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Inaugural Meeting of World Fund and Bank Ends

By HERBERT M. BRATTER

Washington Chosen as Permanent Site of Fund and Bank. Executive Staffs Decided, with Salaries for Chiefs Fixed at $30,000, Free of Tax. Vinson and Keynes Both Make Farewell Addresses of Good Will and Satisfaction.

SAVANNAH, GA., March 18—Today the inaugural meeting of the International Monetary Fund and the International Bank for Reconstruction and Development came to an end, with a plenary session in which all participants expressed general satisfaction at the results. . . . A note of optimism prevailed among the delegates and outwardly there appears to be no hitch in the preliminary progress toward putting into operation the two great institutions which were provided for after several weeks of debate and conference, at Bretton Woods, New Hampshire, in the summer of 1944. . . . **The site of the institutions was fixed, provisions were made for electing directors and personnel, and a proposed set of by-laws not already provided for was adopted.** . . . It was voted to locate the principal office of the Fund and the Bank at Washington though there was some objection to this. . . . The honorarium of the executive manager of each was fixed at $30,000 free of taxes, and the remuneration of governors and alternates was provided for. The fiscal year of the institution was fixed as beginning July 1.

Herbert M. Bratter

* * *

Nominations for Executive Directors

The following are the nominees for the executive directorships of Fund and Bank, as posted on Sunday, March 17, prior to the elections. . . . These two lists are the results of the politicking which has been going on for some time. . . . There are two classes of executive directors in each institution—the appointive directors, who represent the countries with the five largest quotas or subscriptions. . . . **Since the number of executive directors in both Fund and Bank at present is limited to 12—although this may be increased at some future time—the Savannah meeting of the boards of governors had to elect only seven.** . . .

In the Bank list of candidates which follows, there are eight

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Bricks Without Straw

By HARLEY L. LUTZ

Professor of Public Finance, Princeton University

Dr. Lutz, Quoting a Biblical Extract, Compares the OPA Price Control Policy as Attempting to Make Bricks Without Straw. Holds Modern Bureaucratic Taskmasters Want Bricks Made With Neither Clay Nor Straw, Since They Destroy Incentives to Production. He Contends Inflation Is Due to Fiscal Policy as Well as Goods Shortage and Black Markets. Points Out That There Is No Balancing of Supply and Demand Without a Price Factor, and That Remedy Against Continued High Prices Is High Prices. Holds Temporary Controls Tend to Perpetuate Themselves and That Production Is Not Complete Remedy for Inflation. Attacks Profit Absorption Policy and Subsidies as Tending Toward More Inflation.

And Pharaoh commanded the taskmasters of the people, and their officers, saying:

Ye shall no more give the people straw to make brick, as heretofore; let them go and gather straw for themselves.

And the tale (i.e., count or tally) of the bricks, which they did make heretofore, ye shall lay upon them; ye shall not diminish ought thereof;

And the taskmasters of the people went out, with their officers, and they spake unto the people, saying, Thus saith Pharaoh, I will not give you straw.

Go ye, get you straw where ye can find it; yet ought of your work shall not be diminished.

So the people were scattered abroad throughout all the land of Egypt, to gather stubble instead of straw.

Exodus, 5, 6-13.

Dr. Harley Lutz

Here we have a story of how a group of diligent and worthy persons was compelled to do something the hard way. The edict under which their labors were increased was a royal whim, for it was obviously not in the interests of greater efficiency in production that the straw was withheld.

The good people who toiled under the blazing Egyptian sun, spurred on by the taskmaster's lash, have long since passed to their reward. The history of man's struggle, if fully revealed, would produce many instances in which stupid or cruel masters had wilfully decreed that results should be got the hard way. By virtue of their endurance as part of the warp and weft of history, these legends have an application for today. Suppose that we interpret the story so briefly sketched above, in modern terms. The bricks, which were the current output of the ancient workers, would be the things that everyone now wants—goods and services, more income, and a better standard of living. The straw would be the capital required for this production, together with the profits and the other incentives to invest, to take risks, to plan and contrive in order to get ahead. An extension of the parallel would

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Int'l Politics And the UK Loan

By PAUL EINZIG

LONDON, ENG.—Although reports of the proceedings before the Senate Banking Committee do not appear to indicate any definite trend in the attitude of Congress towards the loan agreement, well-informed circles in London are decidedly more optimistic regarding the ratification prospects. It is widely assumed that the disquieting developments in the international political situation will go a long way towards securing a majority in favor of ratification. It is believed that, since it was the termination of the war that brought to an end the wartime system of pooling economic and financial resources, the possibility

