappear; the qualities of goods, especially textiles, must necessarily improve; and the low-priced commodities will reappear.

The value of our pre-war industry was estimated at $50 billion, including the land. From 1940 to 1944 we invested at least $25 billion, a large part in the form of equipment.

A good deal of the new plants will be useless, especially the aircraft factories, and to some extent the shipyards. Nevertheless, I believe that our productive capacity has been increased at least by one-fourth to one-third in the manufacturing industries, in transportation and in the production of electricity.

When S. Morris Livingston early in 1943 forecast that in order to have high level employment we needed an increase of 50% in our consumption as of 1940 (which means an increase of about 62% over 1939), there were some doubts if such an increase in production would be technically possible.

Today, nobody really doubts that we can do better than that. **Technically** there should not be any difficulty to produce in 1950 twice what we consumed and invested in 1939.

Since our productive capacity is so great, our accumulated savings are no danger. Especially if unemployment should reappear, the much-decried war-time savings will be a most valuable cushion for a coming deflation.

The real danger, on the contrary, will again be, as it was in 1929-1939, that our productivity might tend to outrun our capacity to consume.

Then, our real problem will be with us again. We have shown that we can master the danger of inflation. But we never really overcame the deflationary depression of 1929-1939, except through the war. The real test of our ability will be whether or not we can harness our huge productive power so as to adapt it to the possible increase in consumption and investment, or vice-versa. So far we have prepared very little.

We have learned how to master inflation. We have still to show whether we can combat deflation.

"Our Reporter on Governments"

By JOHN T. CHIPPENDALE, JR.

Recent developments in the money markets have created uncertainties which have resulted in a very thin market for Government obligations. . . . Although the immediate outlook is confused, new alltime highs were made in the short and intermediate bank obligations and the long restricted bonds. . . . Nevertheless, until there is clarification of Federal's attitude on the refunding operation, particularly with reference to the reserve position of the commercial banks, (which will be determined in the near future by the Central Banks' action or lack of action in the open market)—the Government market will be cautious and move in a narrow range. . . . As a result, commercial banks are being advised to confine required purchases to certificates. . . Adding to the obscurity of the situation was the Canadian trend toward lower interest rates on the one hand, while on the other was the report that the Federal Reserve Board would seek legislation to give them greater power over reserve requirements of member banks. . . . Likewise there were reports that the Treasury might be in the market in the fall for new money, with obligations having a maturity of seven, 12 or 15 years being mentioned. . . .

The Government bond market is very sensitive to news and if the tenor of the reports is such that the trading fraternity believes them to be bullish, then prices move up. . . . This is what happened following word of the Canadian development. . . .When it was reported that the Federal Reserve Board would ask for greater power over reserves and that there might be some new money financing by the Treasury later in the year, prices were shaded and the market moved down. . . . Also the sharp decline in the equity market has had a sympathetic effect on the Government bond market. . . .

DEALERS INACTIVE

Most of the dealers are very cautious and despite the fact that positions are pretty clean, there is no great desire at this time to build up inventories. . . . A sideline position seems to be the prevailing attitude, with some markets purely quoted affairs, particularly the longer-term high-coupon partially-exempt obligations. . . . Neither the banks nor the dealers are inclined to take on these bonds just under their all-time highs. . . . Non-bank investors have been inactive, with what might be termed a mild "buyers' strike" in progress. . . . Some of these institutions have just completed paying for deferred purchases made during the Victory Loan, and with positions fairly well invested are waiting to see what takes place in the market. . . . Non-bank investors, if they do not go rushing in to buy the outstanding obligations and mark prices up against themselves, can keep yields from declining too far—that is, to the point where the Treasury is forced to issue lower coupon obligations. . . .

It may also be that non-bank investors feel that with all the pressure that is being put on the Treasury to sell obligations to ultimate investors to reduce deposits, this could result in some long-term bonds coming in their direction. . . .

A TRIAL BALLOON

Reports that the Treasury in the Fall may seek new funds could be based upon the realization that something should be done to increase the supply of long-term obligations if prices of outstanding issues are to be stabilized somewhat near present levels. It does not seem as though the monetary authorities will be in need of balances by that time, despite the paying off in cash of maturing obligations. . . Revenues are holding up very well, expenditure decreasing, as is the deficit. . . . It is indicated that the Government could go well into 1947 without raising new money in the market. . . . This report on new financing, probably in the nature of a "trial balloon," may mean some change of attitude on the part of the Treasury. . . . While there is nothing official about this latest rumor and the Government is not in the habit of letting its plans be known so far ahead of time, it can be said that the Treasury has always used orthodox methods in handling its financial problems. . . .

It seems quite likely that the June called bonds will be paid off in cash, with the decision on offerings of long-term obligations to non-bank investors likely to be decided after the monetary authorities have found a way to prevent the selling of bank eligible issues by ultimate investors. . . .

There would be no decrease in deposits through the sale of long-term obligations to institutional investors, if the holders of bank eligible securities were to sell them to the commercial banks and then use the proceeds to purchase the newly offered bonds. . . . It may be that the Federal Reserve Board in seeking greater control over reserves of the banking system has a solution for this problem. . . . The sale of long-term obligations to institutional investors in the future will probably depend upon the trend of the inflationary forces. . . .

WHEN AND IF

If the inflationary pressure is down by Fall, production is catching up with demand, and goods are in supply, it is likely that sizable offerings of long-term obligations will be made to non-bank investors. . . . In the interim, until the inflation threat has been eliminated, it is logical to expect a continuation of the policy of paying off matured obligations, which will further reduce deposits. . . . When conditions are right, there will be offerings of long-term obligations to non-bank investors, and whether they be 2s or 2¼s will be determined by the market for outstanding obligations since the Treasury will no doubt continue to offer issues that fit the then prevailing pattern of rates. . . .

CANADIAN POLICY

The trend toward a lower level of interest rates in Canada was further accentuated last week with a decrease in the rate of six-months deposit certificates from ¾% to ⅝%. . . . Prices of long-term Canadian bonds have been advancing and are approaching levels where it may be possible to issue in the future 2½% instead of 3% obligations, which was the coupon rate during the war period. . . . The decrease in the rate of short-term funds in Canada reemphasizes the fact, that interest rates in any country will be what the Government wants them to be. . . .

While this same thing could happen in the United States, it is not considered likely that we will be influenced by the action of our neighbor to the North. . . . Our rates here are still lower than those in Canada even after the recent decline. . . .

A Speeded-Up and Simplified Price Control Plan

(Continued from page 1216)

of respect for law and, most important, serious danger to our personal and political freedoms. I think there is no likelihood that the American people will embrace regimentation willingly. But there is a risk that in default of proper policy we will reluctantly accept more and more controls as the only alternative to real economic ills. We do not want to be confronted a year from now with the choice which faces us today—inflation or price control. It will take positive action to escape that dilemma.

I shall return later in this statement to the question of getting rid of price control rapidly without inflation. First I wish to make certain recommendations about the kind of price control that should and can be continued for a limited period. Price control at present is unworkable and unfair. We must look for legislative standards and administrative procedures which will operate quickly, without impeding production or creating major inequities and at the same time will prevent a serious increase in the general level of prices. Perfection cannot be expected in any of these regards. But I believe that some changes can be made that will greatly improve the transition functioning of price control.

My recommendations are not intended as a reflection on the OPA staff. The members of that staff with whom I have come in contact have been conscientious and hard-working. For four years they administered a wartime law under wartime conditions with great success. Since V-J Day numerous steps have been taken to reconvert price control to transition needs. Congress should hasten that reconversion process by restating in new terms the objectives, standards and general procedures of price control.

OPA Should Speed Up and Simplify Its Work

The major goal of my recommendations is to speed up and simplify price control. The most common and most serious criticism of OPA is that it acts too slowly to meet the needs of a rapidly changing peacetime economy. The pace of reconversion has been rapid; it would have been even faster if price determinations could have been obtained from OPA more quickly. It seems probable that the stabilization order recently announced by the President will result in a greatly increased number of applications for price adjustment, thus materially increasing delay.

1. Automatic Pricing

The establishment of ceiling prices would be speeded and simplified if the responsibility for price determination were shifted as far as practicable to the individual businesses concerned. A business would compute its own ceilings, pursuant to legislative standards and OPA regulations, and subject to review and enforcement by the OPA. The prices so computed would automatically become effective unless disapproved by OPA within a specified short time period and OPA would retain the right of revising these prices subsequently. I realize that there are many cases where this procedure will not work—for instance, where uniform prices must be set for the product of numerous sellers. But a similar procedure is being used now in certain fields—notably for small and new firms in the reconversion industries. What I propose is the extension of a device already found practicable. Such self-pricing procedures could safely be applied now to firms seeking price relief under the "general rescue" provisions, which authorize price increases to a break-even level. Thy could also be made available to most, if not all, reconverting firms. I suggest that the use of self-pricing procedures be extended by legislation over as broad an area as now seems practicable and that OPA be directed to apply the system elsewhere as rapidly as it becomes feasible to do so.

There is an instructive precedent for this course in our experience with contract settlement. In order to avoid interminable delays in settling $50 billion of contracts by the usual method of checks and counter checks the Congress authorized a streamlined procedure. A large part of the work is done by the contractors themselves under a uniform formula and subject to prompt review and final settlement. The speedy settlement of contracts has been a major aid to reconversion. I am certain that the cases of fraud or evasion are infinitesimal and the great gain has been well worth the slight risk on this score.

2. Use of Actual Costs

In one respect the President's recent stabilization order appears to me to represent a backward step. Sec. 2 (b) of Executive Order 9697, setting forth the new policy, provides, in essence, that price adjustments shall be such as in the judgment of the Price Administrator will be sufficient to enable the industry, unless operating at temporary low volume, to earn an average rate of profit **during the ensuing 12 months** equal to the rate of return on net worth during its base period. In other words the Price Administration is to estimate for a full year ahead, how such rapidly varying factors as changing labor and materials costs, changes in productivity and changes in volume of operations will combine to yield a return on net worth equal to that of the prewar period of 1936-39.

I submit that this is an impossible task. As chairman of an established company with good operating records, I have had some personal experience with the problems of estimating future costs. I know from my own experience of the many pitfalls and errors inherent in any such estimating process, particularly when applied to a period as uncertain as the year immediately ahead. The danger is only partly that the OPA estimates may be wrong. Any procedure will involve some errors. But the forecasting procedure is certain to involve a maximum of delay and interminable, unresolvable disputes.

I urge that the legislation now being considered provide that price determination be placed on the basis of actual operating experience at the earliest practicable date. To escape the influence of low operating volume upon costs —in other words, to eliminate the so-called "bulge" costs—costs of the highly abnormal early changeover period should be disregarded. Our research staff [refers to staff of Committee for Economic Development — Editor] has suggested that for all industries other than reconversion industries the first quarter of 1946 and all subsequent quarters should be considered to be quarters of "normal" operating experience, and that for reconversion industries the second quarter of 1946 and all subsequent quarters should be so considered. This seems to me a reasonable recommendation and I suggest it for consideration by your committee. Exceptions to the use of first quarter experience might be permitted where costs were distorted by strikes or other impediments to production. It should be remembered that prices so established are subject to review in case they should subsequently be found inappropriate.

3. A Vigorous Policy of Suspension of Price Ceilings and Decontrol

Price control should be trimmed down progressively to those critical areas that would otherwise threaten price increases of overall significance. This is important as a way of freeing the economy from unnecessary controls as quickly as possible. But I should like particularly to emphasize the importance of sloughing off controls as a means of permitting OPA to concentrate on doing a quicker and better job in the essential areas. To control the prices of every one of the millions of commodities at every stage of production in the American economy was a Herculean task even in wartime. To do this at all successfully during the next year will be an impossible task. And in my view such all-inclusive control is unnecessary, if our objective is to prevent a major increase in the general level of prices and particularly those cost-of-living prices most likely to set off a price-wage spiral. The administrative capacities of the OPA, however great, are not infinite. They should be focused on the crucial problems.

Progress in suspending ceilings has been less than I had hoped. Production delays resulting from labor-management disputes, and the development of a pervasive excess of demand has, of course, limited the opportunities for suspension of ceilings thus far. As we proceed into 1946, however, and if we limit the general excess of demand, there will be a growing number of areas in which supply is in near balance with demand. Price ceilings shoud be suspended promptly when such a near balance is achieved. Ceilings should also be suspended on commodities which do not materially affect living costs and which do not threaten seriously to divert manpower or materials required for essential production—particularly if these areas present complex administrative problems, as many of them do.

A considerable number of "dime store" items and luxury goods have already been decontrolled. I think that with a realistic notion of what is a necessity, the area of luxury goods eligible for decontrol could be significantly widened. Also we need to go further in suspending ceilings on components used in the manufacture of end-products still under control. This would do much to remove bottlenecks which are insignificant price-wise but serious from the standpoint of production.

I know that a dozen plausible arguments can be made against any specific proposal for suspending ceilings. The concept of universal, precise and efficient control of prices has much theoretical appeal. But in fact universal control and efficient control can not be achieved together. There is never a perfectly safe time to remove a ceiling. Every decontrol action involves risks of a crisis of one kind or another. However, those who look at each case as an isolated problem may not appreciate the risks of not decontrolling—the danger that the whole price control system will collapse of its own weight or that production will be strangled by inflexible controls. We need a policy of "calculated risks"—of balancing the risks of decontrolling too soon in particular cases against the general risks of holding all controls too long.

It is extremely difficult to establish a legislative formula for decontrol, in view of the numerous, varied and rapidly changing situations which we shall face during the coming months. I believe that it is possible and desirable, however, to write into the pending legislation general standards, such as those set forth above, for the guidance and direction of the Price Administrator. I believe it would be helpful also to establish a responsible official within the price control agency, acting under the general direction of the Administrator, whose primary responsibility it would be to conduct a continuous review to select ceilings for suspension and to plan the simplification and liquidation of price control generally. A similar device apparently worked effectively in the case of the War Production Board.

Basically, the speed and scope of decontrol will depend upon our success in creating conditions which **permit** the suspension of ceilings. If we allow inflationary demand to continue and if production continues to be retarded, the scope of decontrol will be narrow. But with vigorous measures to control excess demand and price and other policies to stimulate production we can create a wide area in which ceilings can safely be suspended.

4. Liberalized Standards for Price Relief

The general standards used by OPA in considering applications for price increases, while not inappropriate for wartime, are not appropriate for peace. The present base period, ordinarily the rate of earnings before taxes to net worth during 1936-39, includes at least two definitely depressed years, and even the best years were not "good." Moreover, corporation taxes are now much higher than in the base period, so that the present standard implies profits after taxes considerably below the 1936-39 ratio to net worth. Today, with profitable war business gone, with business risks increased, and with wage rates rising, many industries may be forced to profit levels which are unfairly low and which will not provide adequate incentives to enterprise—especially new enterprise.

I suggest that the earnings standard—now, generally speaking, the rate earned on net worth before taxes during 1936-39—be raised by about one-third. Any one of several devices could be used to achieve this purpose. I suggest also that the product standard now employed by OPA—which now permits particular product prices of industries producing more than one product to be raised whenever average ceiling prices fail to cover average **manufacturing** costs—be changed to cover average **total** costs (including overhead).

These liberalizations would not guarantee to each firm the profits which it might expect in normal prosperity. They are minimum standards. They will protect firms against being squeezed far below the level of profits which the great bulk of firms might reasonably expect to exceed in normally prosperous times.

Modifications along lines I have suggested should make it possible to live with price control during the period of its continuation. Even with the changes suggested, however, we must still rid ourselves of price control as soon as it is practicable to do so. The question is not whether price control should be abolished, but when.

After careful consideration I believe that we should extend price control authority, simplified and streamlined, as earlier suggested, until the spring of 1947. It should then be terminated finally and completely, except for rent controls. Rent control, because of the time required to provide an adequate supply of housing, may need to be continued for a somewhat longer period.

In all candor I would not object to any termination date between March 31, 1947, and June 1, 1947. The important thing is that we fix now and with certainty the date of final termination.

I believe that extension of price control authority until March 31, 1947, is necessary to allow a reasonable time for high employment to be reached and a near balance between supply and demand to be achieved. If we should reach this point earlier price control can and should be terminated by Executive order. I believe, further, that the terminal date should be set some time before June 30, 1947, in order to make clear to all that what has been done is not merely to extend controls for another year but to set once and for all the date for its elimination. The point I make here is mainly psychological, but it is important.

The final termination of price control authority must not be made contingent on prior achievement of balance between supply and demand at high employment. Such a policy would be an invitation to drift into a position where we are always confronted with a choice between price control and runaway inflation. We must accept responsibility for preventing inflation without price control.

The time to begin to act on this responsibility is now. Price control must first be supplemented and then supplanted by anti-inflation measures which do not restrict the full and free operation of the American productive system. In the traditional governmental functions of taxation, public expenditure and monetary control we can find the necessary tools. But we must focus policies in these fields on preventing inflation and depression if we are to emerge from the transition with an expanding and unregimented economy.

More specifically, the Congress and the Administration should plan to balance the Federal budget in the fiscal year 1946-47 and if possible run a budget surplus. This is the time to eliminate every Federal expenditure that is not absolutely necessary and to postpone every project that is postponable. Any unnecessary expenditure today is a reckless addition of fuel to the inflationary fire. The Government should be prepared to generate a substantial budget surplus if inflationary pressure continues strong at high employment levels.

We should give up all thought of further tax reductions as long as the present excess of demand continues. Now is no time to lower taxes, much as we should all like to do so. Moreover, we should remember that tax revision is not a one-way street. If present inflationary forces strengthen, taxes may have to be raised.

Finally, we must act promptly to restrain excessive credit expansion. We should be careful, of course, that adequate credit is available to meet the needs of new and expanding businesses. But we are sitting on a powder keg. Existing machinery and policy cannot prevent a great expansion of our already huge cash supply. As matters stand, the limits to monetary expansion are hopelessly remote.

Both the existing large money supply and the possibility of great expansion flow from the sale of Government bonds to the banks during the war. Bank deposits—the public's money—increased step by step with the increase in bank holdings of governments. And under present policy the banks can obtain the reserve basis for further credit expansion by selling their Government securities to the Federal Reserve. The process of money expansion via bank purchase of governments can still go on, although the total Government debt is decreasing. It is imperative that measures be taken to bring this expansion under control. Monetary policy must be enlisted in the battle against inflation.

In brief summary, then, I urge both the temporary extension and the definite termination of price control. These are equally important—the temporary extension to avoid inflation, the prompt and definite termination to restore free markets. Neither is simply a matter of renewing or not renewing the Act which is now on the statute books.

I do not think that business can live with price control in its present form for another year. We must modify it so that it can live and be lived with. It should be liberalized and streamlined to reduce delays, inequities and obstacles to production. Four changes are needed:

(1) Extend the area of automatic, self-assigned pricing with OPA review.

(2) Base prices on actual costs, not forecasts.

(3) Vigorously and positively seek out the areas in which ceilings may be suspended.

(4) Raise the standards for price relief to prevent profit squeezes which deter production and discriminate against enterprise.

To terminate price control we should start now to remove the conditions which make price control indispensable today. I have recommended that price control should be continued until the spring of 1947 and that there should be no renewal, except for rents. With that as the cut-off period, we should use monetary and fiscal measures to achieve a balance of demand and supply. We cannot simultaneously and consistently be against inflation, against price control and in favor of low taxes, Government deficits and easy money. When stable prices and free markets are the objective, strict Government economy, steep taxes, and monetary restriction are not too high a price.

John M. Harlan Dir. Of U. S. Trust Co.

John M. Harlan, partner of Root, Clark, Buckner & Ballantine, has been elected a trustee of United States Trust Company of New York, according to an announcement made by Williamson Pell, President.

John M. Harlan

Mr. Harlan graduated from Princeton University in 1920 and received his law degree at Oxford University where he studied as a Rhoades Scholar. Returning to this country in 1923, he served as Assistant United States Attorney in New York City, and from 1928 to 1930 he acted as Special Assistant to the Attorney General of the State of New York. During the war he was attached to Eighth Air Force Headquarters in England, where he served as Chief of Operations, Analysis Section, with the rank of Colonel.

New Board Directors For Indiana Limestone

At the annual meeting of the stockholders of the Indiana Limestone Company, Inc., held at Bedford, Indiana, on Feb. 9th, the following were elected unanimously by the stockholders to replace the Board of Directors appointed by the court at the reorganization last year:

William G. Riley of F. H. Koller & Co., Inc., New York, Chairman of the Board; Eugene F. Olsen, President, Stearns Manufacturing Co., Adrian, Mich., President and Director; Donald W. Hayden of Baumgartner & Co., Baltimore, Md., Director; Charles T. Penn of Washington, D. C., Director; Abraham Watner, Industrialist, of Baltimore, Maryland, Director.

The old Board of Directors appointed by the court did not stand for re-election with the exception of Mr. Olsen as President.

Collectivism Versus Individualism

(Continued from page 1217)

ers. It is an attack on the world's social order.

Now we in America find the principles of law and order broken down on a national scale by small but highly organized minorities of the nation's people under ruthless dictatorial leadership. Our national civilization is so complicated we cannot be unaffected though the nominal combatants are from us far removed. Our interdependence is so great that what happens in Pennsylvania affects Florida and California, what happens in the automobile factories of Michigan affects the daily lives of everyone in all the local areas of the nation. Industrial war cannot be confined to those who are supposed to be the belligerent parties. It is an attack on the nation's social order.

In the World's War we did not act until the war had reached proportions that put us in a desperate situation. Then we moved to defend the fundamental principles of international law and fought in the interest of the whole of mankind.

In this civil industrial war we have not acted until now industrial war has reached proportions that put us in a desperate situation. We have done too little but it is not too late to defend the fundamental principles of our government and act in the interest of the whole American people.

I saw nations without adequate light or heat or clothes or transportation or communication because of Hitler and Mussolini and the Mikado, and I saw cripples, and undernourished children and waste and barren fields because of them.

Today I see areas without adequate light or heat or clothes or transportation or communication because of Philip Murray and Petrillo and others. And I see crippled industry and empty stores and idle factories and waste and barren fields because of them.

No matter what Hitler, Mussolini, or the Mikado said—the World War was not a war of underprivileged and downtrodden nations against the nations of a preferred class. It was a war between the highly organized minorities and the whole people of the world.

And no matter what the CIO-PAC or others may claim, we must realize clearly that this civil war is not a war of an underprivileged and downtrodden class against a preferred class. It is not a class war at all. It is a war between highly organized minorities and the whole people of America.

This industrial civil war must end. The whole people of America must act jointly and affirmatively.

I have chosen to address myself to the extremely important struggle of **Collectivism vs. Individualism.**

It is the biggest struggle within our borders since the Civil War and it is a life-and-death struggle; one must die. It is a fight on the basis of kill or be killed.

All of these minority movements that I have already mentioned take on a form of collectivism that recognizes no importance in the individual. The individual doesn't count; millions of individuals don't count except as they may be a part of the organized minority and have their interests served thereby—and even then their identity as individuals is lost. Their individual or personal rights, interest or welfare cease to have any identity. All are subjugated in the collectivist doctrine that tramples out all individuality, usurps all the individual's rights and powers, and recognizes no individual's interest, liberty, need, or circumstance.

The cardinal principle of the American way of life is the recognition of the importance of the individual in a nation. The rights, the privileges and the powers of the individual count in the American system.

In a collectivist state a man's house, his job—nothing—can he call his own. He has no individual power and no personal property, not even his life and hardly his soul is his own.

All the rights in the Bill of Rights are individual rights. Every individual is guaranteed the protection of his life and his property, his freedom. The guarantee of a trial by jury is a guarantee to the individual. All these are guaranteed to each individual and to every individual.

The common welfare is directed to an equality of interest in the welfare of the individuals in this nation and most fundamental of all, each and every individual governed exercises a power over his government. His government derives all its power from his consent.

Collectivism does not hold that all just powers of government are derived from consent of the governed but subjugates the individual to the group in a way that ignores individual rights and conditions the individual's welfare and the individual's will to the whimsy of the group.

In my opinion, the most fundamental problem that America faces in the maintenance of the American system is to decide the question of individual enterprise and its importance in our system. Presently, collectivism is endowed in some instances with government subsidy, is favored by tax exemption, and other privileges. If that person who has no conclusion of his own as to which is best, collectivism or individual enterprise, is to be given a fair chance to make a sensible decision, collectivism must at least be held to the basis of equal opportunity with individual enterprise.

If individual enterprise must compete with collectivism, it should at least be permitted to do so on like conditions and on terms of equality.

Let them play the game by the same rules. If one man is put out on a caught foul, let the other be. If one gets a double for knocking the ball over the fence, don't give the other a home run for the same.

Our generation has forgotten that the system of private property is the most important guaranty of freedom. It is only because the control of the means of production is divided among many people acting independently that we as individuals have any freedom as to what we do with ourselves. Whenever all the means of production are vested in a single hand—whether it be nominally that of a group, of "society" as a whole, or a dictator—whoever exercises this control has complete

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Collectivism Versus Individualism

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power over us. In the hands of private individuals economic power can be an instrument of coercion, but can never control the whole life of a person, but when economic power is collectivized into an instrument of political power, it creates a degree of dependency scarcely distinguishable from slavery.

While GI Joes struggle for a foothold in the U. S. economic world, union (not labor) leaders struggle for a stranglehold.

Individualism in contrast to collectivism, socialism, and all the other forms of totalitarianism is based on the philosophy that individuals so differ in gifts, and talents, and wants, etc., that it is desirable that individuals should be free to develop their own individual gifts, etc., instead of putting all pegs, square or round, in one kind of hole.

It is also based on Christianity's respect for the individual man.

That a man may have some power over his own fate and develop his own talents is in principle the cause of civilization. From the individual who invented the wheel, to Edison, to all the men of science, all progress was made by individual effort at its own risk.

No collectivist enterprise can operate without coercive or arbitrary intervention of authority. Only individual enterprise in free competition can so operate.

We must clearly and frankly understand that democracy stands in irreconcilable conflict with collectivism. Democracy attaches all possible value to each man. Collectivism makes each man a mere agent, a mere number.

Democracy and collectivism have nothing in common but one word — equality. However, democracy maintains equality in liberty. Collectivism maintains equality in restraint and servitude.

The drum tap of an invader rouses the heaviest sleeper. We are alert as to foreign foes, but we are a dull and indifferent people as to internal assaults upon the integrity and purity of public administration.

The forces of good citizenship have no outposts. The whole army is generally on furlough. Corrupting and destructive forces can invade the realms of good government only when indifference on the part of the people as a whole yields without combat.

Public abuses are the direct and necessary results of public indifference. The plunderers step over sleeping sentinels and take by stealth the citadels they could never carry by assault. The people at large, on the other hand, are without strategy. The assault in force is their only war resource to combat the powers that invade their rights. Surely, a working plan can be devised to maintain from day to day effective, watchful interest amongst the body of our citizens. We must not accept the humiliating conclusion that bad things can not be discarded or made good. The disposal of filth and waste from a great city can not be left to a sudden flood from a river, but must have a constant supply of water for daily sanitation. And so it is when applying a flood from the river of popular indignation to cleanliness in the administration of government. What government really needs is a constant supply of the water of watchfulness for its daily sanitation.

Today in America the collectivist has control of many of the nation's industries through its collectivist labor movements known as unions. Their power is ever growing. A certain union leader recently said in a speech that he had to spread his wings. He must be a bat, because a bat is the only rat that has wings. Such union drivers as that particular one remind me of some New York taxicab drivers that I have seen. In their jurisdictional strikes they are just like the taxicab driver who tries to crowd out or jump ahead of the driver that should have the right-of-way.

Every morning we Americans pick up the daily paper to see to what extent industrial warfare has spread. It is a morbid curiosity, like pulling a bandage off to see an infection you know has spread. but, of course, the little people of America who are so disastrously affected hope each day that the union drivers have gone as far as they expect to go and that may be they will cut off the motor and stop running people down.

The best known union leaders think life is a racetrack where the only rules are a fight for the rail and the elbow on the turn.

If the unions are not overambitious, at least their leadership is. Many times in life I have had a ringside seat where a man's ambition and his conscience were in a wrestling match. A strong ambition in a man or a group with weak character is a danger and an evident threat to society. I do not condemn labor. Labor must rescue its ship. That's all. At present it is steered by crackpots and adventurers. Real Americans must get hold of the wheel and steer it back to the port of sanity.

I wish every American could live on a farm long enough to learn how plenty depends upon production. The more of anything people produce the more of it they have. Good living depends on work.

There's a difference between abundance and prosperity; production is only one ingredient, but an essential ingredient. Idleness and scarcity lead directly to poverty and want. It is true of a man. It is true of a nation.

I saw a picture in a paper the other day where the owners of a plant were being pushed around by pickets. That's an inequity. They were pushed around free, but if you go down to the boardwalk at Atlantic City, you have to pay to be pushed around. In the same paper there was an article quoting first name salutations between the President of the United States and the president of the CIO. The article indicated that on a personal plane, the two were the best of friends. I hope not. I like the President of the United States, and I wouldn't wish on my worst enemy such a best friend. Of course, I know that the CIO war party will try to take my scalp in the coming election as they did in the last one. Probably all the men in Congress who voted for the Case bill will be on the CIO-PAC purge list in the election this year, but as far as I am personally concerned, that's all right. I am built like a boomerang—you know, the harder you throw me the faster I come back. Let us make no mistake on the conflict ahead in the elections. This is a struggle for power between alien-minded left and all-American right. Old and respected party banners still scream the struggle from the clear vision of the many people but they will see it before this year is out, I think, and not as through a glass darkly.

Recently we passed a bill in the House to curb the lawless activities of one of the worse of the labor racketeers. One of the men on the committee condemned the practices in terms of hate and then conceded in the discussion that all the practices were embodied in the personality of Petrillo. I admonished him, however, not to try to hate him. I said, "You would just develop a great sense of frustration from being unable to hate such as him as much as they deserve." Now, I hold no hate for such as he or Harry Bridges in any sense more than can reasonably be expected from any American when he thinks of them or Hitler or Mussolini.

The solution to industrial warfare cannot be found alone in extending the power of government over labor unions. We must tear down the power of labor unions over government.

It is not alone in the labor activities that the collectivist movement is on the march. Those who believe in the Russian communal ownership of property plan have led all their kind and many thousands of other Americans deceived into traveling the Russian road by false guideposts that point the direction.

The collective ownership of all public utilities is being rapidly accomplished by the persuasion of the false mathematics of arithmetical prestidigitators and with the help of government subsidy of partisans in the bureaus and commissions and by numerous privileges and by complete exemption from the sharing of the whole people's burden of taxation.

The gins and cotton mills of the southland are going into collective ownership. The grain elevators and grain mills of the northland are going into collective ownership. Even lumber mills and ice plants and filling stations and agricultural lands are being taken over into collective ownership and all the time the individual and his enterprise is paying the tax and other burdens essential to the cost of operating a government in peace and in war, while these collective enterprises through non-profit corporation and cooperative device are evading any participation in meeting the obligations of the nation. On this score I could give you endless detail and could show you that the opportunists in the Wall Street world of finance like the opportunists of fallen France are selling out and entering league with the collectivist forces, the sincere collectivist justifying this alliance on the basis that any means to the end is acceptable and the big financial interests entering such alliance only because it offers opportunity for plunder.

It is as clear as a children's primer that when two filling stations operate side by side, one by individual enterprise in the arena of competition, paying taxes and meeting all the other obligations of service and production, while next door is a filling station collectively owned, exempt from taxes, freed from the cost of service comparable or competitive and in many other ways accorded advantages, there can be no conclusions but one. The filling station operated by the individual that pays taxes, etc., has had its death warrant as an enterprise signed and with these forces in the vast number and fields of endeavor, I tell you today the death warrant of individual enterprise in America is signed. We only have a stay of execution, and in the period of that stay we must escape the hold that the collectivists have on us and must meet and defeat them which we most certainly can do in any field of fair competition. All that individual enterprise can or ought to ask is that the competitors play the game by the same set of rules, pay equal taxes, have equal privileges, etc.

Obviously, the United States has not gone as far on the collectivist road as Russia or Germany or Italy, but there is a point on the road beyond which if we go we cannot take our freedom with us In America we are near the corner round which if we go we can never come back—can never return as self-respecting free men. If we could find the cause of communism, it would be great for civilization, like finding the cause of cancer. If we don't find the cause and do something about the cure of it, our children or our children's children will be living under somebody's booted heel We have won the war to save the world and we ought now to devote ourselves to saving our own country.

Did you ever consider the fact that Russia as a nation has amongst other nations no friends? It hasn't the capacity for friendship. All it can ever have is enemies and stooges. And so it is with minorities within our country that organize themselves into forces to compel the whole people to yield to their press for advantage. The threat of these forces alien to our philosophy of government was no greater from the outside at our worst point in World War II than it is today from the inside.

Today in America the collectivist has control of a large per cent of our capacity for production.

To the extent that that control exists, to that extent we have here at home the serfdom of socialism—communism, nazism, fascism, or collectivism—all are forms of totalitarianism. Any of these forms of totalitarianism means regimenting the lives of the individual citizen and reducing the individual to a mere agent, a mere number, a pawn.

The issue bluntly stated is: This nation cannot remain half collectivist and half individualist in its enterprise. It cannot be half slave and half free.

It is all going one way or the other. Which side are you on? Stand up and be counted.

Mfg. Workers' Earnings Up in Dec.

Both hourly and weekly earnings of wage earners rose in December in most of the 23 manufacturing industries just surveyed by the National Industrial Conference Board. The Board's announcement issued March 6 also said:

"Data for the automobile and iron and steel industries were not available for the Conference Board's survey. Changes in weekly earnings ranged from a decline of 15.3% in the heavy equipment group of foundries and machine shops to an increase of 9.3% in the meat packing industry.

Hourly earnings rose from November to December in seventeen of the twenty-three industries for which data are available. The greatest increase, 4.5%, occurred in lumber and millwork which reported wage-rate increases averaging 13% for almost 60% of the workers. From August, 1945, to December increases in hourly earnings in fourteen industries ranged from 0.2% in meat packing to 10.6% in silk and rayon.

Although actual working hours in most industries were reduced immediately after the end of the war, twelve of the 23 industries averaged longer hours in December than in November. In only two industries, however, meat packing and news and magazine printing, did workers put in more hours in December than in August.

Scheduled hours of operation were reduced substantially in nineteen industries from August to December, in twelve by more than one hour. The greatest cut, 5.6 hours, was made by the rubber industry, followed by paint and varnish and chemicals with cuts of 4.9 and 3.9 hours, respectively.

Employment in 21 out of 23 industries rose in December, and in twelve employment was higher than in August. In eleven of the 21 industries in which total employment increased, however, the actual number of women workers decreased, and where the number of women workers did increase, the proportion to the total number of workers was smaller.

Payrolls in most industries took an upward turn in December after a steady decline that began in January, 1945. Twenty industries had larger payrolls in December than in November, and in eleven industries December payrolls were greater than in August.

Wm. J. Riley Joins Staff of Drexel & Co.

Drexel & Co., 14 Wall Street, New York City, members of the New York Stock Exchange, announce that William J. Riley has become associated with the firm's newly organized municipal bond department. He was formerly with Paine, Webber, Jackson & Curtis.

Business Under German Inflation

(Continued from first page)

of money and the expansion of credit.

The truth is that the propensity to inflate is nowadays greater than it ever was before. It is only that the advocates of inflation and credit expansion have resorted to new terminology. They call the thing expansionism, an easy money policy, unbalanced budgets, or functional finance. The British Paper which inaugurated in 1943 the action which resulted, in 1944, in the Bretton Woods agreement explicitly declares that the aim of the new international institution is to bring about "an expansionist pressure on world trade." It expects that this expansionist policy will perform "the miracle . . . of turning a stone into bread."

The idea that monetary and credit expansion make business good, create "full employment" and bring general prosperity was the essence of the ideas of Mercantilism. The fallacies implied were utterly exploded by the economists whom the Prussian Historical School and their modern followers, Keynesians and the American advocates of unbalanced budgets, disparage as orthodox. A new systematic analysis and thorough refutation of the defects of the doctrine of expansionism certainly is not needed. Those interested in such a critical examination are referred to the writings of Professor B. M. Anderson, of the late Professor Edwin Kemmerer and of many other brilliant American economists. The goal of this article is merely to stress an aspect of the problems involved which is often neglected. It seems expedient to exemplify the issue with the case of the German inflation of 1914—1923, the classical expansionist experience of our century.

A Mark Is Always a Mark

Among the grave-diggers of the German people's prosperity and the German currency, Friedrich Bendixen occupies an eminent place. He was a bank manager and the author of many books and articles dealing with monetary matters. His prestige and his influence on the course of the Reich's financial policy were enormous.

When in the first World War the mark's purchasing power declined and concomitantly foreign exchange rates went up, Bendixen trumpeted that this was a rather fortunate event. For, he said, it made it possible for the Germans to sell their holdings of foreign securities at a profit.

Let us consider an example. A German owned on the eve of the war a Dutch security which was traded on the bourse of Amsterdam at 100 guilders, at that time by and large the equivalent of 240 marks. The price of the stock dropped and the German sold it at 90 guilders. This involved in gold a loss of 10%. But in the meantime the price of the guilder in Berlin had risen from 2.40 to 3 marks; 90 guilders represented now 270 marks. The German capitalist made in marks an apparent gain of 30 marks or 12½%. However, the average Germans and their spokesman Bendixen were not shrewd enough to see things in the right light. With them a mark was still a mark. They smilingly pocketed an alleged gain.

The same phenomenon presented itself in every branch of international economic relations. The champions of expansionism assign to rising foreign exchange rates the power of stimulating export trade. It was this idea that impelled many European countries in the interwar period to devalue their domestic currencies.

Such a devaluation at one stroke makes foreign exchange rates rise. But domestic commodity prices and wage-rates lag for some time behind the rise in foreign exchange rates. In the interval, until the price structure on the domestic market becomes adjusted to the new state of monetary conditions, some export projects, which were unprofitable before, appear seemingly profitable. The exporter makes an apparent profit—in domestic currency—although he may sell at a lower price in foreign currency. But what really goes on is that he gives the domestic products away at a price which enables him only to buy a smaller quantity of foreign products. It is true, the nation whose currency has been devalued exports more during this interval, but it gets in exchange only less or, at least, not more than previously for a smaller quantity exported.

This is what the economists have in mind when speaking of "apparent" gains. These gains are the result of false reckoning and self-deception.

The Huge Infationary Profits of Business

It is asserted again and again that German business flourished in the years of the great inflation. In fact, the annual reports of the big German corporations and the big German banks showed fat profits, and high dividends went to the stockholders. (The German banks were not merely banks, but at the same time holding companies owning a controlling part of the common stock of many manufacturing corporations.)

However, these gains were often apparent only, a mere product of the fact that the businessman's economic calculation employed the mark as a common denominator. When translated into a less fluctuating foreign currency, for instance, into dollars, they revealed themselves frequently as losses.

It did not matter for German business whether prices in gold and in dollars were rising or falling. Prices in marks were rising whatever the movement of prices on the world market was. The sale of products and inventories netted big paper profits because prices in marks were soaring ceaselessly.

A second source of paper profits was provided by insufficient writing off of depreciation. The goal of laying aside a portion of the annual earnings in a depreciation fund is to provide the means for the replacement of industrial equipment worn out in the process of production. Failure to provide such funds adequately makes the profits appear larger than they really are. If such apparent surplus profits are dealt with as if they were real profits, the result is capital consumption. As German business was slow in discarding the old custom of writing off annually a fixed percentage of the original costs of equipment, it virtually reduced the amount of capital invested.

With the rapid progress of inflation more and more businessmen began to comprehend that their methods were suicidal. They started what was called "the flight into real values" (Flucht in die Sachwerte.) They began to reinvest the apparent profits in their plants. It did not matter for them whether these investments were reasonable or not. Their only concern was to get away from the mark at any costs. Later events have evidenced that a great part of the investments made in the years of the inflation by the German banks and the independent business concerns were malinvestments.

German business emerged from the trial of the inflation period financially weakened. The big German banks were already in 1924 on the verge of insolvency.

Of course, the Germans, steeped in the moentary fallacies of Bendixen and Knapp, were not aware of this fact. Neither were the foreign bankers and investors shrewd enough to judge correctly the plight of the German big banks and of many of the big German business concerns. In the twenties foreign loans to the Reich, the member states, the municipalities and to the banks and big business amounted to about 20 billion Reichmarks. Besides, foreigners invested $5 billions directly in German business This huge inflow—against which reparation payments of about $10.8 billions had to be held—disguised for a few years the frailty of the big banks. When the depression ended foreign lending to Germany, the collapse of the banks could no longer be delayed. It occurred in 1931 as the payoff both of inflation and of ignorance of fundamental economic issues.

The Profiteers

One of the reasons why public opinion misconstrued the economic consequences of the German inflation was the emergence of a class of inflation profiteers.

The profiteers were those speculators who were quicker to realize the true meaning of the inflationary boom than were the managers of the banks. The interest rates charged by the banks, although high when compared with normal conditions, were ridiculously low when compared with the stock exchange profits a speculator could earn on a market at which prices skyrocketed on account of the inflation. No matter which stock he bought, the speculator netted a gross profit which exceeded by far the interest he had to pay to the lending bank. As long as the inflation went on there was no risk for him in embarking upon bull transactions with borrowed money.

Germany Financially Wrecked By the Inflation

The inflation favored the debtors at the expense of the creditors. It made a very small group of smart speculators rich. It impoverished the immense majority of the nation.

The losses of the losers by far surpassed the total amount of the gains of the profiteers. The per capita wealth of the Germans was reduced, in spite of the fact that they had succeeded in unloading a part of their losses on the shoulders of foreign capitalists, especially American and Swiss.

The excess of inflation losses over inflation gains stemmed from three different sources:

(1) The nation consumed more than it produced; it lived on its capital. The greater part of the apparent profits was eaten up, either by the speculators and businessmen themselves or by the Government which collected under the misleading label of income and corporation taxes funds which were in fact taken away from the capital invested. The wastefulness of municipal administration was so outrageous that even Schacht could not help criticizing it. Many labor unions succeeded in raising nominal wage rates above the rise in commodity prices. They booked the resulting rise in real wage rates as "social gains." In fact, these workers shared in the capital consumption. They thus contributed to a later fall in the productivity of labor and thereby of market wage rates.

(2) Germany dumped cheap exports on the world market. It happened again and again that German manufactures, produced out of imported raw materials, were exported at prices which—when calculated in dollars—did not even cover the price of the raw material contained. Yet, the German exporter was convinced that he had made a good deal.

(3) A great many of the investments made during the critical years were malinvestments.

France Today

Politicians are for the most part too proud to learn anything from the teachings of economics. They are prone to disparage the "orthodoxy" of the theorists. They pretend that they rely upon experience only. However, they pay no more head to economic history than to economic theory.

France has outlawed the treacherous collaborationists. But unfortunately it has entirely adopted the spurious doctrines of the intellectual pioneers of German inflationism. What is going on in France today is hardly better than what the Germans did between 1914 and 1923. The guiding stars of present-day French financial policies are not Say and Bastiat, but John Law and Bendixen. Billions of newly printed banknotes are flooding the market. And none of the unavoidable consequences of inflation is lacking.

The European nations as well as China, impoverished by the war, are badly in need of American credits. But what they need first of all is a return to sound currency.

Lehman Bros. Offer Logansport Distilling Common

Lehman Brothers on March 4 offered 185,000 shares ($1 par) common stock of Logansport Distilling Co., Inc., at $11.25 per share. The company announced that it is also selling privately to Lehman Brothers and certain of its directors 6,500 shares of 4½% cumulative convertible preferred stock ($100 par) at $101.25 per share and div.

The common and preferred stocks are being sold in connection with the reclassification and increase of the company's capital stock pursuant to a plan of refinancing. After giving effect to the reclassification and the sale of the new preferred and common the company will have outstanding 6,500 shares of 4½% cumulative preferred and 390,289 shares of common stock.

FIC Banks Place Debs.

A successful offering of an issue of debentures for the Federal Intermediate Credit Banks was made Feb. 19 by Charles R. Dunn, New York, fiscal agent for the banks. The financing consisted of $38,340,000 .825% consolidated debentures dated March 1, 1946, and due Dec. 21, 1946. The issue was placed at par. Of the proceeds $20,060,000 was used to retire a like amount of debentures maturing March 1, 1946 and $18,280,000 is new money. As of March 1, 1946, the total amount of debentures outstanding amounted to $261,385,000.

Pearson-Richards Co. In San Francisco

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF. — Harold A. Pearson and Webb Richards have formed Pearson-Richards & Co. with offices at 625 Market Street to engage in an investment business. Mr. Richards has recently been with Mason Brothers. Prior thereto he was an officer of Stephenson, Leydecker & Co. and in the past conducted his own investment firm in San Francisco. Mr. Pearson was previously connected with Distributors Group Inc. and E. F. Hutton & Co.

In Washington, D. C.

WASHINGTON, D. C. — Mrs. Esther W. Fink is engaging in a securities business from offices at 1387 Sheridan Street, N. W.

The Sinews of Peace

(Continued from page 1214)

I believe we shall prove ourselves equal to this severe requirement.

The Over-All Strategic Concept

When American military men approach some serious situation they are wont to write at the head of their directive the words, "over-all strategic concept." There is wisdom in this as it leads to clarity of thought. What, then, is the over-all strategic concept which we should inscribe today? It is nothing less than the safety and welfare, the freedom and progress of all the homes and families of all the men and women in all the lands. And here I speak particularly of the myriad cottage or apartment homes, where the wage earner strives amid the accidents and difficulties of life, to guard his wife and children from privation and bring the family up in the fear of the Lord or upon ethical conceptions which often play their potent part.

To give security to these countless homes they must be shielded from the two gaunt marauders—war and tyranny. We all know the frightful disturbance in which the ordinary family is plunged when the curse of war swoops down upon the bread winner and those for whom he works and contrives. The awful ruin of Europe, with all its vanished glories, and of large parts of Asia, glares in our eyes. When the designs of wicked men or the aggressive urge of mighty states, dissolve, over large areas, the frame of civilized society, humble folk are confronted with difficulties with which they cannot cope. For them all is distorted, broken or even ground to pulp.

When I stand here this quiet afternoon I shudder to visualize what is actually happening to millions now and what is going to happen in this period when famine stalks the earth. None can compute what has been called "the unestimated sum of human pain." Our supreme task and duty is to guard the homes of the common people from the horrors and miseries of another war. We are all agreed on that.

Must Make Sure of UNO

Our American military colleagues, after having proclaimed the "over-all strategic concept" and computed all available resources, always proceed to the next stop, namely the method. Here again there is widespread agreement. A world organization has already been erected for the prime purpose of preventing war. United Nations Organization, the successor of the League of Nations, with the decisive addition of the United States and all that that means, is already at work. We must make sure that its work is fruitful, that it is a reality and not a sham, that it is a force for action and not merely a frothing of words, that it is a true temple of peace in which the shields of many nations can some day be hung and not merely a cockpit in a tower of Babel. Before we cast away the solid assurances of national armaments for self-preservation, we must be certain that our temple is built not upon shifting sands or quagmires, but upon the rock. Any one with his eyes open can see that our path will be difficult and also long, but if we persevere together as we did in the two world wars—though not, alas, in the interval between them—I cannot doubt that we shall achieve our common purpose in the end.

I have, however, a definite and practical proposal to make for action. Courts and magistrates cannot function without sheriffs and constables. The United Nations Organization must immediately begin to be equipped with an international armed force. In such a matter we can only go step by step; but we must begin now. I propose that each of the powers and states should be invited to dedicate a certain number of air squadrons to the service of the world organization. These squadrons would be trained and prepared in their own countries but would move around in rotation from one country to another. They would wear the uniform of their own countries with different badges. They would not be required to act against their own nation but in other respects they would be directed by the world organization. This might be started on a modest scale and grow as confidence grew. I wished to see this done after the first world war and trust it may be done forthwith.

Keep Atomic Bomb Secret

It would nevertheless be wrong and imprudent to intrust the secret knowledge or experience of the atomic bomb, which the United States, Great Britain and Canada now share, to the world organization, while it is still in its infancy. It would be criminal madness to cast it adrift in this still agitated and ununited world. No one in any country has slept less well in their beds because this knowledge and the method and the raw materials to apply it are at present largely retained in American hands. I do not believe we should all have slept so soundly had the positions been reversed and some Communist or neo-Fascist state monopolized, for the time being, these dread agencies. The fear of them alone might easily have been used to enforce totalitarian systems upon the free democratic world, with consequences appalling to the human imagination. God has willed that this shall not be, and we have at least a breathing space before this peril has to be encountered, and even then, if no effort is spared, we should still possess so formidable a superiority as to impose effective deterrents upon its employment or threat of employment by others. Ultimately, when the essential brotherhood of man is truly embodied and expressed in a world organization, these powers may be confided to it.

Danger of Tyranny

I now come to the second danger which threatens the cottage home and ordinary people, namely tyranny. We cannot be blind to the fact that the liberties enjoyed by individual citizens throughout the British Empire are not valid in a considerable number of countries, some of which are very powerful. In these states, control is enforced upon the common people by various kinds of all-embracing police governments, to a degree which is overwhelming and contrary to every principle of democracy. The power of the state is exercised without restraint, either by dictators or by compact oligarchies operating through a privileged party and a political police. It is not our duty at this time, when difficulties are so numerous, to interfere forcibly in the internal affairs of countries whom we have not conquered in war, but we must never cease to proclaim in fearless tones the great principles of freedom and the rights of man, which are the joint inheritance of the English-speaking world and which, through Magna Carta, the Bill of Rights, the habeas corpus, trial by jury and the English common law, find their most famous expression in the Declaration of Independence.

All this means that the people of any country have the right and should have the power by constitutional action, by free unfettered elections, with secret ballot, to choose or change the character or form of government under which they dwell, that freedom of speech and thought should reign, that courts of justice independent of the executive, unbiased by any party, should administer laws which have received the broad assent of large majorities or are consecrated by time and custom. Here are the title deeds of freedom, which should lie in every cottage home. Here is the message of the British and American peoples to mankind. Let us preach what we practice and practice what we preach.

I have now stated the two great dangers which menace the homes of the people. I have not yet spoken of poverty and privation which are in many cases the prevailing anxiety. But if the dangers of war and tyranny are removed, there is no doubt that science and cooperation can bring in the next few years—certainly in the next few decades—to the world, newly taught in the hard school of war, an expansion of material well being beyond anything that has yet occurred in human experience. Now, at this sad breathless moment, we are plunged in the hunger and distress which are the aftermath of our stupendous struggle; but this will pass and may pass quickly, and there is no reason except human folly or subhuman crime which should deny to all the nations the inauguration and enjoyment of an age of plenty. I have often used words which I learned fifty years ago from a great Irish-American orator, Mr. Bourke Cochran, "There is enough for all. The earth is a generous mother; she will provide in plentiful abundance food for all her children if they will but cultivate her soil in justice and in peace." So far we are evidently in full agreement.

Fraternal Association of English-Speaking Peoples

Now, while still pursuing the method of realizing our over-all strategic concept, I come to the crux of what I have traveled here to say. Neither the sure prevention of war, nor the continuous rise of world organization will be gained without what I have called the fraternal association of the English-speaking peoples. This means a special relationshp between the British Commonwealth and Empire and the United States. This is no time for generalities. I will venture to be precise. Fraternal association requires not only the growing friendship and mutual understanding between our two vast but kindred systems of society but the continuance of the intimate relationships between our military advisers, leading to common study of potential dangers, similarity of weapons and manuals of instruction and interchange of officers and cadets at colleges. It should carry with it the continuance of the present facilities for mutual security by the joint use of all naval and air-force bases in the possession of either country all over the world. This would perhaps double the mobility of the American Navy and Air Force. It would greatly expand that of the British Empire forces and it might well lead, if and as the world calms down, to important financial savings. Already we use together a large number of islands; many more will be intrusted to our joint care in the near future. The United States already has a permanent defense agreement with the Dominion of Canada, which is so devotedly attached to the British Commonwealth and Empire. This agreement is more effective than many of those which have often been made under formal alliances. This principle should be extended to all the British Commonwealths with full reciprocity. Thus, whatever happens, and thus only we shall be secure ourselves and able to work together for the high and simple causes that are dear to us and bode no ill to any. Eventually there may come the principle of common citizenship, but that we may be content to leave to the destiny, whose outstretched arm so many of us can clearly see.

There is, however, an important question we must ask ourselves. Would a special relationship between the United States and the British Commonwealth be inconsistent with our overriding loyalties to the world organization? I reply that, on the contrary, it is probably the only means by which that organization will achieve its full stature and strength. There are already the special United States relations with Canada and between the United States and the South American republics. We also have our 20-year treaty of collaboration and mutual assistance with Soviet Russia. I agree with Mr. Bevin that it might well be a 50-year treaty. We have an alliance with Portugal unbroken since 1384. None of these clash with the general interest of a world agreement. On the contrary, they help it. "In my father's house are many mansions." Special associations between members of the United Nations which have no aggressive point against any other country, which harbor no design incompatible with the charter of the United Nations, far from being harmful, are beneficial and, as I believe, indispensable.

I spoke earlier of the temple of peace. Workmen from all countries must build that temple. If two of the workmen know each other particularly well and are old friends, if their families are intermingled and if they have faith in each other's purpose, hope in each other's future and charity toward each other's shortcomings, to quote some good words I read here the other day, why cannot they work together at the common task as friends and partners? Why cannot they share their tools and thus increase each other's working powers? Indeed they must do so or else the temple may not be built, or being built it may collapse, and we shall all be proved unteachable and have to go and try to learn again for a third time, in a school of war, incomparably more rigorous than that from which we have just been released. The Dark Ages may return, the Stone Age may return on the gleaming wings of science, and what might now shower immeasurable material blessings upon mankind may even bring about its total destruction. Beware, I say; time may be short. Do not let us take the course of letting events drift along till it is too late. If there is to be a fraternal association of the kind I have described, with all the extra strength and security which both our countries can derive from it, let us make sure that that great fact is known to the world, and that it plays its part in steadying and stabilizing the foundations of peace. Prevention is better than cure.

Russia's Attitude Casts a Shadow

A shadow has fallen upon the scenes so lately lighted by the Allied victory. Nobody knows what Soviet Russia and its Communist international organization intends to do in the immediate future, or what are the limits, if any, to their expansive and proselytizing tendencies. I have a strong admiration and regard for the valiant Russian people and for my wartime comrade, Marshal Stalin. There is sympathy and good will in Britain—and I doubt not here also—toward the peoples of all the Russias and a resolve to persevere through many differences and rebuffs in establishing lasting friendships. We understand the Russians need to be secure on her western frontiers from all renewal of German aggression. We welcome her to her rightful place among the leading nations of the world. Above all we welcome constant, frequent and growing contacts between the Russian people and our own people on both sides of the Atlantic. It is my duty, however, to place before you certain facts about the present position in Europe—I am sure I do not wish to, but it is my duty, I feel, to present them to you.

The Russian Iron Curtain

From Stettin in the Baltic to Trieste in the Adriatic, an iron curtain has descended across the Continent. Behind that line lie all the capitals of the ancient states of central and eastern Europe. Warsaw, Berlin, Prague, Vienna, Budapest, Belgrade, Bucharest and Sofia, all these famous cities and the populations around them lie in the Soviet sphere and all are subject in one form or another not only to Soviet influence but to a very high and increasing measure of control from Moscow. Athens alone, with its immortal glories, is free to decide its future at an election under British, American and French observation. The Russian - dominated Polish Government has been encouraged to make enormous and wrongful inroads upon Germany, and mass expulsions of millions of Germans on a scale grievous and undreamed of are now taking place. The Communist parties, which were very small in all these eastern states of Europe, have been raised to pre-eminence and power far beyond their numbers and are seeking everywhere to obtain totalitarian control. Police governments are prevailing in nearly every case, and so far, except in Czechoslovakia, there is no true democracy. Turkey and Persia are both profoundly alarmed and disturbed at the claims which are made upon them and at the pressure being exerted by the Moscow government. An attempt is being made by the Russians in Berlin to build up a quasi-Communist party in their zone of occupied Germany by showing special favors to groups of Left-Wing German leaders. At the end of the fighting last June, the American and British armies withdrew westward, in accordance with an earlier agreement, to a depth at some points 150 miles on a front of nearly 400 miles to allow the Russians to occupy this vast expanse of territory which the western democracies had conquered. If now the Soviet Government tries, by separate action, to build up a pro-Communist Germany in their areas this will cause new serious difficulties in the British and American zones, and will give the defeated Germans the power of putting themselves up to auction between the Soviets and western democracies. Whatever conclusions may be drawn from these facts—and facts they are—this is certainly not the liberated Europe we fought to build up. Nor is it one which contains the essentials of permanent peace.

World Safety Requires Unity of Europe

The safety of the world, ladies and gentlemen, requires a new unity in Europe from which no nation should be permanently outcast. . . .

It is impossible not to comprehend—twice we have seen them drawn by irresistible forces in time to secure the victory but only after frightful slaughter and devastation have occurred. Twice the United States has had to send millions of its young men to fight a war, but now war can find any nation between dusk and dawn. Surely we should work within the structure of the United Nations and in accordance with our charter. That is an open course of policy.

In front of the iron curtain which lies across Europe are other causes for anxiety. In Italy the Communist Party is seriously hampered by having to support the Communist trained Marshal Tito's claims to former Italian territory at the head of the Adriatic. Nevertheless the future of Italy hangs in the balance. Again one cannot imagine a regenerated Europe without a strong France. All my public life I have worked for a strong France and I never lost faith in her destiny, even in the darkest hours. I will not lose faith now. However, in a great number of countries, far from the Russian frontiers and throughout the world, Communist fifth columns are established and work in complete unity and absolute obedience to the directions they receive from the Communist center. Except in the British Commonwealth and in this United States, where Communism is in its infancy, the Communist parties or fifth columns constitute a growing challenge and peril to Christian civilization. These are somber facts for any one to have to recite on the morrow of a victory gained by so much splendid comradeship in arms and in the cause of freedom and democracy, and we should be most unwise not to face them squarely while time remains.

The Far East Outlook

The outlook is also anxious in the Far East and especially in Manchuria. The agreement which was made at Yalta, to which I was a party, was extremely favorable to Soviet Russia, but it was made at a time when no one could say that the German war might not extend all through the summer and autumn of 1945 and when the Japanese war was expected to last for a further 18 months from the end of the German war. In this country you are all so well informed about the Far East, and such devoted friends of China, that I do not need to expatiate on the situation there.

I have felt bound to portray the shadow which, alike in the West and in the East, falls upon the world. I was a minister at the time of the Versailles Treaty and a close friend of Mr. Lloyd George. I did not myself agree with many things that were done, but I have a very vague impression in my mind of that situation, and I find it painful to contrast it with that which prevails now. In those days there were high hopes and unbounded confidence that the wars were over and that the League of Nations would become all-powerful. I do not see or feel the same confidence or even the same hopes in the haggard world at this time.

War Not Inevitable

On the other hand I repulse the idea that a new war is inevitable; still more that it is imminent. It is because I am so sure that our fortunes are in our own hands and that we hold the power to save the future, that I feel the duty to speak out now that I have an occasion to do so. I do not believe that Soviet Russia desires war. What they desire is the fruits of war and the indefinite expansion of their power and doctrines. But what we have to consider here today while time remains, is the permanent prevention of war and the establishment of conditions of freedom and democracy as rapidly as possible in all countries. Our difficulties and dangers will not be removed by closing our eyes to them. They will not be removed by mere waiting to see what happens; nor will they be relieved by a policy of appeasement. What is needed is a settlement and the longer this is delayed the more difficult it will be and the greater our dangers will become. From what I have seen of our Russian friends and allies during the war, I am convinced that there is nothing they admire so much as strength, and there is nothing for which they have less respect than for military weakness. For that reason the old doctrine of a balance of power is unsound. We cannot afford, if we can help it, to work on narrow margins, offering temptations to a trial of strength. If the western democracies stand together in strict adherence to the principles of the United Nations Charter, their influence for furthering these principles will be immense and no one is likely to molest them. If, however, they become divided or falter in their duty, and if these all-important years are allowed to slip away, then indeed catastrophe may overwhelm us all.

Could Have Prevented European War

Last time I saw it all coming, and cried aloud to my fellow countrymen and to the world, but no one paid any attention. Up till the year 1933 or even 1935, Germany might have been saved from the awful fate which has overtaken her and we might all have been spared the miseries Hitler let loose upon mankind. There never was a war in all history easier to prevent by timely action than the one which has just desolated such great areas of the globe. It could have been prevented without the firing of a single shot, and Germany might be powerful, prosperous and honored today, but no one would listen and one by one we were all sucked into the awful whirlpool. We surely must not let that happen again. This can only be achieved by reaching now, in 1946, a good understanding on all points with Russia under the general authority of the United Nations Organization and by the maintenance of that good understanding through many peaceful years, by the world instrument, supported by the whole strength of the English-speaking world and all its connections.

Let no man underrate the abiding power of the British Empire and Commonwealth. Because you see the 46,000,000 in our island harassed about their food supply, of which they grow only one-half, even in wartime, or because we have difficulty in restarting our industries and export trade after six years of passionate war effort, do not suppose that we shall not come through these dark years of privation as we have come through the glorious years of agony, or that half a century from now you will not see 70,000,000 or 80,000,000 of Britons spread about the world and united in defense of our traditions, our way of life and of the world causes we and you espouse. If the population of the English-speaking commonwealth be added to that of the United States, with all that such co-operation implies in the air, on the sea and in science and industry, there will be no quivering, precarious balance of power to offer its temptation to ambition or adventure. On the contrary, there will be an overwhelming assurance of security. If we adhere faithfully to the charter of the United Nations and walk forward in sedate and sober strength, seeking no one's land or treasure, or seeking to lay no arbitrary control on the thoughts of men, if all British moral and material forces and convictions are joined with your own in fraternal association, the highroads of the future will be clear, not only for us but for all, not only for our time but for a century to come.

Now Hackney & Co.

The firm name of Hackney, Hopkinson & Sutphen was changed to Hackney & Co. effective March 1. Offices are located at 11 Wall Street.

The Stock Market Outlook

(Continued from page 1215)

than ever and can only be satisfied through production—and full scale production under the capitalistic system can come only through the assurance of adequate profit margins.

The very grave danger, we submit, is that the tighter the planners clamp down the lid, the higher it will blow later on. At some point people with vast amounts of money to spend are probably going to insist, by one means or another, that restraints on production be removed, and the end result will be far more price inflation and over-expansion than previously visualized. Inflationary pressures, despite the market's interpretation, are growing stronger—not weaker—and they have not, as yet, been effectively controlled by any means. In short, inflation results from too much money and not enough goods to satisfy the demand—and stifling or delaying production, which is the case at present, simply adds more fuel to the fire.

The $64 Question

The $64 question at the moment is whether the price base established during the past week is on solid ground or quicksand.

Much of the selling during recent weeks has been of a distinctly professional variety. Private investor selling, as far as we can judge, has been small and of limited proportions, although public selling in speculative accounts, in order to clinch profits and buy again at some other time at hoped-for lower levels, reached rather substantial proportions. Forced selling from margin accounts was of course nil. Whether or not further professional liquidation will again hit the market is a moot question. U. S. Steel is the bellwether of the market and its fluctuations may be expected, for the time being at least, to reflect the temperature of speculative confidence.

Speaking in terms of generalities—namely the Dow-Jones index—study of purely technical data pertaining to intermediate price movements in bull markets leads to the conclusion that the reactionary phase has come and gone and that from here on a recovery, perhaps faltering at first but later on gaining more vigor, is in prospect. We, of course, furnish no guarantees regarding this—and besides there is a first time for everything—but we would point out that if the correction exceeds the 10% limit which was reached exactly during the past week, then the empirical pattern dating back to before the beginning of the century will have been violated.

Other Considerations

Looking at the picture from an external rather than the internal point of view, it should be recognized that the market is in a more or less emotional stage.

Stocks are not cheap even at last week's lows by any means—certainly not cheap enough to attract the usual bargain hunters. Corporation profits are currently undergoing the squeeze process and the earnings outlook for the important steel, automobile, accessory, machinery, farm equipment and electrical equipment industries, to mention a few, is a bit sour for the first half at least. Moreover, strikes will continue as a disturbing factor. Settlement of the steel strike far from settled other major strikes. Moreover unemployment seems likely to spread rather than diminish if employers feel that they are faced with the profits squeeze.

On the other hand, the new wage-price policy is in trouble and seems more likely to crack wide open than to work. Labor is opposed to the formula on the ground that Government should have no veto on the size of wage increases, and employers are opposed on the ground that they cannot expect to grant wage increases before price increases and the Government is in the middle, lacking adequate machinery to act with sufficient despatch on the avalanche of wage-increase demands on the one hand and price-increase demands on the other. And of course the clamor from consumers will mount especially when it becomes apparent that Government policy is holding up production of the goods they want to buy. And on top of all this is the President's request in a special message of last Friday for Congress' approval for a $7 billion loan to be lent to foreign nations in the next 16 months thereby increasing demand for more goods. All of which indicates that it still remains to be seen whether Congress will go along with the Bowles squeeze policy.

And lurking in the not-too-distant future is the threatened coal strike with the prospect of the militant labor leader Lewis crashing through with a wage increase forcing a price increase in coal that will just about knock the "Big Steel" wage-price formula into a cocked hat—just the same as happened to the "Little Steel" formula of not so long ago. Certainly Lewis would hardly be satisfied in walking off with less for his miners than Murray got for his steel workers. And then there is the threat of growing international complications and the specter of World War III being bandied about by the Sunday night radio commentators—and if anyone thinks these things might come to pass, just ponder the fact that debt in World War I went from roughly $1.1 billions to $25 billions and in World War II went from about $40 billions to over $258 billions (the per capita debt in 1915 was $11.83 and as of June 30, 1945 was $1,855). What the purchasing power of the dollar might be under such circumstances is beyond our comprehension.

Selectivity

Of course far more important than the measurement of the position of the market as a whole is the measurement of the potential price risk in a specific situation against the profit potential.

Outside of the declines in certain blue chips of the type widely held by the management type of investment trusts, well situated common stocks have declined relatively little. By way of illustration it might be pointed out that while the Dow-Jones industrial index, which is representative of the market as a whole, declined to a point somewhat under the low of last December, Allied Stores now stands at 49 vs. last December's low of 40, American Power & Light $6 Preferred 109 vs. 95, Budd 21⅞ vs. 18¼, Celotex 26 vs. 20⅝, Federated Department Stores 55¾ vs. 50¼, McCrory 35 vs. 27¼, Montgomery Ward 81 vs. 71, Northern States Power A 65 vs. 39¾, Pfizer 38 vs. 32¼, RKO 19 vs. 15⅝, Thatcher 35 vs. 24⅜, 20th Century Fox 52 vs. 39⅛, United Stores 16 vs. 11¾, Warner 38 vs. 30¼, just to mention a few.

All of which is sufficient to indicate that the market has been a rather selective affair in the reactionary phase and is likely to become even more so in the weeks and months ahead.

Price Controls Should Continue

(Continued from page 1216)

besides, for all of the other manufactured products that industry can produce. Let me give you a dramatic example from our own experience in the automobile market in New York City. Men and women stood for hours in a blinding snow storm, in a line four-deep and four blocks long, hoping to see and to place orders for the transportation they so sorely needed. Similar demonstrations appear daily on every Main Street in America where lines form to purchase the limited supplies of certain staple foods and certain luxuries, such as nylon stockings and other products, which are considered essential to a high standard of living.

There is grave danger in the common argument that this tremendous demand could be met by so simple a device as removing price controls. Such an expedient would spell ruin for the great mass of mankind which has only limited purchasing power. The long years of war all but exhausted the basic supplies in the markets of the world. This tragic circumstance has created a scarcity without parallel. The situation calls for the utmost cooperation between all branches of industry, labor and government to maintain sound price levels, and thus protect the dollars that will convert wants and needs into purchases until production can satisfy demand.

The enterprises for which I am responsible are business organizations. For more than thirty years we have been engaged in those fields of free enterprise which are the most highly competitive. In the hard school of experience, we have faced the problems of production. We know the problems of selling. We know the importance of costs and the survival value of efficiency. We know the the importance of looking ahead and in that foresight we have confirmed our belief in the future of this country. We know that sound business is not out to make a quick killing.

Production the Cure for Inflation

From all this experience, we are today ready to testify that the surest cure for inflation is production—the highest possible level of production at the earliest possible moment. Production, not price control, is the problem that we must solve. The Office of Stabilization can and will help us to increase production, and I am certain that the OPA will handle its pricing power to the end that maximum production will be achieved.

I cannot agree with those who profess to be able estimate the extent to which the new wage-price policy will increase the cost of production. Thus far, generalities about future costs are too vague to be convincing, and no one will deny that we are still a long way from potential peacetime production levels. As a matter of fact we can cite instances from our own experience where increased wages have actually lowered costs through increases in production.

I hear no dissent from the principle that increased production is the true solution to the problem of inflation. If this principle is sound, then the best way to increase production will be to stop bickering and go to work, with all sides ready to give and take in the all-important effort to raise production to the level of demand.

As a people trained in the democratic tradition, we cherish the right to criticize our government in all its branches, but the best criticism stems from experience. In managing twenty-five industries, we have come to learn how the OPA works. In all of our enterprises, throughout the war and since, we do not know of a single instance in our dealings with the OPA where, after the facts were presented, we were not accorded fair and equitable treatment by this agency. This statement covers our total experience with the OPA as a seller and producer in the market.

As a buyer under the OPA for our various industries, we can again report satisfactory treatment. We, too, are faced with a shortage of essentials. Our experience indicates that the supply of basic materials is equal to about half of the demand. As buyers, we would be greatly concerned if suddenly all restrictions on the seller were removed and we were compelled to bid at auction for vital supplies.

To illustrate the point, this Committee may be interested to know that as buyers we recently faced new situations wherein we found ourselves unable to purchase steel. In the first instance, the Kaiser Co. tried for four months to place orders for sheet steel for the production of a low-priced dishwasher. Our inability to satisfy this requirement from any supplier forced us to adopt an aluminum tub for this household appliance.

The Kaiser-Frazer Corp. encountered exactly the same experience in regard to steel for automobile bodies. Until this week we were unable to secure a commitment on any specified tonnage of steel for the manufacture of automobiles. Some suppliers said that no tonnage was available. Others promised to advise us later on how much tonnage we can have and when.

Plan of Kaiser Industries

The Kaiser interests are taking four steps to remedy this alarming situation:

1. We have expressed our belief that a failure on the part of industry to cooperate in this critical emergency will necessitate action on the part of the Stabilization Director.
2. We have approached Mr. Bowles with the request that he study such allocation of steel as would be fair and equitable for all producers. This would preserve that competitive force which is so indispensable to the life of American industry.
3. We have been obliged to lease from the government and to operate an aluminum ingot plant and an aluminum rolling mill in order to produce our own raw materials. In the aluminum industry we will welcome regulation from the OPA in our pricing of this light metal which is also in critical shortage. Only recently we were advised that the earliest delivery of aluminum which we could expect was forty-eight weeks, which comes dangerously close to being a year.
4. Finally, the shortage of steel sheet is so critical that in addition to leasing the aluminum plants, we are also studying available DPC steel plants. At South Chicago, for example, there is a government-owned, war-built $93,000,000 steel plant for which competitive bids are to be received April first by the War Assets Corp. We are investigating this plant with the thought in mind that there may be ample floor space to increase its facilities and to install a strip mill for the rolling of steel sheets. If our studies show it is economically sound, we will be among the bidders making a proposal to the War Assets Corp.

In our opinion, the consumer demand for products requiring sheet steel is so great that it will require the operation. for at least three years, of all of the steel capacity of the United States, including the additional capacity installed during the war. Again I say, the only way to reduce government controls is to use all of our existing facilities for production, and to build, where necessary, new facilities to give us increased production and meet the demand. Congress has already done its part in providing the Surplus Property Administrator with ample authority to make these plants quickly available to industry, after a check by the Attorney General to ensure they are so allocated that competition is encouraged.

I have thus spoken from experience because I do not wish to generalize. In facing the actualities of inadequate supply, we have learned that price control is vital to the health of our country through this emergency, and that inflation will finally be brought into balance by production. It is now altogether clear that the Office of Stabilization is necessary at this critical juncture in order to protect buyers, sellers, and the public both as to pricing and as to allocation; for these two are kindred necessities in a market where demand so far exceeds supply. In this transition period from war to peace, when the barrel holds so much less than the customers want, the customers will either fight for it or overbid for it. When industry produces enough barrels full of the things that people want, then we won't need allocation and price control.

Attacks NAM

The National Association of Manufacturers has recently taken full-page advertisements in the nation's press to urge the abandonment of OPA. In this campaign, NAM has given no indication of how this procedure would remedy the present emergency. I cannot believe that this is the unanimous verdict of its members. Outside of NAM there are thousands of manufacturers whose opinions are certainly not represented in NAM's advertisements. I know that the NAM has not approached us for our viewpoint. The vast majority of American businessmen in trade and production, who are not members of NAM, are a force to be reckoned with, and should be heard.

With this knowledge, it appears to me that the NAM—before taking a position in which it presumes to represent American industry—should make a poll, and furnish this Committee with its results. In preparing a questionnaire for such a poll of American industry, the facts for and against inflation should be presented. If NAM prefers to poll only its own members, we may hope that it will make some attempt to find out what the employees of its members are thinking, because, after all, it is the people who will have to pay the price for inflation.

I notice a tendency today to use the phrase "the little man." I presume this means the plain citizen whose voice is too seldom heard. If this is a proper definition, "the little man" is industry's biggest customer. He is the one who needs protection. The savings of the worker, the widow, and the dependent would suffer most if we permit the United States to stage a general auction in which the price of everything will be bid up until only the few can satisfy their needs. America's huge financial reserves, born of war and represented by the earnings and savings of our people, must now have that fair and equitable protection which is afforded by agencies such as the OPA and the Office of Stabilization.

One look back into history should be enough to convince us that we must not open the road to uncontrolled inflation. We had the experience—after the abandonment of price control—of the soaring boom of 1919. And we had the experience of a total bust in 1920. Does experience teach us nothing?

There is no more brilliant chapter in the history of American economics than the story of price controls throughout the second World War. The necessity for those controls will not be past until full production has been achieved. There is, as yet, no convincing argument that full production must await removal of price controls. The answer would be an inflation of disastrous proportions, in the financial markets, the commodity markets, and throughout the whole field of production and distribution, and, as always, laying its heaviest toll on those who are the least able to bear it.

In concluding this statement, the Committee should understand that I do not believe that the OPA is perfect—there is no such thing as perfection anywhere. It is easy to criticize, easy to say what should have been done, or what should be done, as one watches from the sideline. It is a real responsibility, however, to initiate a program such as the OPA, to coordinate it, to guide it, and to keep it free from those who may unwittingly hurt it with criticism. This is not a time when we need criticism. We need to work together for the common good, which is increased production. The OPA needs help from everyone —from Congress, from the people—and we must all join in the use of this agency, and make it stronger by giving it our confidence.

Leslie J. Fahey Buys Cleve. Exchange Seat

CLEVELAND, OHIO — Fahey, Clark & Co., Union Commerce Building, has purchased a membership on the Cleveland Stock Exchange in the name of Leslie J. Fahey, President of the firm. This makes 43 seats now in the hands of individuals out of an authorized maximum of 45. Fahey, Clark & Co. are underwriters of corporate securities and participate both in Ohio municipals and general market accounts. The purchase of the Exchange membership indicates an expansion of the firm's brokerage business.

Mr. Fahey is a past President of the Bond Club of Cleveland and a past Chairman of the Northern Ohio Group of the Investment Bankers Association of America. He entered the securities business with the Herrick Co., later Mitchell, Herrick & Co., in 1922, and helped form Fahey, Clark & Co. in 1939. Mr. Fahey's father, the late Peter R. Fahey, was one of the organizers of the Cleveland Stock Exchange.

B. F. Pitman Visiting NY

B. F. Pitman of Pitman & Co., San Antonio, Texas, is visiting in New York City. He may be reached at the Ambassador Hotel.

Problems Facing Businessmen

(Continued from page 1217)

debt of 275 billions, and with a world all about us yearning for the products of American labor and inventive genius.

At the termination of the war the Government of the United States owned or controlled 98% of the synthetic rubber industry, 92% of the magnesium output, 90% of the aircraft production, 50% each of aluminum, machine tool and shipbuilding, and 10% of steel plants. In other words, it either owned them outright or had made loans and advances to enable private enterprise to meet the requirements of war production. The synthetic rubber industry amounts almost to a government monopoly, as does the magnesium industry, while the aluminum plants owned by the Government amount to half of this industry's present capacity and, to a greater or smaller degree, the same is true of aircraft, shipyards, machine tools, and certain other industries which the Government was compelled to finance during the war.

Government to Dispose of Industries

It is obvious that the Government cannot continue indefinitely to own or operate so large a portion of these industries. The problem is to find the soundest method by which the Government can dispose of its wartime interests without too great a loss to the taxpayers and without harmful competition on the part of the Government with private industry.

Not only did the Government invest nearly 20 billion dollars in war production plants, but it was estimated at the end of hostilities that the Government found itself in possession of between 75 and 100 billion dollars worth of surplus properties, including the war plants to which I have referred. The problem of disposing of these surplus goods to the greatest benefit of the people who have contributed the money for their purchase and, at the same time, in a manner not to interfere with private production and the labor involved in that production to a harmful degree, is one that creates difficulties, and these difficulties have emphasis in the effort to implement and administer the laws which Congress has enacted on the subject.

During the war years people paid into the Treasury of the United States approximately 45 billion dollars per annum in taxes. This amount was greater than the total earnings of all the American people in 1932. With an income of 160 or 170 billions, it was not difficult to make this enormous contribution to the Treasury and have left in the pockets of the people approximately 120 billion dollars in income. This accounts, in part, for the enormous savings represented in savings accounts and in the purchase of Government obligations which are necessary to supplement taxes in paying the expenses of the war. Now that the war has ended and we are seeking to get back as rapidly as possible to a normal basis, the American businessman and the American manufacturer and, in fact, the whole American people, are undergoing a season of readjustment which is unavoidable, although it is annoying and, at times, irritating.

Cost of Living Increasing

During the war the cost of living in the United States increased a little more than 30%, while wages under the Little Steel Formula increased a little more than 15%, subject to some exceptions resulting in larger increases in hardship cases, which were provided for under the operation of the War Labor Board.

The readjustments that are in progress, resulting in strikes and layoffs, are calculated to create a false impression among those not familiar with the problems. So long as the cost of living continues to increase, we cannot reasonably expect laboring men to accept complacently a smaller "take home" income than that which they enjoyed during the peak of production and of wages. In all likelihood, these controversial readjustments will gradually result in settlements and resumption of work and production. It is generally expected now that the wage rates throughout the country will increase, on the whole, at rates ranging from 10 to 20%, which will, of course, be reflected in the cost of production of the articles turned out by the hands of labor.

It will be impossible to prevent corresponding increases in prices due to these increases in labor costs.

If it be contended that industry can pay all these increased wages out of profits accumulated during the war period or out of profits made during the reconversion period, it might be contended with equal force that prices and profits were too great during the period of this accumulation and it follows that if prices were too great in the wartime restraints, the Government can accuse itself entirely of the fault.

It may be true that in some instances increased wages can be absorbed by increased output by men or more efficient operation of plants and machinery, but I think it is now fairly well recognized by the country as a whole that increased wages and increased costs of production must be reflected in a proportionate increase in selling prices; and it seems to me that the Government has recognized this theory in the new wage-price formula under which business and industry will be expected to operate.

While we expect to reduce taxes within a reasonable length of time, it might as well be recognized that the expenses of the Government will not fall far below 25 billion dollars per annum in the foreseeable future. The vast debt which the war has bequeathed to us must be serviced by the payment of interest and it must be greatly reduced by payments on principal and the retirement of Government obligations.

The obligation and the duty of the Government toward disabled veterans cannot be ignored, and no patriotic American wishes to ignore it. Ultimately, this may amount to as much as 4 or 5 billion dollars per year.

In addition, programs of reconstruction and rehabilitation, and housing, and public works, and public improvements that had to be deferred on account of the war will require large outlays for several years, and these outlays will constitute an obligation, either actually or potentially, on the Treasury of the United States.

Financial Aid Abroad

In addition to these domestic problems which I am but sketching, we find the world in a condition of expectancy and dependency and looking toward the United States for financial assistance that will enable them within a reasonable period to reestablish their economy, to give employment to their labor, and restore their industrial and agricultural activities to a point that will enable them to be self-sustaining.

While this international situation is not one we relish, it is one we cannot avoid. We now have pending before Congress the British loan. The representatives of France are on their way to negotiate a French loan. There is much talk in the press and the public concerning a possible Russian loan. There may be others. The British loan has already been negotiated and has been approved by the British Parliament. I favor its approval by the Congress of the United States. This is not an act of charity. It is an act, in my judgment, of intelligent self-interest, for we cannot prosper as a nation in a world that is prostrate. We cannot sell our surplus products unless other nations are able to buy them and pay for them in currency that we will accept. The proceeds of these loans will be largely expended in the United States for the purchase of products of American labor, which will give profits to American industry and, at the same time, enable the people of the United Kingdom to place their feet upon a sound economic basis which will enable them to resume their position as the greatest purchaser of American products.

Each of the proposed loans will stand on its own merits. Approval of one does not obligate us to approve others unless they are meritorious. The American businessman and the American manufacturer and the American farmer, and all the American people, are vitally interested in restoring world markets so that they may absorb our own surplus products.

During the war American production amounted to the fanastic figure of 197 billion dollars, which was twice as much as it was in 1940. It is estimated that for 1946 production will amount to between 160 and 175 billion dollars, depending on how rapidly we may be able to adjust our controversial labor and management problems.

While our domestic demand for goods is enormous and will continue to be enormous in the immediate future, we must contemplate over the long range the necessity for selling 10% of our products to the people of other nations. In other words, we have become the world's banker, whether we wanted to do it or not. This financial position has been forced upon us by the events of history. Being the world's banker, we must conduct ourselves as intelligent bankers by helping to afford that credit, without which business all over the world will remain prostrate and labor will remain unemployed. To this end we have set up the United Nations Organization to help preserve peace, and have entered into the Bretton Woods Agreement to help bring about economic stability. Through the international bank therein set up and the monetary fund we have provided a method by which the nations becoming a party to it may stabilize their currencies in terms of the American dollar and, through the bank, loans may be made to countries in need of credit which cannot be obtained from private sources.

We Can Create Prosperity

If we are wise in fashioning our own policy, we shall reap a great harvest through the creation of a political and economic stability throughout the world. Not only will peace be fostered but prosperity likewise will flow from these efforts, which, of itself, will create such content and happiness as to minimize the frictions that result in war.

During this period of readjustment continued regulations and restrictions may be necessary. We cannot afford to have the runaway inflation which cursed us after the last war and which played a great part in the subsequent "boom" and subsequent disasters which overtook our people. We all know that these regulations and restrictions are irksome and annoying, but if we cannot exercise that self-control as a people which will guard us against disaster in the future, we have not reached that maturity which should characterize the strongest and richest nation and people on the earth. I believe we possess that strength which will impose upon us restraints found necessary in our own behalf and for our own safety.

If these uncertain political and economic conditions which exist here and, to a large degree, elsewhere in the world can be solved in the spirit of wisdom and tolerance and cooperation, I anticipate an era of production even greater than that during the war, and I anticipate the enjoyment of wages on the part of the American laboring man which will equal, if not exceed wartime compensation. And I anticipate for the American farmer a continued demand throughout the world for his products. And I anticipate for business profits sufficiently attractive to induce the investment of capital in the commercial and industrial activities of our country. The domestic demand and the world demand require our greatest effort, but they require also a reasonable degree of self-restraint and farsighted preparation, not only for an immediate prosperous era, but for that leveling-off era which must necessarily follow when the world shall regain its equilibrium and world production shall have caught up with demand.

In this great effort the American businessman is confronted with an opportunity and an obligation. I have no doubt of his ability and his willingness to meet both.

Charles Mountcastle With J. F. Reilly Co.

J. F. Reilly & Co., Inc., 40 Exchange Place, New York City, announces that Charles F. Mountcastle has become associated with their trading department. Mr. Mountcastle was formerly with Troster, Currie & Summers.

Growney & Co. Formed In New York City

Growney & Co., Inc. has been formed with offices at 37 Wall Street, New York City to act as broker and dealer in securities. Principals of the firm are E. Michael Growney, Emanuel Goodman, and William H. Vetter.

We Will Defend the UNO Charter

(Continued from page 1218)

place in that organization. We realize that although the dreams of the world are lodged in it, the United Nations will fail unless its members give it life by their confidence and by their determination to make it work in concrete cases and in everyday affairs.

And so I wish to talk to you about the first meetings of the United Nations. What has been said in these meetings had been said as plainly and bluntly as anything I have heard said by responsible statesment in any private conference.

These first meetings were intended only to establish the various organs of the United Nations. But so pressing were some of the problems presented to the Security Council that they had to be dealt with before there was a chance for the Council to adopt even provisional rules of procedure.

All was not calm and peaceful at the meetings in London. There was effort to use the United Nations to advance selfish national aims. But the clash of national interests and purposes which were reflected in the debates in London was very much like the clash of local and special interests which are reflected in our national and State legislatures.

Clashes of Interests

We may deprecate some of these clashes of interest. But when they exist, it is better that they should be publicly revealed. If these conflicts of interests did not appear in the forums of the United Nations, these forums would be detached from reality and in the long run turn out to be purposeless and futile.

A most significant precedent was established when the Security Council finished its discussions of the complaint of the Syrian and Lebanese Governments requesting the withdrawal of French and British troops from their territories.

The Council did not take formal action because of a difference among the permanent members as to the form of the resolution. But no one questioned the general proposition that no State has the right to maintain its troops on the territory of another independent State without its consent, nor the application of this proposition to the pending case.

The particular form of resolution to this general effect which was presented by the United States representative, Mr. Stettinius, was supported by most of the members of the Council. It failed of acceptance, however, because the Soviet Union vetoed it on the ground that it was not definite enough.

But the British and French Governments immediately announced that, notwithstanding the technical veto of the Soviet Union, they would act in accordance with the American resolution as it clearly represented the views of the Council.

This indicates that the mere legal veto by one of the permanent members of the Council does not in fact relieve any state, large or small, of its moral obligation to act in accordance with the purposes and principles of the Charter.

UNO Off to a Good Start

The United Nations got off to a good start. However, that does not mean it is an assured success. It simply means that the Charter will work if the peoples of the United Nations are determined to make it work. At times our Congress may make serious errors of omission and commission. Such errors are not the fault of the Congress as an institution. They are the fault of its members or of their constituents who fail to measure up to their responsibilities.

So it is with the United Nations. It will succeed only as we, the peoples of the United Nations, measure up to our responsibilities.

I should be lacking in candor if I said to you that world conditions today are sound or reassuring. All around us there is suspicion and distrust, which in turn breeds suspicion and distrust.

Some suspicions are unfounded and unreasonable. Of some others, that cannot be said. That requires frank discussion between great powers of the things that give rise to suspicion. At the Moscow conference there was such frank discussion. It was helpful. But the basis of some suspicions persists and prompts me to make some comments as to our position.

The U. S. Position

We have joined with our Allies in the United Nations to put an end to war. We have covenanted not to use force except in the defense of law as embodied in the purposes and principles of the Charter. We intend to live up to that covenant.

But as a great power and as a permanent member of the Security Council we have a responsibility to use our influence to see that other powers live up to their covenant. And that responsibility we also intend to meet.

Unless the great powers are prepared to act in the defense of law, the United Nations cannot prevent war. We must make it clear in advance that we do intend to act to prevent aggression, making it clear at the same time that we will not use force for any other purpose.

The great powers are given special responsibilities because they have the strength to maintain peace, if they have the will to maintain peace. Their strength in relation to one another is such that no one of them can safely break the peace if the others stand united in defense of the Charter.

The present power relationships of the great states preclude the domination of the world by any one of them. Those power relationships cannot be substantially altered by the unilateral action of any one great state without profoundly disturbing the whole structure of the United Nations.

Therefore, if we are going to do our part to maintain peace in the world we must maintain our power to do so, and we must make it clear that we will stand united with other great states in defense of the Charter.

If we are to be a great power we must act as a great power, not only in order to insure our own security but in order to preserve the peace of the world.

Our Military Power Should be Maintained

Much as we desire general disarmament and much as we are prepared to participate in a general reduction of armaments, we cannot be faithful to our obligations to ourselves and to the world if we alone disarm.

While it is not in accord with our traditions to maintain a large professional standing army, we must be able and ready to provide armed contingents that may be required on short notice. We must also have a trained citizenry able and ready to supplement those armed contingents without unnecessarily prolonged training.

That is why in the interest of peace we cannot allow our military establishment to be reduced below the point required to maintain a position commensurate with our responsibilities, and that is why we must have some form of universal military training.

Our power thus maintained cannot and will not be used for aggressive purposes. Our tradition as a peace-loving, law-abiding, democratic people should be an assurance that our force will not be used except in the defense of law. Our armed forces except as they may be called into action by the Security Council, cannot be employed in war without the consent of the Congress. We need not fear their misuse unless we distrust the representatives of the people.

No Reason for War

I am convinced that there is no reason for war between any of the great powers. Their present power relationships and interests are such that none need or should feel insecure in relation to the others as long as each faithfully observes the purposes and principles of the charter.

It is not enough for nations to declare they do not want to make war. Hitler said that. In a sense he meant it. He wanted the world to accept the domination of a totalitarian government under his direction. He wanted that without war if possible. He was determined to get it with war if necessary.

To banish war, nations must refrain from doing the things that lead to war.

It has never been the policy of the United States in its internal affairs or in its foreign relations to regard the status quo as sacrosanct. The essence of our democracy is our belief in life and growth and in the right of the people to shape and mould their own destiny.

It is not in our tradition to defend the dead hand of reaction or the tyranny of privilege. We did not fight against the Nazis and Fascists who turned back the clock of civilization in order that we might stop the clock of progress.

Our diplomacy must not be negative and inert. It must be capable of adjustment and development in response to constantly changing circumstances. It must be marked by creative ideas, constructive proposals, practical and forward-looking suggestions.

Cannot Allow Aggression

Though the status quo is not sacred and unchangeable we cannot overlook a unilateral gnawing away at the status quo. The Charter forbids aggression and we cannot allow aggression to be accomplished by coercion or pressure or by subterfuges such as political infiltration.

When adjustments between States, large or small, are called for, we will frankly and fairly consider those adjustments on their merits and in the light of the common interests of all States, large and small, to maintain peace and security in a world based on the unity of all great powers and the dominance of none.

There are undoubtedly vitally important adjustments which will require our consideration. Some of these situations are delicate to deal with. I am convinced, however, that satisfactory solutions can be found if there is a stop to this maneuvering for strategic advantage all over the world and to the use of one adjustment as an entering wedge for further and undisclosed penetrations of power.

We must face the fact that to preserve the United Nations we cannot be indifferent—veto or no veto—to serious controversies between any of the great powers because such controversies could affect the whole power relationship between all of the great powers.

The United States wish to maintain friendly relations with all nations and exclusive arrangements with no nation. Naturally, there are some problems which concern some nations much more than other nations. That is true in regard to many problems related to inter-American affairs. That is true in regard to the control of Germany and Japan.

In our relations with the other great powers there are many problems which concern two or three of us much more than the others of us. I see no objection to conferences between the Big Three or the Big Four or the Big Five.

Even conferences between ourselves and the Soviet Union alone, conferences between ourselves and Britain alone, or conferences between ourselves and France or China alone, can all help to further general accord among the great powers and peace with the smaller powers.

But in such conferences, so far as the United States is concerned, we will gang up against no State. We will do nothing to break the world into exclusive blocs or spheres of influence. In this atomic age we will not seek to divide a world which is one and indivisible.

Approved Adjustments in Favor of Soviet

We have openly, gladly and whole-heartedly welcomed our Soviet ally as a great power, second to none in the family of the United Nations. We have approved many adjustments in her favor, and in the process resolved many serious doubts in her favor.

Only an inexcusable tragedy of errors could cause serious conflict between us in the future. Despite the differences in our way of life, our people admire and respect our allies and wish to continue to be friends and partners in a world of expanding freedom and rising standards of living.

But in the interest of world peace and in the interest of our common and traditional friendship we must make plain that the United States intends to defend the Charter.

Great powers as well as small powers have agreed under the United Nations Charter not to use force or the threat of force except in defense of law and the purposes and principles of the Charter.

We will not and we cannot stand aloof if force or the threat of force is used contrary to the purposes and principles of the Charter.

U. S. Policies

We have no right to hold our troops in the territories of other sovereign states without their approval and consent freely given.

We must not unduly prolong the making of peace and continue to impose our troops upon small and impoverished states.

No power has a right to help itself to alleged enemy properties in liberated or ex-satellite countries before a reparation settlement has been agreed upon by the Allies. We have not and will not agree to any one power deciding for itself what it will take from these countries.

We must not conduct a war of nerves to achieve strategic ends.

We do not want to stumble and stagger into situations where no power intends war, but no power will be able to avert war.

We must not regard the drawing of attention to situations which might endanger the peace, as an affront to the nation or nations responsible to those situations.

It is quite possible that any nation may in good faith embark on a course of conduct without fully appreciating the effects of its conduct. We must all be willing to review our actions to preserve our common interests in the peace, which are so much more important to all of us than the differences which might divide us.

We must get back to conditions of peace. We must liquidate the terrible legacy which the war has left us. We must return our armies to their homelands. We must eliminate the breeding grounds of suspicion and fear. We must not deceive ourselves or mislead our Allies. To avoid trouble we must not allow situations to develop into incidents from which there is no retreat.

We must live by the Charter. That is the only road to peace.

To live by the Charter requires good-will and understanding on the part of all of us. We who had patience and gave confidence to one another in the most trying days of the war must have patience and give confidence to one another now.

Friendly Nations Should Act as Friendly Nations

No nation has a monopoly of virtue or of wisdom, and no nation has a right to act as if it had. Friendly nations should act as friendly nations.

Loose talk of the inevitability of war casts doubt on our own loyalty to the Charter and jeopardizes our most cherished freedoms both at home and abroad.

There are ideological differences in the world. There always have been. But in this world there is room for many people of varying views and many governments with varying systems. None of us can foresee the far distant future and the ultimate shape of things to come. But we are bound together as part of a common civilization.

As we view the wreckage of the war, we must realize that the urgent tasks of reconstruction, the challenging tasks of creating higher standards of living for our people, should absorb all our constructive energies.

Great States and small States must work together to build a friendlier and happier world. If we fail to work together there can be no peace, no comfort and little hope for any of us.

Francis La Farge Is With Clark, Dodge Co.

Clark, Dodge & Co., 61 Wall Street, New York City, members of the New York Stock Exchange, announce that Francis W. La Farge has joined the organization as market analyst. In addition to the New York office, he will service the firm's branch offices in Boston and Newark, as well as correspondent firms in Philadelphia, St. Louis, Pittsburgh, Cleveland and Cincinnati. Mr. La Farge was graduated from Harvard in 1925 and later was graduated from the Harvard School of Business Administrtion. For the last 15 years he has been market analyst for the Tricontinental Group of investment companies.

Barton Evans Joins Charles Clark & Co.

Charles Clark & Co., 72 Wall Street, New York City, members New York Stock Exchange, announce the association with them of Barton Evans in their Investment Department. Mr. Evans has recently returned from active duty as Lieut. Commander in the United States Naval Reserve, prior to which he was associated wtih Goodbody & Co.

Fight for Fair Employment Practice Law Will Continue

(Continued from page 1226)

if we were to inspire the downtrodden of the world we must prove to them that we believe in justice and equality at home. When his great heart was stilled—and he was a war casualty to the same extent as was any man who died upon the field of battle—the torch which he had lighted was snatched and held aloft by the present President of the United States.

Speaks on Behalf of President

I come here tonight clothed with full authority to speak on behalf of President Truman. I come with authority to tell you that he is just as determined as was his predecessor that this fair employment paractices principle be enacted into law by the Congress of the United States.

I bring this assurance in what I know is your hour of disappointment. I know how disappointed you and all of your supporters must have been when you had to abandon temporarily the struggle in the Senate. But you must realize that you did not lose the battle. You were not permitted to have a decision, or you would have won. You did not lose a war because the moral issues which make up this cause are never lost. They will always prevail. You lost a minor skirmish but you won a victory in the approval of the majority of the American people of the cause you so ably presented. I ask you to recall the dark days of Bataan and Corregidor. It would have been easy to have lost heart and faith but the American people never faltered. They were firm in their determination to proceed to victory. That firmness stemmed from the knowledge of the rightness of their cause. We, too, must be firm in our determination to proceed with this righteous cause.

It is always difficult to deal calmly and dispassionately with issues involving human rights. It is difficult to be patient when you have sacrificed so much to have a just cause prevail. But every good fruit is born out of sacrifice and pain and the law of nature is that those who have made the sacrifice are always ennobled thereby.

There is no need in the short time we have to attempt to review the issues involved. There are very few people who will deny that there is a moral obligation upon all of us, and particularly upon our Government, to insure to all of our people the inalienable right of every American to work, regardless of his race or color or creed or national origin. This right is basic. It is a natural right established by the Highest Authority when He breathed a soul or spirit into the clay and thus made man. As long as man exists that spirit will cry out for expression, and it must express itself in production or work. This right is basic to a realization of everything this Government stands for. If this right is denied, then the right to life, liberty and the pursuit of happiness becomes meaningless.

Struggle Will Go On

The struggle for this legislation will go on with constantly renewed effort. With the fine leadership and cooperation you have given, the cause will succeed. Inevitably this question is now influencing, and will continue to influence, the development of peace in our country and throughout the world. Our country and our way of life are on trial. The peoples of the world who yearn for the blessings we sum up in the word "democracy" are watching us. They are hoping and praying that we shall not fail them. Democracy is not an easy thing to define. It is a living thing—a growing thing—a thing which discards the meanness of this material world—a thing which shakes off the smallness of men and then buds and blossoms in the phrase, "men of good will." It cannot bud and blossom unless those in charge of Government know the importance of, and recognize the necessity for, justice and equality.

Let me conclude by quoting from, and then attempting to paraphrase, President Lincoln's message to Congress on Dec. 1, 1862. He said this:

"We, even we here, hold the power and bear the responsibility. In giving freedom to the slave, we assure freedom to the free—honorable alike in what we give and what we preserve. We shall nobly save or meanly lose the last, best hope of earth. Other means may succeed; this could not fail. The way is plain, peaceful, generous, just—a way which, if followed, the world will forever applaud, and God must forever bless."

We in the Administration in Washington bear the responsibility of treating justly and giving equality of opportunity of employment to the minorities. It is but honorable that we should do this justice and provide this equality. By so doing we preserve the principles of justice and equality for all Americans. Our way is plain. The path that we must take must be peaceful, generous and just. When we have traversed that path and achieved our objective, the world will forever applaud, and God must always bless.

Am. Library Assn. Issues Service Pub.

"Library Service to Business, Its Place in the Small City," by Marian C. Manley, was recently published by the American Library Association of Chicago. Telling how to initiate or improve library service to the community's business interests, the book it is announced also gives pointers on the selection and use of information, on the library's location, organization, and staffing. A 20-page annotated bibliography, "Building a Business Library Collection," intended as a purchasing guide for the small library, is appended. The author is librarian of Newark's Business Library. She heads the A. L. A.'s Committee on Relations with Business Groups, and is also Chairman of the Committee for Library Service of the CED (Committee for Economic Development). Consisting of 80 pages, the book is priced at $1.25.

Investment Banking Course at Boston U.

BOSTON, MASS.—The College of Business Administration of Boston University will offer a training course in investment banking to begin March 11th and run through June 7th. The course is sponsored by the New England group of the Investment Bankers Association of America in cooperation with the University. Few young men have entered the investment banking field in recent years and the purpose of the course is to train those who are now returning to this field from the Armed Services.

Douglas With J. P. White

John P. White & Co., 120 Wall Street, New York City, announce that Robert W. Douglas has become associated with them.

Reduction in Banks' War Loan Accounts

(Continued from page 1226)

cause of the changed trend of events it signifies. Deficit spending may continue, though for the sake of sound Government finance and the preservation of a balanced price structure, I sincerely hope that it will not. But even if deficit spending should continue, it will not be in the magnitude of wartime deficits. For this reason, the size of Treasury war loan deposit accounts will be substantially reduced.

The budget message, therefore, may be taken as an announcement to the banks that the Treasury war loan deposit accounts will be substantially reduced and will reach a level considerably lower than the levels of the last five years. Consequently, every bank must be certain that its financial structure is arranged to make the adjustments required by such a development. The basic effect of reduced Treasury war loan deposit accounts is that there will be a pressure exerted on the bank's liquid position.

This can be illustrated by reference to the two extremes of possibilities. If the reduction in the Treasury deposit account is not replaced by any ordinary commercial deposit accounts, the bank will have lost liquid reserves by the amount of the reduction in the Treasury deposit accounts. This may represent a considerable pressure on the liquid position of some banks. If the reduction in the Treasury deposit account is replaced in full by additional commercial deposits, the bank's reserve requirements will be increased by 14% to 20% of the amount, depending upon the reserve requirements to which it is subject. This would represent a smaller, though nonetheless significant, decrease in the liquid position of the bank. What will actually take place will be somewhere between the two extremes. The result will be that war loan deposits which require no legal reserves will be decreased and replaced in part by individual and business demand and time deposits which require full legal reserves.

The effect described may be further magnified by inter-regional shifts in ordinary commercial deposits. If the geographical pattern of postwar spending differs from that which was experienced during the war, important shifts in the geographical location of commercial deposits will take place. Every bank should study the trends in its own particular region and be prepared to make whatever adjustments will be required.

All of these comments have significance for what the individual bank should hold in its Government bond portfolio. A useful standard for guidance is that the Treasury war loan deposit accounts and the anticipated shift of ordinary commercial deposits should be covered by short term Government securities. Since the total Treasury war loan account will be reduced to approximately 10% of its January, 1945, level by July, 1947, it would be prudent to cover this liability by an equivalent amount of short term Government securities which can be converted into cash as instalments on the war loan account are called for payment.

It follows from this that a bank should not have a disproportionate quantity of long term Governments in its portfolio. There is another useful policy standard which should be given consideration in this connection. A bank should study carefully the amount of long term Government bonds proper for its portfolio. It should hold an amount no larger than it can carry to maturity without having to transfer or dispose of its holdings to meet obligations that are likely to arise. It is probable that if these standards are observed in the future there will be a decreased volume of bank funds used for the purchase of longer term Government bonds.

Furthermore, the financial position of every bank must be flexible enough to meet any set of circumstances that is likely to arise. This transition period is one of rapid shifts in Government policy and business conditions. Many artificial elements, difficult to forecast by ordinary methods of business analysis, have been injected into the economic situation. A bank must therefore build maximum flexibility into its financial structure. This principle may be illustrated by reference to bond premium accounts. Bond premium accounts must, of course, be regularly amortized. In addition, it is my considered judgment that fluctuations in market prices should be provided for by adequate reserves. By doing so, a bank renders itself less vulnerable to adverse market developments which, if not at present probable, are nevertheless possible. This is another illustration consistent with the general proposition that the banks must be alert to changes in their economic environment and be prepared to make the best possible adjustment to it.

Otto Fuerst Admits Feinberg as Partner

Frank Feinberg, formerly with Kuhn, Loeb & Co., has been admitted as a general partner in the firm of Otto Fuerst & Co., members of the New York Stock Exchange. Mr. Feinberg will be in charge of the research department. Otto Fuerst & Co. have recently opened their new offices at 57 William Street, New York City.

J. F. Slocum in Buffalo

BUFFALO, N. Y.—J. F. Slocum is engaging in an investment business from offices at 29 Park Street. For several years he was associated with Amott, Baker & Co., Inc.

Disharmonies Between Costs and Prices

(Continued from page 1225)

mony or lack of harmony of prices. But it requires great care and a precise statement of premises regarding the forces of competition or monopoly in supply and demand, and the nature and behavior of costs and profit margins under these various conditions, before one can describe accurately the relationship of costs to prices.

In general, one can state with reasonable accuracy that market prices are not determined by costs but by the relationship between supply and demand. The effect of costs operates through its tendency to restrict or expand supply in the face of demand—actual or anticipated. This effect is a long-run matter and often involves intricate explanation.

But, for anyone who is not an economist, the following should be sufficient to demonstrate why costs do not determine prices. If costs determined prices then:

(1) No producer would ever need go bankrupt; he would merely mark up his prices to cover his costs.

(2) Every employer could settle the low-wage question quickly by the simple device of paying his employees whatever they might ask.

(3) There could be no profit margins, because any admission of profit margins to occupy an area between costs and prices would separate costs from prices and prove that costs alone do not determine prices.

(4) There could be no business recessions.

(5) There could be no auctions.

(6) Our old automobiles and our old houses would sell for more than they did when new since their costs would now be greater than originally.

(7) There would be no sales below costs to work off accumulated inventories.

(8) There could be no such thing as a uniform price for wheat since the costs of production for the farmers differ widely.

(9) Railway passenger fares would increase in proportion to one's weight, the distance traveled, and all other expenses, if they could be ascertained.

(10) The value of an invention would be determined by the time and cost of materials put into it.

(11) The more expensive and the longer one's schooling the more his wage or salary would be.

(12) No one desiring to produce a product would need to be efficient since price would cover costs whatever they might be.

It would be a queer world indeed if costs determined prices. The preceding items should make it clear that truth would be served much better if we would begin our discussions of prices by analyzing the forces of supply and demand before we undertake to assert what we believe to be the relationships of costs to prices.

3. Harmony of Individual Prices versus Harmony of Mathematical Abstractions.

Still another common type of unsound wage-price analysis is that which relates wage levels or wages "in general" to the price level. The wage level and the price level are both mathematical abstractions; and these abstractions may reveal little or nothing as to harmonious relationships between prices for commodities and personal services.

The important thing is the relationship between costs and selling prices in each business enterprise. If costs are so high in an enterprise that a profit cannot be made, that business cannot long continue. And these situations can arise and become widespread and serious regardless of what an average of prices or of wages "in general" may be. A steady price level tells us nothing about harmony of relationships between costs and prices. Dispersions of prices from an average may be narrow and few, or they may be wide and many, and yet the average may be steady.

There are real prospects that the common tendency, even in supposedly enlightened circles, to generalize too readily from mathematical abstractions may lead many people into serious trouble. For example, there is the prospect that labor leaders may price labor out of jobs. One can hear person after person say he will not do this or that—for instance he will not build a house—because of high labor costs. One can read of this business and that closing down because it cannot meet labor and other costs.

These disharmonies can become widespread regardless of a relatively stable, or unstable, price level. And if enough of them develop to cause many bankruptcies, a severe business recession can develop. A serious impairment of profit margins and a failure by many business enterprises to pay dividends can undermine the stock market. A sharp recession there can cause severe losses, and impair confidence and foster caution or fear in many other directions.

In short, a sufficient number of disharmonies between costs and prices, along with inability to obtain raw materials, can generate serious trouble; and it is to possible trouble of this type that altogether too little attention apparently is being given today. Too much stress is being laid upon the impossibility of having a business recession "in the face of the great amount of purchasing power in existence."

It needs to be emphasized, in the light of current discusssions of these matters, that lack of harmonies in prices, if sufficiently far-reaching, can cause business recessions regardless of the amount of purchasing power in existence.

Emanuel & Co. Offer Preferred Shares of Grayson-Robinson

Emanuel & Co. headed an underwriting syndicate which on March 6 offered 50,000 shares of $2.25 cumulative convertible preferred stock (no par) and 50,000 shares of common stock ($1 par) of Grayson-Robinson Stores, Inc. The preferred stock is priced to the public at $52 per share and accrued dividends and the common at $31 per share.

Proceeds from the sale of these shares will be used to reimburse the company for funds expended and to purchase the balance of the outstanding securities of Robinson's Women's Apparel, Inc., and S. Klein On The Square, Inc.

Cecil B. Whitcomb Is With Gordon Macklin

CLEVELAND, OHIO—Cecil B. Whitcomb has become associated with Gordon Macklin & Co., Union Commerce Building, members of the Cleveland Stock Exchange. Mr. Whitcomb for many years was executive secretary for the Cleveland Stock Exchange. He has recently been in the armed forces.

Michael Stiefel Opens

Michael Stiefel is engaging in an investment business from offices at 850 East 17th Street, Brooklyn, N. Y. Mr. Steifel was formerly associated with Waddell & Co. of Toronto.

Changing Sentiments On United Kingdom Loan

(Continued from page 1218)

When you tell the average voter here that we have got to give some substantial help to that country now, he wants to know: 'What's the collateral, what interest will the loan pay, what are the repayment terms, and are there any loopholes by which the borrower can escape?' And when you tell the voter the facts, he'll say: 'Mr. Congressman, that is not a loan at all.' The more pressure you put on him, the madder he will get.

"Now consider an alternative approach. You tell the citizen that Anglo-Saxon collaboration now is as important as ever. 'We've got to make a contribution to help our partner. What is your share going to be?' The citizen may object that he is overburdened already, that he has no 'share,' that he can't go on forever supporting other countries. Then the Congressman replies: 'Didn't you agree to the Four Freedoms, to the Dumbarton Oaks and San Francisco Conferences, to UNRRA, to BW, etc.? Well, we've stuck our feet in the mud and it has turned to concrete. We can't escape now.'

"Many prominent friends of the Administration have been opposed to the United Kingdom loan, but some of them would now approve a gift. Here is a possibility of shifting of positions and a complete reconsideration of the loan proposition in Washington."

Have USSR in Mind

While Russia is not always mentioned, it is in the background whenever the loan to Britain is discussed nowadays. Undoubtedly, Russia was in Mr. Crawford's mind when he talked with the "Chronicle" about Anglo-Saxon cooperation. The more Mr. Bevin and Mr. Vishinsky give each other the lie, the better the prospects of Congressional approval of the loan, some people think. If this is true, then the real chances of the loan or gift must have enormously improved since the Anglo-American agreement was signed last December.

In the interval, the Administration has been busy working for the loan's approval in the variety of ways made familiar during the Bretton Woods discussions on Capitol Hill. Strange to report, some of the Government officials who have been out around the country making speeches to sell the people on the agreement, find the people reacting in unexpected ways to the clouding Anglo-Russian situation. There is a vague but unmistakable growth of isolationist sentiment among the American people, these speakers say. It is not always well defined or precisely phrased, but the citizens "out around the country" seem to have an intense longing to be let alone by the world, a desire to "avoid entangling alliances." To such, the rebinding of Anglo-American economic, financial and political relations to its wartime tightness spells trouble ahead. They think that this will mean that the United States will become involved in all the British Empire's troubles, and they don't like it. They think we have enough problems of our own. They are perhaps thinking of Iran, where Russia and Britain historically entangle, of the Near East and the Far East, of half a dozen tinder points along the Empire's taut "lifeline."

Pressure Groups vs. Mailbag

Despite the persistent reports that the ratification of the UK loan faces a hard fight in Congress, it has been generally assumed that Congress would in the end approve. For a while it seemed that the Administration was in no hurry to press the subject, perhaps on the theory that it would take some time to line up the various pressure groups and the general public behind the program. However, it has now been revealed that the Administration has decided to put all the pressure it can to get the program enacted at an early date, i.e., within a few weeks. Various business, labor and political pressure groups have already come out publicly for the loan agreement, others are known to be ready to come before the Congressional committees with their support, and the House Banking and Currency Committee is making the subject its next order of business, after the OPA renewal legislation has been disposed of.

To what extent members of the Congress are responsive to the pressure groups no one seems to know very precisely. In the case of the Bretton Woods Act, the testimony of the group representatives who endorsed the Administration's bill was supported by rather heavy constituent mail to members of Congress. In the case of the UK loan now pending, the sentiment of the general public seems to be decidedly cool. This coolness and actual open opposition is said to be reflected in the mail the Congressmen are receiving. Should the pressure groups get too far ahead of their memberships, there is a question whether the Congressmen and Senators will pay more heed to the committee witnesses or to their mail from home.

Vinson Opens Hearings

The Senate Banking and Currency Committee hearings on the UK loan commenced on March 5 with Sen. Alben Barkley acting as Chairman and Secretary of the Treasury Fred M. Vinson as the first witness. The committee room was crowded with reporters, cameramen and women, government economists and lawyers, and others. Fourteen Senators, an unusually large attendance, heard at least part of the Secretary's prepared testimony. In the audience was aged "General" Jacob S. Coxey, who in 1894 led the famous march of unemployed on Washington. Another interesting observer of the proceedings was an eccentric old man dressed in blue denim trousers and wearing his hair down to his shoulders. One wag at the press table described him as the only American who hasn't yet been trimmed.

Since the opening session of the hearings was confined to the morning, and since his reading of his statement was interrupted by questions, Mr. Vinson did not finish. He is therefore to come back. As was expected, the Secretary had to answer critical questions from some of the Senators. Senator Taft of Ohio at one point checked the Secretary on his statement that the loan would enable American businessmen to be sure of payment of their current claims in England, just as they were before the war. All that this means, Senator Taft said, is that Americans are paid American dollars put up by the American public. Senator Taft also expressed the view that bilateral arrangements between other countries as, for example, members of the sterling area, are nothing to be feared by us. He stressed the point, which he said the Administration in the past has been at pains to teach Congress and the public, that the ultimate determinant of how much the outside world can buy from us—unless we lend the world the money—is how much this country buys abroad.

Changed Attitude of Administration Cited

One prominent member of the Congress in private conversation observed to the "Chronicle's" reporter that the past year seems to have witnessed a marked change in the attitude of the Administration toward a loan to Britain. A year ago prominent American bankers were opposing the International Fund as unnecessarily complicated and large. Instead, they advocated the "key country" approach to stabilization. They maintained that the fund would not suffice to answer the British problem. In answer to this argument, Dr. Harry D. White, of the Treasury Department, writing in the January, 1945, issue of "Foreign Affairs," said:

> "A loan to Britain to enable her to establish exchange stability and freedom from exchange control will not of itself help significantly with Britain's problem, or with the world's problem of establishing a sound postwar pattern of international payments. Such a loan might burden Britain with a dollar debt while making no real contribution toward balancing Britain's international payments."

Some Congressmen are wondering how to reconcile this statement with the Administration's present UK loan policy.

Downey States Cost in Nutshell

Sen. Sheridan Downey (D.) of California stated in a nutshell the cost of the UK loan to the American people. It is equal to about one week's production of the United States when the country is working at full capacity. In other words, if each citizen gave the full proceeds of his work for a week, the money for the UK loan would be made available. Actually, the people will not be called upon individually to make this sacrifice. Instead, by a public debt transaction the money will be raised by the Treasury and the levy will be imperceptible to the average person.

Not all members of Congress are agreed to this method of financing. One Senator stated to the writer that he has serious misgivings when he sees the novel method of financing our contribution to the International Fund and Bank, now being made a precedent. This process he considers inflationary and therefore disturbing.

The language of the loan legislation on this point (S. J. Res. 138) reads as follows:

> "2. The Secretary of the Treasury is authorized in the manner prescribed by subsection (b) of section 7 of the Bretton Woods Agreements Act . . . to provide and use an amount not to exceed $3,750,000,000. . . ."

Langer Offers Alternatives

A novel expression of opposition to the UK loan was offered in the Senate last week by Sen. William Langer (R.) of N. D. Mr. Langer introduced eight different measures, each appropriating $3¾ billion for such domestic purposes as roads, jeeps for GI's, cancer study, etc. The figure, $3¾ billion, happens to be the amount of the proposed loan to Britain for purposes other than the settlement of surplus property.

British Criticism Reported

Renewed British criticism of the loan, interpreted by some Americans as calculated to make the deal more acceptable to the public here, has recently been reported from England. Lord Rotherwick, Chairman and Managing Director of the Clan Steamship Line, was perhaps too clannish when he shouted at the Chamber of Shipping annual meeting that the loan would reduce Britain to "an illegitimate 49th State of America." Along the same lines was a statement made last fall by a British industrialist, Sir Miles Thomas, anent the cessation of Lend-Lease: "We are not the 49th State, and I hope we never shall be." Union now has its opponents in Britain, too.

Arguments Far Fetched

Some members of the Senate Committee clearly think that the Administration is using some pretty far fetched arguments to support the loan. This was made clear, for example, when Senator Buck of Delaware disagreed with Mr. Vinson's statement that the interest to be paid by Britain, if all interest payments are met and the waiver clause not used, would be commensurate with what the U. S. Treasury has to pay for the money lent the British. Buck was supported by other Senators when he drew attention to the fact that the Treasury's figure of the cost of money to it is heavily "weighted" by the large proportion of short-term debt on which the interest rate is very low. Senator Taft particularly objected to "the argument that this is not costing us anything." He said, "This argument takes the ground from under everything they do in Congress. As, for example, in the field of housing." Taft also observed that he thought it very unlikely the interest on the UK loan would be paid. It should not be concluded from this that Taft gives any impression that he will vote against the loan. Indeed, one is led to wonder whether the specious arguments for the loan could not have been omitted entirely and the arrangement presented to Congress frankly as the gift most people here think it will turn out to be.

Senator Buck suggested an amendment providing that the Treasury be prohibited from raising any of the money needed for this loan from the commercial banks. Secretary Vinson replied that Congress could if it wished write such a restriction into the law. Secretary Vinson did not say so, but it would be meaningless in any case.

Inflation Angle Examined

The inflation effects of the loan, discounted in Secretary Vinson's prepared statement, were further explored when Senator McFarland brought up the subject of resultant exports of commodities that are scarce here. The Arizona Senator would like to attach an amendment to the bill to prevent the loan proceeds being used in that way. Secretary Vinson was not disturbed by this "inflation" argument, pointing out that the loan will be spent over a period of three or more years, and that commodities scarce today do not necessarily remain scarce. Moreover, he added, this Government has export controls for scarce commodities.

The British informed this Government during the negotiations for the loan, Secretary Vinson revealed, that they expect their balance of trade to be in equilibrium by the end of 1948.

No Other Loans "In Contemplation"

Questioned by Taft, the Secretary said no other requests to Congress for special loans to foreign countries are "in contemplation."

The program outlined in the recent NAC report is what the Administration thinks it will need until the end of fiscal 1947. But Secretary Vinson would not flatly say to Taft that this is the last request that will be made to Congress. Similarly, as to a loan to Russia, Secretary Vinson would not say definitely that he thought $1,000,000,000 would be the maximum of any loan to that country. The original discussion with the Russians was concerning a $6,000,000,000 loan, but that discussion was informal.

World War I Debts

The Treasury inserted in the record of the hearings a memorandum on Britain's World War I debts to this Government and a defense of their default. He also inserted a statement of the changes in this country's international creditor-debtor position due to the war, along the lines of the statement on such changes in Britain introduced earlier into the record.

Loan Will Be Approved

Apart from any other reasons, listening to Senators pose critical questions to the Treasury witness during the first two sessions of the hearings has given the writer the impression that, while there may be some efforts to attach safeguarding amendments to the enabling legislation, if not the agreement itself, a good many of the questioning Senators will in the end vote for the measure. There seems to be a mood among the majority of Senators to help Britain, although not on the grounds that the loan is of itself a good financial investment. Even Secretary Vinson under questioning revealed that he does not really so hold; although later, toward the end of his reading his prepared statement, when the Judge read that the $3,750,000,000 will "be fully repaid," none of the several Senators present offered any objection.

Tax Effects on Business

(Continued from first page)

if certain business losses exceed $50,000 for five consecutive years, disallowing the excess over $50,000 and extending the statute of limitations so as to permit redetermination. And perhaps the clearest example of Federal tax favoritism—one to which no one objects—is found in the provision which frees from the 15% limitation on charitable contribution deductions individuals who, during the taxable year and for the 10 preceding years, made statutory charitable contributions exceeding 90% of their net income for such years. An equally obvious instance of favoritism is found in the (probably constitutionally necessary) Federal tax exemption of interest on obligations of States and political subdivisions thereof.

Other favoritism is found in the Federal taxation of income from oil and gas sources and from certain other extractive industry and mining operations. Aside from the question of whether such favoritism is socially and economically wise or fair, it is manifest that the tax effect is to encourage investment in the favored enterprises.

Hoarding and Hold-Back Sales

If a cent or two per pound for cotton and if a few cents per bushel for wheat or corn can convert buyers into sellers and *vice versa*, how much more positive is the effect on business of the prevailing high tax levies. It is no strange phenomenon that a threatened impost of a sales tax or an increase in the rate will drive buyers into the market and create a nation of hoarders; nor that purchases are postponed when sales tax termination or reduction is expected. So it is not surprising that buyers, who could not obtain needed merchandise toward the end of 1945, accused sources of supply of deliberately refusing to deliver goods, the profit on the sale of which would be subject to a levy of 85½%, when by postponing such sales until 1946 the tax would be 38%.

"Tax Pressure"

Among the more obvious and easily recognized effects of taxation on business are the New York City sales tax, which may cause commuters to have their purchases delivered instead of taking them themselves; New York taxes on gasoline and cigarettes which may drive business to neighboring States; New York stock transfer stamps which may cause stock deliveries to be made in New Jersey; New York income taxes which may induce change of domicile by persons whose income includes dividends, interest and security profits; the local laws in eight "community property" States which may entice married couples, because annual income is equally divisible between spouses for income tax purposes (if the husband's earnings amount to $100,000 and the wife has no income, the "family" tax saving amounts to about $14,000! Even when the taxing measure has a "social objective," rather than adherence to its primary-revenue-raising purpose, it may affect business: as, for example, the 10c per pound tax on yellow oleomargarine, the 1919 tax of 10% of net income of "child labor" employers (held unconstitutional), and tariffs intended to "protect" American labor.

Effect of High Rates

Another aspect of the business effect of taxes is found in the influence of high rates on industrial effort, economic ambition and risk taking. Even at reduced 1946 rates, Federal taxes take one-fourth on net income of individuals above $5,000 per annum, one-half above $18,000, about three-fifths above $25,000, about three-fourths above $60,000, and all but about 15% above $100,000. With so large a share of earnings claimed by Federal taxes, no wonder that the law of diminishing returns operates. "Why slave when Uncle Sam takes all we make?" With 1945 total corporate Federal tax rates at 85½%, the normal incentive to careful husbanding was obviously lacking, and management became notoriously lacking in "expense consciousness." The 1946 reduction in the corporate rate to 38% should tend to restore business normalcy.

"Incentive" Taxation

A word about a misnomer, the "incentive" tax. It is essentially a tax reduction device as, for example, the New York State merit rating against the 2.7% unemployment insurance levy; the various proposals to permit accelerated machinery depreciation allowances in order to aid the heavy machinery industry during the postwar period; the war emergency facility amortization which permitted rapid write-off of land, buildings and equipment procured for certain war production purposes. The effect of such devices is to induce desired business conduct or to achieve an economic goal deemed desirable.

Some Business Effects of the Capital Gain and Capital Loss Provisions

The fact that long-term capital gains are subject to an optional flat 25% tax, while net long-term capital losses are limited to $1,000 (with a five-year carry-over provision) has been observed as encouraging profitable sales and discouraging loss sales, thus artificially and harmfully interfering with security trading. In the case of corporate taxpayers, even the $1,000 net loss is not an allowable deduction.

Tax Sales of Real Estate Retained as Tenant

Corporations may deduct as a loss, both for income and excess profits tax purposes, the entire loss suffered from the sale of real estate, machinery and equipment used in the trade or business. Such sales, in 1945, could have resulted in a reduction of taxes by 85½% of the amount of the loss, even if the sold property continued to be occupied by the vendor as a tenant. The potential effect of such a tax provision is obvious. One reported instance of a sale to an exempt corporation is said to have resulted in tax reduction to the corporate seller of millions of dollars, and while the annual rental will be deductible by the vendor-lessee, the new vendee-lessor will not be subject to tax on such rent.

Premature Retirement

In the presence of prohibitively high individual income taxes, the possibility of converting ordinary income into capital gain has proved irresistibly attractive in many situations. A profitable sale of the capital stock in a close corporation may leave the vendor a net balance, after payment of the capital gain tax, equivalent to what the vendor could have retained after enjoying the fruits of 30 or even 40 years of very profitable business. Such sales have sometimes resulted in "putting on the shelf" comparatively young executives who, but for the effect of taxes, might have remained in harness for many more years.

Drive to Speculation

In view of the fact that, under existing high tax rates on ordinary income, it is practically impossible to save enough to create a competence and leave any substantial estate to one's dependents, stock market speculation has undoubtedly been encouraged, because in this field (and in a few others) a relatively fair share of gains—*if* realized—can still be retained. It is too early to judge the net economic effect of a system of taxation which lures away from what is, or used to be regarded as, normal business and ino stock market activities.

Some Business Effects of the Carry-Back and Carry-Over Provisions

The statute provides a two-year carry-back and carry-over of net operating losses. Consider the following operating results of a selected corporation:

	Net Income	‡Inc. & Exc. Profits Tax
1942	$100,000	$70,000
1943	150,000	110,000
1944	*400,000	------
1945	100,000	68,000
1946	90,000	†34,200

*Net loss. †Income tax only. ‡Before application of carry-back and carry-over.

By operation of the carry-back, the 1942 net income is extinguished, resulting in a refund of the taxes paid for that year ($70,000); the 1943 net income is extinguished, resulting in a refund of the taxes paid for that year ($110,000); the 1945 net income is extinguished, cancelling the tax liability of $68,000 for that year; there is still a balance of the 1944 net loss, $50,000, which can be utilized in the reduction of the 1946 net income from $90,000 to $40,000, resulting in a tax saving of $20,500.

The excess profits tax is based on the amount of net income in excess of statutory normal prewar earning power. The amount exempt from the excess profits tax is known as the "excess profits credit." Corresponding to the two-year carry-back and carry-over of the net operating loss, there are similar provisions with respect to the "unused" excess profits credit, that is, the portion of the credit which exceeds the excess profits net income of a given year. While the excess profits tax has been terminated as at the end of 1945, the excess profits credit for 1946 is nevertheless calculated (as though the law were still in effect), and if such credit is greater than (what would have been) the excess profits net income, the "unused" portion may be carried back to the years 1944 and 1945, but it may no longer be carried forward.

If a net loss is incurred, the carry-back and carry-over may result in refunds and reductions of both income and excess profits taxes; if there is a "break-even" or if the net income is less than the excess profits credit, recovery and reduction may be of excess profits tax only.

Alleged Deliberate Strike Prolongation

Reckless and misleading charges have been made during the heat of recent strikes. It has been repeatedly alleged that employers are purposely prolonging strikes because they make more by shutting up shop than by operating. Some irresponsible person declared: "The more they lose, the more they make." Stuff and nonsense! No one makes money by not producing. Here are the facts regarding the effect of Federal taxes on 1946 corporate earnings:

(1) For *every* dollar of net income earned, the corporate employer retains, after Federal taxes, at least 62 cents. How can one assert, therefore, that it doesn't pay to earn!

(2) If 1946 operations result in a "break-even" figure, some corporations, including at least one of the automobile concerns, is entitled to a refund of 45½ cents for each dollar of its unused excess profits credit, but at least one of the steel corporations would secure no tax refund at all.

(3) Finally, if 1946 operations result in a net loss, some corporations, including at least the same automobile concern, would offset each dollar of such loss by a refund of 85½ cents, and other corporations, including at least the same steel company, by 40 cents. While 1946 net losses may be *reduced* by refunds based on prior payments of excess profits and income taxes, it is error to assert that "it pays to lose money."

The carry-back and carry-over provisions are in the nature of "shock absorbers" for reconversion and postwar losses; the provisions were openly and purposely designed to function exactly as they do; the provisions were the result of a compromise "openly arrived at" between those who pleaded for postwar reserves during the war years and those who opposed such reserves on the ground that reconversion and postwar costs and losses should not be guessed at but deducted by carry-backs and carry-overs when definitely realized and determined. There is no valid ground for criticism of the provisions insofar as they relate to most taxpayers. It is economic heresy to proclaim that the Federal tax statute "makes losses profitable"—it is still true that the only way to make a profit is to operate profitably.

Postponed Dissolution and Retarded Conversions

The carry-back and carry-over provisions have business effects entirely unassociated with strikes. Corporations which would ordinarily be dissolved because their activities had been concluded (as in the case of especially organized "war babies") may remain in existence in order to recoup all or part of excess profits taxes previously paid, because of the carry-back provision relating to unused excess profits credits; income taxes previously paid are, likewise, subject to recovery. This "loophole" is said to be under official scrutiny. In other situations, corporations which, for normal business reasons, might be consolidated or merged into others or converted into partnerships (or partnerships which would normally become corporations) are effectively discouraged from changing their status, because they would lose the non-transferable carry-back (and carry-over) privilege.

Expanding Securities Regulation In Ontario

(Continued from page 1218)

On Dec. 13 the "Commercial and Financial Chronicle" reviewed the state of securities supervision in Ontario as it was at the commencement of the regime of Hon. Mr. McTague. It is just as essential from time to time to report on how the Act and its administration work out because these have been introduced as an attempt to do something which other acts have not yet managed to do, that is, to provide effective prevention against fraud "without imposing restraints upon legitimate speculative investment so essential for the development of our vast resources."

Eliminate the Unfit

The new Act and Commission so far have been concentrated upon trying to eliminate from among registered brokers and salesmen all those who are not considered responsible and fit people to trade in securities. The objective is stated to be "to put the securities business on a sound, moral and business basis." The hope is that thereafter the business can be conducted quickly, smoothly and honestly with a minimum of restrictions.

When the present Commission took office, it had notice that there were outstanding in the United States 109 cease and desist orders, injunctions and indictments against some 33 brokerage firms, syndicates and salesmen in Ontario. As a result of its policy in concentrating its efforts on cleaning up the Ontario domestic situation, cancellations of registrations include nine alleged offenders against whom there were 27 United States citations. The Commission reports that it has made no special effort to deal with alleged United States offenses to date. The result is due, the Commissioners say, to "the long arm of coincidence." They add, however, that they appreciate highly the cooperation being given by authorities in the United States as to the record of those registered or seeking registration.

The first official major activity of the Commission was to summon 20 brokerage houses to show cause why their registrations should not be canceled. All of these men had had court convictions at some time or another in connection with the sale of securities. The review was intended to see if their conduct since registration would justify their being allowed to continue. The process followed is that all in the business are required to apply again every year for renewal of registration. The year ends on March 31. Any applicant who is refused registration by the Registrar and by the Chairman can appeal for a hearing before the full Commission of three. A number of such appeals have been made and have been heard. In most cases the full Commission has supported the original refusal. If the applicant still feels that he has been unfairly treated, he has the right of appeal to other courts. I am told that such appeals will be made.

Debarred with Reasons

Because of the possibility that such appeals will be made to other courts, this article does not mention the names of companies whose cases have been reviewed before the Commission. It is important, however, to study the reasons given for refusing registration to a number of brokers and salesmen. Though the Commission's investigation staff is currently investigating suspected current violations of the Act and the Criminal Code, enough decisions have been made to make plain most of the principles which guide the Commission in its decisions as to the suitability of its applicants. It should be noted here that the great majority of brokerage houses are co-operating whole-heartedly with the efforts of the Commission to eliminate those guilty of questionable practices.

In its issue of Dec. 13, the "Commercial and Financial Chronicle" gave details of the registration forms and the statement forms to be filled out and filed with the Commission. These are not difficult to fill out but they do require a rather complete record for some years back of the activities and record and convictions, if any, of applicants and of directors and officers of any company applying. Certain applicants chose, when filling out these forms, to leave out items in their record which might require considerable explanation. As the principal aim in relationships between brokers or salesmen and their clients is to have full disclosure of pertinent facts, this primary failure of applicants in applying for registration is regarded very seriously by the Commission. The Commissioners are willing to accept the argument that old convictions and old difficulties should not be held against a man who has had a clear record later. They are, however, part of the record and the Commission holds that a man who attempts to hide such information from the Commission cannot be depended upon to state all the salient facts when eager to make a sale.

Some of those whose registrations have been canceled have criticized the Commission for going back to things which happened 5, 10 or even 15 years ago. Their argument is that they had paid their debt to society. The Commission believes, on the other hand, that it cannot give a complete review if it binds itself to accept either favorable or unfavorable judgments by previous commissions or by courts.

Frankness an Asset

In the hearings before the Commission some applicants were very frank about their previous records. That always counted in their favor though it did not prevent cancellation when the record demonstrated unsuitability in other respects. For example, one service man with a splendid record of gallantry overseas impressed the Commission favorably in many respects but his recklessness in selling was considered sufficient to rule him out.

The decisions are made on the record and on the facts but the new Ontario Securities Act puts the duty on the Commissioners to review all registrations "in the public interest." That is taken to mean that the Commissioners should use as well their own general and special knowledge in appraising the suitability of an applicant. In other words, the same tests can be applied which would be applied by any employer desiring to get a suitable man for any position.

This Commission is well endowed in that respect. The qualifications of the Chairman and his distinguished career as a judge and public servant were described in this journal on Dec. 13. Another Commissioner, Assistant Master O. E. Lennox, is an outstanding authority on the contractual relationship between broker and client. In view of the fact that much of the present public interest is in securities of mining companies and syndicates, which are highly speculative in character, it is important to note that H. C. Rickaby is a geologist and mineralogist who is thoroughly familiar with the natural resources of Ontario so far as developed and explored.

Here is a list of factors in the record of applicants which, even when embracing nothing illegal, have been considered adverse to the chances of applicants for registration:

1. Constant change of employment;
2. Employment at times in any organized gambling activity;
3. Actions which show lack of stability;
4. Unconscionable transactions for outrageous profits to the disadvantage of people who by reason of age or infirmity or other situation should not buy speculative securities;
5. Fairweather in-and-out operations in selling securities;
6. Over-reaching methods of salesmanship;
7. Failure to disclose pertinent facts in making sales;
8. Violation of security or other laws or regulations in other jurisdictions;
9. Evidence that applicants have been operating as fronts for others.

Any pattern of recklessness in security dealings with the public tells strongly against an applicant. They have been required to explain high pressure advertisements or circulars and are held rigidly to acount for inaccurate or misleading statements in any of these.

Restitution?

For more than a decade restitution by a broker or salesman to a client who thinks he bought under misrepresentation has been a prominent factor in Ontario. At one time or another millions of dollars have thus been recovered. So far as maintaining registration is concerned, restitution no longer condones an offense. Cases have come before the Commission of men who have avoided trouble with the authorities by making restitution again and again. This Commission has decided against being "a benevolent collection agency." Registrations will be canceled wherever operations of any unscrupulous character are shown. Those defrauded or deceived are expected to seek their redress in the civil courts, the proper arbiters of private rights. A broker or a salesman in future cannot avoid trouble by reversing a transaction.

Testimonials Eyed Askance

So far, character testimonials have not been highly regarded by the Commission. It is found that many members of the public are very reckless in giving splendid character testimonials. The record and the facts get first attention. Moreover, registration has been refused to promoters and underwriters who want to be brokers to cover an occasional transaction which might otherwise be illegal. The Commission holds that registration will be granted only to those who actually intend to be brokers or salesmen.

Principles

Boiled down, the principles governing the actions of the Commission to date are that those who get registrations must show by their conduct and record that they are responsible men with a sense of obligation to the public and of trusteeship with regard to any monies coming into their hands. This is indicated by general statement of policy drawn from observations made in particular cases.

The Commission in one decision held that section 82 of the Act imposes a duty on it to review all registrations made under the former Act and that in doing so it is not bound in any way by decisions of registrars or commissioners under any former Act. These are only matters of evidence. "Any registration can be suspended or canceled when in our opinion such action is in the public interest." This article has already tried to indicate that the knowledge and experience of the Commissioners can supplement what has been dealt with in evidence in order to protect the general public.

In the case of fairweather operators, the Commission does not consider that they are likely to contribute stability to financing the mining industry. Their appearances as salesmen or brokers seemed to be concerned mainly with making profit for themselves without respect to the services rendered the industry or the public. It is this attitude of mind in this and other instances which the Commission intends to combat in its efforts to raise the standard of trading. With this object in view the Commission reviewed various individual transactions and held it against an applicant whenever his margin of profit appeared too high and unreasonable.

Salesmen were refused registration on proof that they had caused unsophisticated investors to replace securities of great investment value with securities of doubtful value by methods of persuasion which showed a deliberate and persistent intention to victimize such people. Irregular sales methods are very much under review in appeals to the whole Commission.

The Commission rather frowns on granting registration to very youthful persons because of their lack of ability to assess what is and what is not proper procedure in sales tactics. Nor is outstanding ability a recommendation if the record shows it has been directed wrongly in the past. In fact, there is greater danger from giving registration in such cases, it is held. It is also held that the Commission has a duty to exercise diligence to make sure that the securities business is not made a haven of refuge for those whose conduct has debarred them from carrying on former activities.

A serious view was taken of the action of one applicant who published as excerpts from an official publication a statement regarding the geology of a district when in fact no such statement had been made officially. The defense that such false and misleading statements were the fault of an employee, who was supposed to make sure that everything was accurate, was not accepted. Though that might be so, the argument was negatived wherever it was felt that there was an attitude of irresponsibility to the public. Statements of mining engineers were given less credence whenever the wording indicated more concern about sales than about scientific statement. A recklessness about representations has proved to be an adverse factor in getting registration even when it was considered possible that a property might turn out to be good. To bring the mining market into good repute, it is held, this class must be discouraged.

Complaints against "boiler room" tactics have been given full attention. There again the standard of judgment was to determine the sense of responsibility shown both to the public and to the mining industry. It is held that a broker in mining issues has a high duty in both cases. Wherever operations showed that a set-up was such that the amount of money raised could accomplish but little in the way of mining development, this was regarded as very adverse to an applicant.

Some large concerns had their registrations canceled when it was felt that the desire for profit over-weighed the duty to a client and where the client's interests were sacrificed to those of the broker or dealer.

Placing the blame on the salesman is not a good defense. Though cease and desist orders from the United States have not been given attention, the Commission holds that firms should conduct their business in such a way as to establish the reputation of Canadian firms for a high standard of trading.

Badly kept books strongly condemn a broker. Breaking of promises to the Commission are also first-hand evidence of unreliability. Of first importance for an applicant is to make it plain to the Commission that he is fully conscious of the obligation incidental to operating a business involving the handling of funds belonging to others.

McAleer Mfg. Co. Stock Offered by Alison & Co.

Public offering was made March 4 by Alison & Co. of Detroit of 50,000 shares of 5% cumulative convertible preferred stock at par ($10) and 50,000 shares common stock (par $1) at $5 per share of McAleer Manufacturing Co. of Rochester, Mich.

Of the net proceeds, estimated at $675,000, approximately $345,000 will be used to acquire the balance of the outstanding capital stock of Bronson Reel Co., Bronson, Mich., and the remaining $330,000 will be used to reimburse McAleer's treasury for capital expenditures incident to expansion of the company's activities.

New Members Added To Board of NAM

Robert R. Wason, President of the National Association of Manufacturers, announced on March 3 that the 1946 NAM board of directors had added two new industrial leaders to its membership. The new members raised the number of directors to 141. They are Curtis E. Calder, Chairman of the Board, Electric Bond & Share Co., and Joseph V. Santry, President, Combustion Engineering Co., both of New York City.

Reds Seek Voice on Spain

The following United Press advices from London, March 2, are from the New York "Journal American" of March 3.

"The official Soviet newspaper 'Pravda' said today that restoration of the monarchy could not be a solution of the Spanish problem.

"It demanded a voice for Russia in any formation of an Allied-sponsored government to replace that of Generalissimo Franco.

"A 'Pravda' article, broadcast over Radio Moscow, stated that Russia was 'concerned with the reconstruction of western Europe,' including Spain."

Laverty With Rollins

SAN FRANCISCO, CALIF.—Henry J. Laverty is associated with E. H. Rollins & Sons, Incorporated, in the trading department. For the past fifteen years he has been connected with Dean Witter & Co.

Mr. Laverty's name had previously been incorrectly reported as Henry J. Levey.

Robert Coons Resumes

SAN FRANCISCO, CALIF. — Robert B. Coons has resumed the investment business as an active general partner in Coons, Milton & Co., 232 Montgomery Street. He became a special partner in 1941 upon entering the armed forces.

New Staff Member

It is a Junior Trader for Mr. and Mrs. Edmund J. Davis. He is vice president of Rambo, Keen, Close and Kerner, 1518 Locust Street, Philadelphia, and she is the former Countess Marie Zavorski of Buckley Brothers.

Robt. Strauss in NYC

Robert Strauss, resident partner in charge of Strauss Brothers' Chicago office is visiting in New York and will attend the New York Security Dealers Association Dinner on Friday, March 8.

Melvin Hass Joins Morgan & Co. Staff

LOS ANGELES, CALIF.—Melvin H. Hass, prominently identified with the investment banking business for the past 25 years both in Los Angeles and New York, has just become associated in an executive capacity with Morgan & Co., 634 South Spring Street, members of the Los Angeles Stock Exchange. Mr. Hass has been a partner in a well-known Los Angeles investment house and was also New York City salesmanager for one of the leading national underwriting firms. He is director of Lane-Wells Company and of William Miller Corporation, and for the past six months has been Executive Assistant to the President of Adel Precision Products. During both World Wars I and II, he served as a Captain in the U. S. Marine Corps and is now a Major in the U.S.M.C.R.

To Deal in Securities

PORTLAND, OREG.—J. Henry Helser & Co. will engage in a securities business from its offices in the American Bank Building. Mr. Helser formerly conducted an investment advisory business.

Robert Gair Co., Inc. Unsubscribed Common Taken by Bankers

Ladenburg, Thalmann & Co. and Lazard Freres & Co., head of a group which underwrote the offering by Robert Gair Co., Inc. of 410,481 shares of common stock (par $1) to its stockholders for subscription at $6.50 per share pursuant to rights which expired Feb. 26, announced March 1 that they have purchased 21,396 shares representing the unsubscribed stock.

Proceeds of the financing will assist the company in financing, through a subsidiary, construction of a modern kraft pulp and paperboard mill.

Opens in Rochester, Minn.

(Special to THE FINANCIAL CHRONICLE)

ROCHESTER, MINN.—Alois G. Scheidel and Arthur F. Scheidel have formed the Minnesota Securities Corporation with offices in the First Avenue Building to engage in the securities business. In the past both were officers of A. G. Scheidel & Co. in Mankato, Minn.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Stopping point and rally forecast in last week's column arrived almost on schedule. Believe further advance to about 193-193 indicated before new turn-down occurs.

If you want any better sign that the bloom is off the rose you don't have to look much further than the recent and the present stock market. In the past, that is before the break of last week, any reaction was considered a great chance to get in. So stocks wavered off a point or even a few points and then shot back with a vengeance.

* * *

It almost became some kind of rite. Buy them when they're down because they'll start up almost immediately. So people did buy them when they were down and they did make money.

* * *

The danger of following what seemed to many a new kind of system, became obvious. For no sooner did enough people believe in it than the beginning of the end was in sight. I'm not writing this just to fill up space or to repeat what I've said so often before. All this has a point. The point is that the same mistakes are made by the public on the up-side are repeated on the down-side.

* * *

Just as the New Era philosophy obtained in the good old days when 10 points were enough, unless you were sucker enough to answer more than one margin call, so today all that hoopla about inflation and other solemn prognostications of an advancing market, so prevalent a few weeks ago, are being discarded in favor of what is referred to as a realistic outlook. This realistic outlook has a great deal to say about poor first quarter, and even first half earnings, and is all tied in with the Administration's stand on prices and wages.

* * *

My contention is that the sharp break from 206 to about 184 is a reflection of the things to come. It was the appraisal that the market put on coming events. The fact that the door opened and shut giving you a peek at what is coming out in the future doesn't mean that more doors will open and close right away.

* * *

Last week I said that the market would find a base somewhere around 182 and said that this figure would be two points or so either way. The actual low was 184.05 which is close enough. I then added that a subsequent rally would carry them back to about 193-196.

* * *

So far they managed to get across 190, though by the time you read this the chances are they'll be pretty close to the top figure of the range mentioned. But I don't expect any buying at the 2 million share level until they cross the 200 level. Reason is that there is a kind of lockout in existence. A lockout as against what used to be known as a lock-in when the shorts were caught, couldn't get out and so were considered locked in. Today with 100% margins in effect the average buyer of stocks either doesn't have as much cash as he thought he did, or, what cash he has isn't burning holes in his pockets any longer. The break scared him too much. So now he's becoming conservative and shy when he should be the opposite. He is holding on to what he has and throwing scared looks over his shoulder.

* * *

Whether inflation talk will be revived again I have no way of knowing. But I continue to think the time to buy them is when everybody is scared and wants to sell or better still, is selling them.

* * *

That was the condition when last week's column was written, Tuesday a.m. The same condition no longer obtains at this writing (Tuesday a.m. March 5.) But readers who bought stocks recommended last week don't have too much to wory about, except where to take profits.

* * *

So far as profits are concerned I recommend the following general application. Should the market get to about the 196 figure by the time you read this, or between now and the next column, I suggest you take half profits in the stocks and hold on to the rest. Generally speaking the lows of last Tuesday should be the critical levels under which they should not be held. But before those levels are threatened again I believe that you will have opportunities to collect on your paper profits.

* * *

In case you haven't seen last week's column the stocks recommended were Air Reduction, American Car & Foundry, American Locomotive, American Steel Foundry, Chrysler, Electric Auto-Lite, Bethlehem, U. S. Steel, Superheater and U. S. Rubber.

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.]

Firm Name Is Now 1st Washington Corp.

SEATTLE, WASH. — Harris, Lamoreux & Norris, Inc. annouce that effective March 1st their firm name has been changed to First Washington Corp. Offices are located at 1411 Fourth Avenue Building.

Principals of the firm are J. J. Harris, Boyd Lamoreux, S. M. Norris, Howard W. Jones, Paul H. Gordon, and Francis D. Griffin.

Ventnor Boat Corp. Stock Issues Offered

A public offering of 59,880 shares of 6% cumulative convertible preferred stock (par $5) and 59,880 shares of common stock was made March 6 by Newburger & Hano and Kobbe, Gearhart & Co., Inc. The stocks are offered in units of one share of each at $5 per unit.

Burry Biscuit Co. Preferred Offered

A group headed by Van Alstyne, Noel & Co., Carlton M. Higbie Corp. and associates offered March 5 100,000 shares of Burry Biscuit Corp. $1.25 dividend convertible preferred stock (par $20) at $26.50 a share. Each share is convertible into 2.4 shares of common stock and is redeemable at $27 a share. Proceeds will be used for the redemption of prior preferred stock, plant expansion and for other corporate purposes.

Our Reporter's Report

Current hearings on the several bills now before the Senate Interstate Commerce Commission to speed the return of reorganization railroads to private operation have touched off renewed speculative interest in securities of a number of such carriers.

Three such measures are now in the hopper, any one of which would pave the way for lifting these roads out of the hands of the courts and returning them to their owners.

The Hobbs bill, though roundly criticized by railroad officials, and which already has passed the House, appears, at the moment, to be most favored by members of the Senate group. It would materially limit the authority of the Interstate Commerce Commission to reduce capitalization of reorganization roads and provide for judicial review of such plans.

All three would open the way for revamping of plans along lines more in keeping with operating results of the carriers over an extended period, rather than slashing capitalizations and fixed charges down to the bare minimums supported by deep-depression results.

Renewed buying has centered in obligations of roads like the Denver & Rio Grande and in Missouri Pacific convertibles, while among senior equities, New Haven preferred, Rock Island preferred, and the preferred issues of the two roads mentioned previously have been prominent.

Union Pacific Asks Bids

Union Pacific's enormous undertaking, the road would sell new refunding mortgage bonds in a total of $81,602,000, came a step closer to market this week when the company called for bids to be opened next week, on March 13.

One of the largest single undertakings since the Southern Pacific's three-piece refinancing for $125,000,000 last September, this undertaking will provide the road with funds to retire an outstanding issue of approximately similar proportions.

Considering the dimensions of the projected financing it is not expected now that there will be any additions to the field when bids are opened. It is now indicated that two major banking groups will seek the business.

Complete Replacement

Indications now are that Southern Pacific Railroad will go the rest of the way in replacement of the last of the three issues marketed in September last year.

Current report is that the road will very likely make an offering of $25,000,000 of comparatively short-term obligations as a means of retiring an equal amount of 2¾% first mortgage bonds, due 1961.

Two issues of $50,000,000 each of 3¾s, one of 40-years maturity and the other of 50-years duration, sold at the same time, have recently been replaced by lower coupon bonds.

Central Maine Power

Under a proposed refinancing plan filed with the Securities and Exchange Commission by the Central Maine Power Co., the issuer would reduce its funded debt by about $8,000,000, or from $21,000,000 to $13,000,000.

The plan for refinancing proposes the sale of $13,000,000 new first and general mortgage bonds, an increase of $10,164,900 in the authorized $100 preferred stock and creation of a new class of preferred of which 220,000 shares would be issued.

Outstanding bonds and serial notes would be retired, holders of the 7, 6 and 5% preferreds would be offered the right to exchange their holdings for new preferred Common stock would be increased to $25,000,000 and enough sold for cash to raise $10,000,000 by offering to 6% non-callable preferred and common holders.

February a Busy Month

Notwithstanding the fact that the situation appeared rather spotty at times, especially toward the close of the period, February was a relatively busy month for the underwriting business.

Offerings reached a total of approximately $312,350,000 which compared with $295,000,000 in January and $184,000,000 in the corresponding month last year.

For the first two months of the current year, the aggregate of new offerings approximated $607,000,000, slightly below the 1945 comparable of $656,000,000 but well above the $317,000,000 shown for the same two months in 1944.

Merck & Co. Common Offered Publicly

Goldman, Sachs & Co. and Lehman Brothers headed a group of bankers which on March 4 publicly offered 118,000 shares of common stock of Merck & Co., Inc. at $50 per share. Of these shares, 100,000 are new and 18,000 are outstanding and being sold by certain stockholders.

The company is also offering to the holders of its 100,000 shares of outstanding 4½% and 5¼% cumulative preferred stocks an opportunity to exchange their shares for shares of a new $3.50 (no par) cumulative preferred stock, and the underwriters will offer any of the 120,000 shares of the new preferred not taken in exchange.

The offerings are expected to provide the company with approximately $5,500,000 above the amount required to redeem the outstanding preferred stock. This balance will be added to general funds. Company contemplates substantial expenditures for the construction of facilities for production of the new anti-biotic drug, streptomycin.

The new preferred will be redeemable at $107 a share prior to Jan. 1, 1948, with reductions of $1 Jan. 1, 1948, and on each second Jan. 1 thereafter to and including 1956.

Pratt's Fresh Frozen Foods Stock on Market

A banking group, headed by R. H. Johnson & Co. on March 5 offered 450,000 shares of common stock (par $1) of Pratt's Fresh Frozen Foods, Inc. The stock was priced to the public at $6 a share. The net proceeds are to be added to working capital to be used for general purposes, principally the carrying of warehouse inventories and packaging materials and also the granting of advances or loans to packers against future deliveries.

Cities Service Oil Debs. Placed Privately

The First Boston Corp. on March 6 announced that they placed privately in February $45,000,000 Cities Service Oil Co. (Del.) 2¾% sinking fund debentures due 1966.

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, MARCH 9

PIPER AIRCRAFT CORP. on Feb. 18 filed a registration statement for 150,000 shares of common stock, par $1 per share.

Details—See issue of Feb. 20.

Offering—The price to the public will be filed by amendment.

Underwriters — Hayden, Stone & Co. heads the underwriting group.

CENTRAL NEW YORK POWER CORP. on Feb. 18 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.

Details—See issue of Feb. 20.

Offering—The price to the public will be filed by amendment.

Underwriters—The names of the underwriters will be filed by amendment.

STATE BOND AND MORTGAGE CO. on Feb. 18 filed a registration statement for accumulative savings certificates series 1217-A, $2,000,000 and investment certificates series 1305, $1,000,000.

Details—See issue of Feb. 20.

Offering—Approximate date of proposed offering March 15, 1946.

SUNDAY, MARCH 10

DUMONT ELECTRIC CORP. on Feb. 19 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.

Details—See issue of Feb. 20.

Offering—The initial offering price to the public is $4.75 per share.

Underwriters—First Colony Corp., N. Y. is named principal underwriter.

MONDAY, MARCH 11

COLONIAL MILLS, INC., on Feb. 20 filed a registration statement for 125,000 shares of capital stock, par $7.50 per share. Of the total 50,000 shares are being sold to the underwriters by the company. The remaining 75,000 shares are being sold to the underwriters by certain stockholders.

Details—See issue of Feb. 27.

Offering—The price to the public will be filed by amendment.

Underwriters—Dillon, Read & Co., Inc., heads the underwriting group.

TUESDAY, MARCH 12

GRAHAM-PAIGE MOTORS CORP. on Feb. 21 filed a registration statement for $12,000,000 4% secured convertible debentures due March 1, 1956. The statement also covered an indeterminate number of common shares to be reserved for issuance upon the conversion of the debentures, and 25,000 shares of common, which shares may be issued to Allen & Co., New York, pursuant to a proposed standby agreement.

Details—See issue of Feb. 27.

Offering—The price to the public will be filed by amendment.

Underwriters—Allen & Co., New York, heads the underwriting group.

L. E. CARPENTER & CO. on Feb. 21 filed a registration statement for 129,242 shares of common stock, par $1 per share. Of the total, 50,000 shares are being sold by the company, and the remaining 79,242 shares are being sold by certain stockholders.

Details—See issue of Feb. 27.

Offering—The price to the public will be filed by amendment.

Underwriters—Burr & Co., Inc., New York, is named principal underwriter.

TRI-CONTINENTAL CORP. on Feb. 21 filed a registration statement for $7,360,000 2⅞% debentures, due March 1, 1961.

Details—See issue of Feb. 27.

Offering—Price to public will be filed by amendment.

Underwriters—Union Securities Corp. is named principal underwriter.

HACKENSACK WATER CO. on Feb. 21 filed a registration statement for $15,000,000 first mortgage bonds due March 1, 1976. The interest rate will be filed by amendment.

Details—See issue of Feb. 27.

Offering—The company proposes to invite sealed bids for the purchase of the bonds.

Underwriters—The names of the underwriters will be filed by amendment.

DALLAS TITLE & GUARANTY CO. on Feb. 21 filed a registration statement for 25,000 shares of capital stock, par $10 per share.

Details—See issue of Feb. 27.

Offering—The company has granted holders of its capital stock rights to subscribe at $20 per share to the new stock at the rate of one share of new for each share held. The company reserves the right to sell any unsubscribed stock at public or private sale at $20 per share.

Underwriters—None named.

GIANT YELLOWKNIFE GOLD MINES, LTD., on Feb. 21 filed a registration statement for 81,249 common shares, $1 par, Canadian. The shares are being offered to residents of the United States and Canada by Toronto Mines Finance Ltd. These shares are part of a recent offering of an aggregate of 525,000 shares offered by the company in Canada to its own shareholders at a price of $5 (Canadian) per share.

Details—See issue of Feb. 27.

Offering—The offering price is $5.10 (Canadian) per share, or the United States equivalent. Toronto Mines Finance Ltd. intends to offer 44,195 of such shares in blocks of not less than five shares to shareholders of Frobisher Exploration Co., Ltd., of record Dec. 15, 1945, as resident in the United States in the approximate ratio of one share for every 15 shares of Frobisher then owned by them, and to shareholders of Ventures, Limited of record Dec. 15, 1945, as resident in the United States, in the approximate ratio of one share for every 20 shares of Ventures then owned by them. The balance of the shares will be offered in Canada and the United States to such persons as Toronto Mines Finance, Ltd. may determine, who may include officers and employes of the company.

Underwriters — Toronto Mines Finance, Ltd., 25 King Street, West, Toronto, is named underwriter. It is wholly owned and controlled by its parent company, Ventures, Ltd.

SATURDAY, MARCH 16

EQUIPMENT FINANCE CORP. on Feb. 25 filed a registration statement for 13,877 shares, 4% cumulative series 2 preferred, par $100, and 28,159 shares of common, par $10.

Details—See issue of Feb. 27.

Offering—The price to the public is $100 per share for the preferred and $10 per share for the common stock. The company anticipates that all of the preferred and common will be sold to employes and officers of the company, and employes and officers of Curtiss Candy and its subsidiaries. In the event of a public offering, the company will file a post-effective amendment.

Underwriters—The sale of the stock will be made through the company's own officers and employees.

INVESTORS SYNDICATE OF AMERICA, INC., on Feb. 25 filed a registration statement for the following face amounts: Single payment certificates $8,025,000; series 6 certificates $15,000,000; series 10 certificates $25,000,000; series 15 certificates $100,000,000, and series 20 certificates $75,000,000.

Details—See issue of Feb. 27.

Offering—The certificates are of the installment payment type.

Underwriters—Investors Syndicate, Minneapolis, Minn., is named principal underwriter.

DRUG PRODUCTS CO., INC., on Feb. 25 filed a registration statement for 225,000 shares of common stock, par $1. Of the total 175,000 shares are being offered to the public through underwriters, and 50,000 shares are offered to warrant holders.

Details—See issue of Feb. 27.

Offering—The price to the public on the 175,000 shares offered is $4.50 a share.

Underwriters—Bond & Goodwin, Inc., is named principal underwriter.

SUNDAY, MARCH 17

BASSETT FURNITURE INDUSTRIES, INC., on Feb. 26 filed a registration statement for 30,000 shares of common stock, par $5 per share. The stock is to be purchased from W. M. Bassett, President of the company, and is a portion of the outstanding common stock of the company which is owned by him.

Details—See issue of Feb. 27.

Offering—The price to the public is $30 per share.

Underwriters—Scott, Horner & Mason, Inc., Lynchburg, Va., and Kirchofer and Arnold, Inc., Raleigh, N. C., are the principal underwriters.

HOOD CHEMICAL CO., INC., on Feb. 26 filed a registration statement for 205,000 shares of common stock, par 33 cents per share.

Details—See issue of Feb. 27.

Offering—Price to the public $5 per share.

Underwriters — No underwriters. The company is undertaking to distribute its common stock directly to the public.

DISTRICT THEATRES CORP. has filed a registration statement for 140,000 shares of common stock, par $1. The shares are issued and outstanding and are being sold by certain stockholders.

Address—1212 Vee Street, N. W., Washington, D. C.

Business—Corporation was incorporated on Feb. 19, 1946, and acquired all of the outstanding stock of 31 affiliated corporations. The company through its subsidiaries operates theatres.

Offering—The price to the public will be filed by amendment.

Proceeds—The proceeds will be received by the selling stockholders.

Underwriters—The underwriters are First Colony Corp.; Simons, Linburn & Co., Inc.; Courts & Co.; Johnston, Lemon & Co.; Irving J. Rice & Co.; Ira Haupt & Co., and Coburn & Middlebrook.

Registration Statement No. 2-6176. Form S-1. (2-26-46).

MISSION APPLIANCE CORP. has filed a registration statement for 132,000 shares of common stock, par $5. Of the total 102,150 shares are being sold by the company and 30,850 by certain stockholders.

Address—7101 McKinley Avenue, Los Angeles, Cal.

Business—Gas-fired water heaters.

Offering—The price to the public will be $8.25 per share.

Proceeds—Net proceeds to the company will be used to purchase real property and fixed assets from Mission Water Heater Co., $250,000; purchase additional acreage; and balance of approximately $411,154 to general funds.

Underwriters—The principal underwriter is Lester & Co., Los Angeles, Cal.

Registration Statement No. 2-6177. Form S-1. (2-26-46). Originally filed in San Francisco.

MONDAY, MARCH 18

ILLINOIS POWER CO. has filed a registration statement for $45,000,000 first mortgage bonds due 1976, and $9,000,000 sinking fund debentures due 1966. The securities will be offered for sale at competitive bidding with the price and interest rates to be named by the successful bidder.

Address—134 East Main Street, Decatur, Ill.

Business—Public utility.

Offering—The price to the public will be filed by amendment.

Proceeds—The company intends to apply the proceeds from the sale of the bonds and debentures to the redemption of $43,400,000 first mortgage and collateral trust bonds, 4% series due 1973 at 104.66 and of $5,842,500 30-year 5½% sinking fund debentures at 101½, and to the payment of $3,500,000 2¾% serial notes at 100. The amount required for the redemption and payment, exclusive of accrued interest, is $54,852,578. Any balance will be added to the company's treasury funds.

Underwriters—The names of the underwriters will be filed by amendment.

Registration Statement No. 2-6178. Form S-1. (2-27-46).

HAYES MANUFACTURING CORP. has filed a registration statement for 215,000 shares of common stock ($2 par). The shares are issued and are being sold by certain stockholders.

Address—Grand Rapids, Mich.

Business—Pressed steel products utilized by the automotive, refrigeration, and household utilities industries.

Offering—The price to the public will be filed by amendment.

The 215,000 shares of Hayes common are offered by the prospectus, pursuant to agreements to which Hayes is a party providing for its acquisition of the entire outstanding capital stock of American Engineering Co., of Philadelphia. The agreements provide for the transfer and delivery to Hayes by the stockholders of American Engineering of all of the latter company's outstanding shares in exchange for 215,000 shares of Hayes common. The net proceeds of the sale of the 215,000 shares of Hayes common will be received by stockholders of American Engineering, except that upon certain contingencies Hayes will receive all or part of the net proceeds of the sale of 15,000 shares of such stock.

Underwriters—Laird, Bissell & Meeds heads the underwriting group.

Registration Statement No. 2-6179. Form S-1. (2-27-46).

JEFFERSON-TRAVIS CORP. has filed a registration statement for 30,000 shares of $1.25 cumulative convertible preferred (no par) and 130,000 shares of common (par 25 cents). The common shares are reserved for conversion of the preferred.

Address—245 East 23rd Street, New York, N. Y.

Business — Operates through itself as parent company and through its wholly-owned subsidiaries, Musicraft Corporation, Union Aircraft Products Corp. and Guild Records, Inc.

Offering—The price to the public will be $25 per share.

Proceeds—Proceeds will be used for the prepayment of outstanding bank loans of the company and its subsidiary, Musicraft Corporation; replacement of advances made by company to its subsidiaries, and for additional working capital.

Underwriters—Richard J. Buck & Co.

Registration Statement No. 2-6180. Form S-1. (2-27-46).

GALVIN MANUFACTURING CORP. has filed a registration statement for 200,000 shares of common stock (par $3). Of the total, 120,000 shares are being sold by certain stockholders.

Address—4545 Augusta Boulevard, Chicago, Ill.

Business—Radio receiving sets.

Offering—Price to the public will be filed by amendment. Of the 80,000 shares to be sold by the company, 33,720 will be first offered to stockholders who have not waived their preemptive rights, at a ratio of one share of new for each 9 shares held. The price to stockholders also will be filed by amendment.

Proceeds—The company will use its share of the proceeds for further plant improvement and expansion, including the development and sale of an automobile heater, for additional machinery, equipment, etc.

Underwriters—Hickey & Co., Chicago, heads the underwriting group.

Registration Statement No. 2-6181. Form S-1. (2-27-46).

HUNT FOODS, INC., has filed a registration statement for 175,000 shares cumulative preference stock, series A 5%, par $10, and $125,000 common, $6.66⅔ par value.

Address—3055 Wilshire Boulevard, Los Angeles, Cal.

Business—Food business.

Offering—The price to the public will be filed by amendment.

Proceeds—The proceeds will be used to redeem presently outstanding 6% [illegible] five preferred at $10.25 per share, to improve plants located at Hayward, Oakdale and Mountain View, and in other sections. The balance will be used for general corporate purposes. If the option to purchase Guggenhime & Co., is exercised, the company expects to allocate a maximum of $1,500,000 of such funds to the payment of its commitments under the option, and to allocate an additional $1,000,000 to provide working capital for the company's dried fruit division which it will obtain as a result of the Guggenhime acquisition.

Underwriters—Blyth & Co., Inc., heads the underwriting group.

Registration Statement No. 2-6182. Form S-1. (2-27-46).

STANDARD FACTORS CORP. has filed a registration statement for $750,000 4¾% 15-year convertible subordinated debentures, due Dec. 31, 1960, and 22,500 shares of common stock, par $1.

Address—270 Madison Avenue, New York, N. Y.

Business—Financing sales and other current operations of manufacturers, jobbers, distributors, dealers, merchants and others.

Offering—The debentures and common stock are offered in units, consisting of one debenture in the principal amount of $1,000 and 30 shares of common stock, at a price of $1,050 per unit.

Proceeds—The proceeds will be used to redeem company's outstanding subordinated debentures in the principal amount of $616,832, and the balance added to working capital.

Underwriters—Sills, Minton & Co., Inc., heads the underwriting group.

Registration Statement No. 2-6183. Form S-1. (2-27-46).

SOUTHWESTERN PUBLIC SERVICE CO. has filed a registration statement for two classes of cumulative preferred stock, consisting of 65,000 and 50,000 shares, respectively. The dividend rate will be filed by amendment.

Address—Republic Bank Building, Dallas, Texas.

Business—Public utility.

Offering—An aggregate of only 65,000 shares of both classes of preferred stock are to be issued at this time. Holders of the outstanding 4¾% old preferred will be given the opportunity to exchange the old preferred for the new preferred on a share for share basis, with cash adjustment. All shares of old preferred not exchanged will be redeemed. Unexchanged new shares will be offered by the underwriters to the public at price to be filed by amendment.

Purpose—For refinancing preferred stock.

Underwriters—Dillon, Read & Co., Inc. heads the underwriting group.

Registration Statement No. 2-6184. Form S-1. (2-27-46).

TUESDAY, MARCH 19

KERR-McGEE OIL INDUSTRIES, INC., has filed a registration statement for 60,000 shares cumulative convertible preferred stock, $22.50 par value. The dividend rate will be filed by amendment.

Address—2020 First National Building, Oklahoma City, Okla.

Business—Oil and gas business.

Offering—The price to the public is $25 per share.

Proceeds—Of the net proceeds, $600,000 will be paid to the First National Bank of Chicago in reduction of its bank debt. The remainder of the net proceeds, estimated at $737,499, will be added to the general funds of the company.

Underwriters—Straus & Blosser, Chicago, is named principal underwriter.

Registration Statement No. 2-6185. Form S-1. (2-28-46).

CRIBBEN & SEXTON CO. has filed a registration statement for 40,000 shares 4½% cumulative convertible preferred stock, par $25, and 40,000 shares of common, par $5. The preferred and 5,695 shares of common are being offered by the company, and 34,305 shares of common are being sold by certain stockholders.

Address—700 North Sacramento Boulevard, Chicago, Ill.

Business—"Universal" gas ranges, etc.

Offering—The price of the preferred stock to the public is $25 per share, and of the common stock $13.50 per share.

Proceeds—Of its share of the proceeds, company will use about $150,000 for machinery and equipment and other improvements in connection with the reconversion of the plant to peacetime operations. The balance of proceeds will be added to working capital.

Underwriters—Paul H. Davis & Co., Chicago, is named principal underwriter.

Registration Statement No. 2-6186. Form S-2. (2-28-46).

LINN COACH & TRUCK CORP., formerly called Oneonta Linn Corp., has filed a registration statement for 250,000 shares of common, par 10 cents per share.

Address—Oneonta, N. Y.

Business—Proposes to manufacture front-wheel-drive panel delivery trucks on a production basis.

Offering—The price to the public is $3 per share.

Proceeds—Of the estimated proceeds, approximately $300,000 will be used to repay outstanding bank loans. Of the remaining $290,800, it is intended $25,000 will be used to acquire one-half of the capital stock of a sales corporation, $35,000 for plant additions, and balance for working capital.

Underwriters—Bond & Goodwin, Inc., heads the underwriting group.

Registration Statement No. 2-6187. Form S-1. (2-28-46).

F. BURKART MANUFACTURING CO. has filed a registration statement for 10,000 shares of common stock, par $1. The shares are issued and are being sold by certain stockholders.

Address—5000 North Second Street, St. Louis, Mo.

Business—Upholstery padding and related items.

Offering—The price to the public will be filed by amendment.

Proceeds—The proceeds go to the selling stockholders.

Underwriters—G. H. Walker & Co., St. Louis, principal underwriter.

Registration Statement No. 2-6188. Form S-2. (2-28-46).

AMERICAN BUSINESS SHARES, INC., has filed a registration statement for 1,000,000 shares of capital stock.

Address—63 Wall Street, New York, N. Y.

Business—Open-end investment company.

Offering—At market.

Proceeds—For investment.

Underwriters—Lord, Abbett & Co., Inc., is the selling agent.

Registration Statement No. 2-6189. Form A-1. (2-28-46).

PACIFIC AIRMOTIVE CORP. has filed a registration statement for 150,000 shares of capital stock, par $1.

Address—6265 San Fernando Road, Glendale, Cal.

Business—Repair and servicing of airplanes, aircraft engines, manufacture of specialized aircraft tooling, sale of aircraft engines, parts, etc.

Offering—The company offers to its stockholders the right to subscribe for 150,000 shares on the basis of three-tenths of one share for each share of capital stock held at a price to be filed by amendment. Union Oil Co. of California, the beneficial owner of 212,234 shares of capital stock of Pacific, constituting 42.45% of the outstanding shares, has agreed with the company to purchase at the subscription price all shares of capital stock offered which are not subscribed in accordance with the terms of the offering. Union Oil told Pacific that the shares so to be purchased by it will be acquired for investment and not for the purpose of resale or distribution.

Proceeds—Part of the proceeds will be used to discharge a bank loan due the Bank of America National Trust & Savings Association. The company contemplates the balance will be used as follows: in part to establish new branches in Alaska, Washington, Oregon, California and Utah; to expand existing branches and to increase inventory and working capital.

Underwriters—None mentioned.

Registration Statement No. 2-6192. Form S-1. (2128-46). Registration originally filed in San Francisco.

ATLAS IMPERIAL DIESEL ENGINE CO. has filed a registration for 30,000 shares of series A cumulative preferred stock $50 par. The dividend rate will be filed by amendment.

Address—1000 Nineteenth Avenue, Oakland, Cal.

Business—Manufacture of Atlas Imperial heavy duty marine, stationary and industrial diesel engines and of Atlas high-speed diesel engines, and engine parts, supplies, etc.

Proceeds—The net proceeds will be used as part of the company's working capital to convert to and engage in peacetime manufacture of its normal products and of such new products as the company may hereafter determine.

Underwriters—Blyth & Co., Inc., heads the underwriting group.

Registration Statement No. 2-6195. Form S-1. (2-28-46). Registration statement originally filed in San Francisco.

WEDNESDAY, MARCH 20

HEIN-WERNER MOTOR PARTS CORP. has filed a registration statement for 40,000 shares of common, par $3 per share.

Address—Waukesha, Wis.

Business—Water and oil pumps for gasoline engines, hydraulic jacks, etc.

Offering—The 40,000 shares of common stock are being offered for subscription to the holders of common stock at the rate of one share of new common for each 2½ shares of common held on March 8. The unsubscribed stock will be sold to underwriters, and the subscription price and offering price will be filed by amendment.

Proceeds—Will be added to working capital. The company contemplates an expansion of the floor area of its plant by 50% to cost $150,000, and expects to expend about $50,000 for additional production equipment.

Underwriters—The Wisconsin Co. heads the underwriting group.

Registration Statement No. 2-6190. Form S-2. (3-1-46).

COMMONWEALTH LOAN CO. has filed a registration statement for 40,000 shares of 4% cumulative preferred stock, par $100.

Address—300 Guaranty Building, Indianapolis, Ind.

Business—Company operates 63 small loan offices.

Offering—The company is offering the holders of its 35,000 shares of old 5% cumulative preferred the right to exchange such shares, on a share for share basis, with cash adjustment for new preferred. All shares of 5% preferred not exchanged will be called for redemption. The underwriters will purchase from the company stock not issued under the exchange offer and 5,000 additional shares which will be

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offered to the public at a price to be filed by amendment.

Proceeds—The entire net proceeds from sale of preferred to underwriters, with additional funds of the company, will be applied to redeem the 5% preferred stock not offered for exchange. The net proceeds from sale of the 5,000 shares will be applied to discharge or reduction of bank loans or commercial paper of the company, or both.

Underwriters—Lee Higginson Corp. and Blyth & Co., Inc., head the underwriting group.

Registration Statement No. 2-6191. Form S-1 (3-1-46).

PUBLIC SERVICE CO. OF NEW HAMPSHIRE has filed a registration for 102,000 shares of preferred stock, $100 par. The stock is to be offered at competitive bidding, with the dividend rate supplied by amendment.

Address—1087 Elm Street, Manchester, N. H.

Business—Public utility.

Offering—The stock will first be offered to the holders of the company's $6 and $5 dividend preferred stock on a share for share basis, with cash adjustment. The unexchanged shares of the new preferred are to be sold to underwriters for resale to the public at a price to be filed by amendment. All shares of old preferred not exchanged will be called for redemption at $107.50 for the $6 and $105 for the $5 preferred, plus accrued dividends.

Purpose—For refinancing old preferred stock. The 102,000 shares of new preferred are being issued in connection with the retirement of the 117,404 shares of old preferred. The cash proceeds from the sale to underwriters of new preferred will be applied to the redemption of unexchanged shares of old preferred. The additional amount required in connection with the retirement of the old preferred will be provided from the sale of new common stock.

Underwriters—To be filed by amendment.

Registration Statement No. 2-6193. Form S-1. (3-1-46).

SAGUENAY POWER CO., LTD., has filed a registration statement for $23,200,000 sinking fund bonds, series A, due March 1, 1971. The interest rate will be filed by amendment.

Address—1700 Sun Life Building, Montreal, Canada.

Business—Public utility.

Offering—The price to the public will be filed by amendment.

Proceeds—The net proceeds, together with the proceeds from the sale of $5,400,-( ) 2% serial debentures to be sold privately in Canada will be applied to the redemption of $23,330,000 (U. S. dollars) first mortgage 4¼% sinking fund bonds, series A, at 103, and $4,665,000 (Canadian dollars) first mortgage 4¼% sinking fund bonds, series B, at 103. The company will pay any required amount from its general funds as well as the accrued interest on the securities to be redeemed.

Underwriters—Mellon Securities Corp. heads the underwriting group.

Registration Statement No. 2-6194. Form S-1 (3-1-46).

SATURDAY, MARCH 23

SEIBERLING RUBBER CO. has filed a registration statement for 35,000 shares of cumulative prior preferred stock, $100 par. The dividend rate will be filed by amendment.

Address—Barberton, Ohio.

Business—Rubber tires and tubes for automobiles, trucks, buses, trailers, tractors and farm implements.

Offering—The company is offering the holders of the 14,756 outstanding shares of its $2.50 cumulative convertible prior preference stock the right to exchange such shares for shares of new prior preferred on the basis of two shares of prior preference for one share of prior preferred plus a cash adjustment. Any shares of old preference stock not exchanged will be called by the company for redemption. The underwriters will purchase from the company any of the 7,378 shares of new preferred as are not issued on the exchange, as well as the remaining 27,622 shares which will be offered to the public at a price to be filed by amendment.

Proceeds—Net proceeds will be utilized to retire the $1,300,000 15-year 4% sinking fund debentures, and to retire, either pursuant to the exchange offer or by call for redemption, the outstanding 14,756 shares of prior preference stock. The balance of net proceeds will be added to company's general funds. While no specific allocation of these funds has been made, it is expected approximately $700,000 will be used to complete the purchase of certain machinery installed in the company's plant during the war by Defense Plant Corporation, and the purchase of additional necessary equipment. The company also expects to enlarge its plant at a cost of $100,000.

Underwriters—E. H. Rollins & Sons, Inc., heads the underwriting group.

Registration Statement No. 2-6198. Form S-1. (2-4-46).

GARTHACK MINING CO., LTD., has filed a registration statement for 300,000 shares of capital stock.

Address—1502 Sterling Tower, Bay Street, Toronto, Canada.

Business—Mining.

Offering—The price to the public is 50 cents per share.

Proceeds—For development.

Underwriters—Mark Daniels, 371 Bay Street, Toronto, Canada, holds an option on 300,000 shares of capital stock of the company. His plan of distribution is to allot the stock optioned by him to different American brokers and allow them a commission for selling of 25%.

Registration Statement No. 2-6199. Form S-11. (2-4-46).

AMERICAN AIRLINES, INC., has filed a registration statement for 97,350 shares of common stock, par $5 per share.

Address—100 East 42nd Street, New York, N. Y.

Business—Transportation by air of persons, property and mail.

Offering—American is offering to issue 97,350 shares of its common stock, par $5 per share, to all of the stockholders of Mid-Continent Airlines, Inc., in exchange for the common stock of Mid-Continent in the ratio of one share of common stock of American for each four shares of common stock, of the par value of $1 per share, of Mid-Continent. Holders of the common stock of Mid-Continent desiring to accept the exchange offer must deposit their stock within 30 days of the date of the prospectus, or such later date as the exchange offer may be extended. In the event that the exchange offer is consummated, American will receive no less than 197,619.7 shares of Mid-Continent common, and the maximum number of shares which it can receive is 389,398.6. American and Joseph A. Zock entered into an agreement dated as of Sept. 17, 1945, under which Zock agreed that he, as the representative of holders of 50.75%, or 197,619.7 shares, of Mid-Continent common would cause such number of shares to be deposited for exchange for American, provided the Civil Aeronautics Board approves acquisition by American of the control of Mid-Continent. The offer of the company is conditioned upon Zock causing 50.75% of the Mid-Continent common to be deposited, and also conditioned upon the CAB approving the acquisition by American of a controlling interest in Mid-Continent. Application for such approval by the CAB has already been made by American and a hearing was held on the application on Jan. 21, 1946, but no order has as yet been entered.

The prospectus of American refers to temporary financing. Under date of Feb. 28, 1946, American borrowed from banks a total of $25,000,000 on its 1½% promissory notes. The company intends to use the proceeds of said borrowing as part payment for purchases of equipment and additional facilities for which commitments have been or are about to be made. American Overseas Airlines, Inc., a subsidiary, in March had or planned to borrow $10,-000,000 on a 1½% bank loan. American has made agreements with Douglas Aircraft Co., Inc., for the purchase of 50 four-engine DC-6 type aircraft, of which 15 will be convertible sleeper planes and the remainder day planes. American is negotiating purchase from Consolidated Vultee Aircraft Corp. of 100 twin-engine, 40-passenger capacity model 240 aircraft. American also intends to acquire from 3 to 8 additional aircraft of the C-54 type used four-engine military aircraft. The company also has commitments for the purchase of spare engines, radio equipment and other parts, and the total estimated cost of the aircraft and associated equipment, with cost of conversion of C-54 type aircraft, is approximately $73,800,000.

Purpose—To acquire common stock of Mid-Continent Airlines, Inc.

Underwriting—None named.

Registration Statement No. 2-6196. Form S-1. (3-4-46).

ELECTROMASTER, INC., has filed a registration statement for 200,000 shares of common stock, par $1.

Address—1803 East Atwater Street, Detroit, Mich.

Business—Electric ranges, electric water heaters, electric tea kettles and other electrical appliances.

Offering—Price to the public is $4.375 per share.

Proceeds—Of the net proceeds there will be expended for additional space to its plant at Mt. Clemens $300,000; for the purchase of additional equipment $200,000; cost of moving machinery, etc., to new plant at Mt. Clements $30,000, and the balance for working capital.

Underwriters—S. R. Livingstone & Co., Penobscot Building, Detroit, and Mercier, McDowell & Dolphyn, Buhl Building, Detroit.

Registration Statement No. 2-6197. Form S-2. (3-4-46).

SUNDAY, MARCH 24

HOLLINGSWORTH & WHITNEY CO. has filed a registration statement for 42,000 shares of $4 cumulative preferred, without par value, and 12,594 shares of common, without par value.

Address—Boston, Mass.

Business—Manufacture and distribution of papers for a wide variety of essential economic purposes.

Offering—The price to the public will be filed by amendment.

Proceeds—The net proceeds will be added to the general funds of the company. The company intends to use approximately $2,000,000 for the improvement of the manufacturing facilities of its plants in Alabama and Maine, approximately $500,000 to acquire additional woodlands in the South and the balance for working capital.

Underwriters—The underwriting groups for both the preferred and common stocks are headed by Paine, Webber, Jackson & Curtis, and Harriman Ripley & Co., Inc.

Registration Statement No. 2-6200, Form A-2. (3-5-46).

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.

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.

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 Delayed—It was announced March 5 that the directors have decided not to proceed with the offering at this time. The shares were to be offered for subscription to common stockholders at the rate of one share for each seven shares held.

Underwriters—Lehman Brothers, New York, heads the underwriting group.

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.

Bids will be received at office of the Custodian, 120 Broadway, New York 5, N. Y. before 11 a.m. EST on March 27.

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.

BENDIX HELICOPTER, INC., on Feb. 13 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.

Details—See issue of Feb. 20.

Offering—The shares will be sold in the over-the-counter market.

Underwriters—Kobbe, Gearhart & Co., Inc. is named principal underwriter.

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.

Registration Statement withdrawn Feb. 28.

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.

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.

Request to withdraw registration filed Feb. 28.

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.

CLAROSTAT MFG. CO., INC., on Feb. 14 filed a registration statement for 240,-000 shares of common stock, par $1. Of the total 90,000 shares are being sold by stockholders.

Details—See issue of Feb. 20.

Offering—The offering price to the public is $4.25 per share.

Underwriters—B. G. Cantor & Co., New York, is named principal underwriter.

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.

Underwriting—The names of the underwriters will be filed by amendment.

Bids Invited — Crescent Public Service Co. will receive bids for the purchase of the stock, at Room 1320, Packard Bldg., Philadelphia up to 12 noon EST, March 11.

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.

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.

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.

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.

M. LOWENSTEIN & SONS, INC., on Jan. 30 filed a registration statement for 475,-000 shares of common, par $1, 80,000 shares of 4¼% 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.

MAXSON FOOD SYSTEMS, INC., on Feb. 15 filed a registration statement for 475,-000 shares of 50-cent convertible preferred stock, without par value.

Details—See issue of Feb. 20.

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.

Underwriters—F. Eberstadt & Co., Inc., is named 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 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.

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.

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.

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 10% unsecured notes due Jan. 1, 1971.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

YANK YELLOWKNIFE GOLD MINES, LTD. on Feb. 13 filed a registration statement for 1,000,000 shares of common stock, par $1.

Details—See issue of Feb. 20.

Offering—The offering price to the public is 30 cents per share, United States funds.

Underwriters—J. J. Carrick, Ltd., Toronto, Canada, is named principal underwriter.

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.

Prosperity and Employment

(Continued from page 1220)

prosperity? Or do low costs and low prices make for prosperity?

The general use of this term as applied to the welfare of the people of the country seems very misleading. Here in New York, every variety of income and well-being is available to observe. No doubt, there is considerable poverty. No doubt, there is also considerable prosperity. How to make everyone prosperous in this big city and to state a definition of what we mean by it seems totally impossible. A few days ago, an example came to my attention which seems to illustrate the wide variety of differences in prosperity. A business executive, president of his company, had just made a reservation for himself and his wife at a famous resort hotel at what he thought was modest charges of $55 a day per person. No doubt, the president of this company is rather prosperous and has been for many years. To him, this is no extravagance. A vacation is necessary and this is one of the places that he usually goes to spend a week or two during the hot weather. The secretary of this gentleman, who has had very great enthusiasm about her work and her job for many years, boasted of the fact that she and her mother were going to the same town to spend a week of vacation, and she was quite well provided with funds because she had $70.

Prosperity a Relative Condition

There seems no doubt about the differences in the standard of living; but it really does raise a serious question as to what prosperity is. What relation has it to one's income and purchasing power when two different people can enjoy a vacation in the same town and the cost to one is almost twice as much per day as it is per week to another? These degrees of differences of income and prosperity are found in every business and every community. I suppose no one can measure the difference of the degrees of enjoyment and happiness that exists.

The income of a New York truck driver would make a farmer in Louisiana feel like he was having great prosperity. Is there any way or any justification for leveling out these incomes or regimenting and regulating what the income should be or what one should have in order to be prosperous? These differences are not confined to this country, they are worldwide. It seems to be the nature of things that what is prosperity in one community, may be real poverty in another. An income that will create prosperity for one individual, another cannot get by on. Is prosperity a matter of income or a matter of one's management of income? Who is responsible for general prosperity?

Is each individual responsible for his own prosperity? The government can create certain environment conditions that will protect each individual in his lawful pursuits and enable him to manage best his own affairs. But, can any government provide prosperity for individuals in general or does it even have the responsibility beyond that of maintaining fair and equitable conditions of opportunity and justice for all?

Money alone cannot make prosperity. The income of a clerk in Paris today would have been adequate for an industrialist or a banker to have retired on just a generation ago. Of course, the money of France today has very low value in comparison with that of a generation ago and in comparison with the American dollar. Those people whose incomes have not kept up with the depreciation of the money are having a very hard time in keeping up their established standards of living, and for them it may be anything but prosperity, even though their income has multiplied many times. Perhaps the best way to destroy prosperity is to cheapen the money, inflate the currency, make people pay higher prices for the goods and services they need and enjoy.

Full Employment

"Full employment" is a term almost as meaningless as "prosperity." What is full employment? I suppose it means that everyone who wants to work can have a job, a job that is suitable for his capacities and abilities or specialization, but does that mean that someone else or the government must be responsible to provide this job? Or in a free society does it mean that each individual has a right to go his own way and work for someone else if he wants to or start a business for himself or just plain loaf if he chooses to do so? Does full employment include that vast number of professional people who are free a part of several days each week, and such people as school teachers who are usually free three months each year? Does full employment include those millions who have passed the age of 60 or 65? It certainly doesn't include the millions of young people who have not yet reached the age or qualifications of being employable. Does full employment include the millions of housewives whose time is not fully occupied? Is full employment necessary to prosperity to the extent that full employment means no one able and qualified to work and willing to work shall be left without a paying job. Certainly if unemployment and hunger were general one could not qualify the times as prosperous. What creates such conditions of unemployment?

It seems to me one of the greatest causes of such unemployment, poverty midst plenty, and maladjustments that dislocate individuals from work within their own capacities, is **instability.** Instability arises from uncertainty of prices, fear of what move the government is going to make next that will upset buying power or create competition with businesses which will bring on bankruptcy. Prosperity grows on stability, confidence, firmness, and a belief in the future, including the cooperation and honesty of the government. The functions of government in aiding prosperity are those of creating this confidence. The government can create this confidence by providing for justice for all alike under the same laws, freedom for all alike under the same laws, stable and dependable currency and credit with equal opportunity for each individual to make his own place in the world on his own merits and with his own abilities. In other words, the government should go a long way to make it clear to the masses of people that self-confidence and self-dependence are necessary forces for each individual to exercise for himself, and that the government will protect him in those prerogatives which are the government's functions, such as property rights and sound and stable economic institutions.

How Can We Arrive Best at Stable Prosperity Out of the Present Conditions?

First, it is necessary to liquidate the maladjustments growing out of war. Millions of people are maladjusted. There have been concentrations of peoples in certain areas which will have to be moved back to their former communities or somewhere else where they can find opportunity to exercise their abilities. Millions of war personnel will have to be integrated with the general population and industrial activities.

The debt burdens are excessive and must be managed in such a way that crises will be avoided.

There is much uncertainty and great fear about the future value of money and this restrains many people from investing or taking a chance with venture capital. These uncertainties must be removed in order to restore confidence.

In many instances, taxes are so high that incentives are being destroyed both on the part of the individual and organized businesses.

To what extent the government is going to engage in business and compete with private business is holding in abeyance many new ventures.

Tariffs, foreign exchange relations, bounties, subsidies, and other international uncertainties are restraining individual activities until these matters are settled. These are a few of the large tasks before the government that should be settled clearly and quickly in order to restore confidence and stability.

Uncertainty is one of the greatest factors in creating instability, maladjustments, lack of prosperity, and unemployment.

Foreign Trade Council Expands Board

Expansion of the board of directors of the National Foreign Trade Council by election of 15 additional board members, was announced on Feb. 26, following the annual meeting of council members at 26 Beaver Street. The new members are: S. M. Bash, Vice-President, Bethelehem Steel Export Corp., New York; L. C. Boos, President, United States Rubber Export Co., New York; Samuel Broers, President, Firestone Tire & Rubber Export Co., Akron; P. L. Douglas, General Manager, International Division, Otis Elevator Co., New York; James A. Farrell, Jr., President, American South African Line, Inc., New York; Basil Harris, Chairman of the board, United States Lines, New York; Julius C. Holmes, Vice-President, International Division, Transcontinental & Western Air, Inc., Washington; William P. Hunt, William Hunt & Co. Federal Inc., U. S. A., New York; William K. Jackson, Vice-President, United Fruit Co., Boston; J. M. O. Monasterio, Vice-President, Mercantile-Commerce Bank & Trust Co., St. Louis; Sydnor Oden, Vice-President, Anderson, Clayton & Co., Houston; R. I. Roberge, Manager, Foreign Operations, Ford Motor Company, Dearborn; H. A. Stanton, Vice-President, Norton Company, Worcester; A. Stuber, Vice-President, Eastman Kodak Co., Rochester, and Albert E. Thayer, Secretary, California Texas Oil Co., Ltd., New York.

Petition Argued Before Circuit Court of Appeals

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ers to the Board of Governors of NASD respecting controlling profits, commissions, and other charges.

SEC Refuses to Enter Order

After the hearing held before the Commission, the Commissioners handed down an opinion and findings which covered some 24 pages.

The SEC was requested by Messrs. A. M. Metz and Edward A. Kole, the attorneys for the **Securities Dealers Committee**, to enter an order based upon the findings and opinion of the Commission, but this the Commission refused to do.

Previous Application

An application in all respects similar to the one just argued before the Circuit Court of Appeals was previously presented to the United States District Court for the Southern District of New York.

That application was argued before Judge Mandelbaum, and subsequently, upon the contention of the SEC that the District Court of the United States was without jurisdiction but that jurisdiction was in the United States Circuit Court of Appeals, the petitioners applied for leave to withdraw the application, and such leave was granted by Judge Mandelbaum despite the opposition of the Securities and Exchange Commission.

Contention of the Parties

The SEC claims that it is under no duty to enter an order and further, that if its determination is reviewable at all, such review would lie from the opinion and findings of the Commission independent of the entry of an order.

To this the petitioners reply that under the Maloney Act, an appeal may lie only from an order, and further, that under the rules of the Commission, there can be no rehearing without the entry of an order.

The Commission drew certain distinctions between its active and passive powers, under the Securities Act of 1934, and claimed that if the SEC had done nothing, nevertheless, under the terms of the Statute, the instant by-law amendments would have become effective within 30 days after the Commission was notified of their passage.

The petitioners asserted that they did not deny this last position taken by the Commission, that the SEC might have accepted the passive role. However, they claimed that when the Commission, by its own order set the matter down for a hearing, it assumed an active role, and having made an opinion and findings, was without right to leave the matter suspended in mid-air, but had the positive duty to enter a final order of disposition.

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Chandler Bigelow With Clark Dodge in Boston

BOSTON, MASS. — Clark, Dodge & Co., members of the New York and Boston Stock Exchanges, announce that Chandler Bigelow has become associated with them in their Boston office, 30 Federal Street. Mr. Bigelow, a former member of the Massachusetts Senate, in the past was with Edward B. Smith & Co. for many years and later with Smith, Barney & Co. Before war was declared, he was commissioned a Captain in the U. S. Army.