Paul Einzig

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Declining Interest Rates and Inflation

By JAMES J. O'LEARY
Director of Research, Committee on Public Debt Policy

Dr. O'Leary Points Out That Declining Interest Rates Have Exerted Inflationary Pressure Because They Have Increased Money Supply by Expanding Bank Credits, and They Have Caused an Inflationary Rise in Securities and Real Estate Prices. Holds Government Borrowing From Banks Has Led to a Money Glut and a Fever for Spending. Recommends (1) Discount Rate on Government Bonds Be Raised to 1%; (2) the Funding of Short-Term Governments into Long-Term Issues; and (3) the Reduction of Excess Bank Reserves. Holds That OPA Is Losing Battle Against Inflation.

I. Introduction

The American economy is in the process of being pushed and pulled into a spiral of price inflation. Thus far price rises have not gotten out of hand, but the stage is now set for sharp increases unless every possible counter-inflationary weapon is brought into play. The "push" toward higher prices has its origin in three main factors, namely, (1) the enormously expanded money supply in the hands of business and individuals, (2) the increasing eagerness of business and individuals to make expenditures, and (3) the shortages of goods and services. The "pull" toward inflation lies in the now familiar wage-price spiral, fortified by price increase demands by the farm bloc. It is perhaps artificial to distinguish sharply between the "push" and "pull" forces because they mesh into and reinforce each other.

Dr. James J. O'Leary

The purpose of this article is to show how declining interest rates contribute to the "inflationary

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What Does Dow Theory Say Now?

ANALYSIS OF CURRENT MARKET SITUATION

By THOMAS W. PHELPS
Partner, Francis I. du Pont & Co.

Mr. Phelps Explains the Dow Theory—Its Basic Technique, Its Aims, and Its Place in Overall Stock Market Forecasting. Pursuant to Dow Technique, the Key to the Long-Term Course of Prices Will Be Furnished With the Testing of Recent Highs and Lows. Meanwhile He Ventures the Following Forecast: (1) the Major Bull Market Has Not Ended; (2) the Recent Declines Merely Represent a Long Overdue "Correction"; (3) Further Declines Are Probable, but They Should Not Extend Below the Range of 182-155 of the Dow-Jones Average.

Every time the stock market "falls out of bed," there is a hue and cry among the experts to determine first what caused it to do so, and second whether it broke anything of importance. Having just had its first 10% decline in two years, the stock market once more is on the examining table.

Thomas W. Phelps

As might be expected by anyone who understands the nature of free markets, the experts disagree. If they did not, there could be no market because there would be no one to buy when all of the experts (and their clients) wanted to sell, and no one to sell when all of the experts recommended buying. To say that is not to disparage experts, but simply to recognize the elemental truth that in the stock market capital gains generally are made by buying when the seller is making a mistake, and by selling when the buyer is misjudging the situation. In such a competition it is no more reasonable to expect an expert to be right all the time than it is to expect a champion tennis player to return every ball that comes over the net. In the stock market a great deal of money can be made by being right only half of the time if one is careful to limit his losses and let his profits run.

A Gallup poll of the stock market experts might be helpful, but there is none. To take such a poll rapidly enough, and to weight the votes accurately enough would tax the resources of the Bell System. When the job was done, there still would be a question whether all had answered candidly. Even among friends it is not uncommon to hear a discussion of stock market pros and cons brought down to earth by the simple query, "Are you buying, or selling?" It must have been an order clerk who first said, "Your actions speak so loudly I can't hear what you say." If only we could know what all of the experts were *doing!*

Wise and Foolish Market Money

Maybe we can. What constitutes an expert on the stock market? Obviously he must be one who buys and sells the right stocks at the right time. As a result he makes money, which enables him to buy and sell more and more of the right stocks at the right time. Those who are inexpert, or poorly advised, lose money, which means that they can buy and sell fewer and fewer of the wrong stocks at the wrong time. The process has been going on for years, for so many years, in fact, that it seems a reasonable assumption that wise money outweighs foolish money in the stock market. The Dow theory is based on that assumption.

As Charles Henry Dow wrote in 1901:

"The market is not like a balloon plunging hither and thither in the wind. As a whole, it represents a serious, well-considered effort on the part of far-sighted and well-informed men to adjust prices to such values as exist or which are expected to exist in the not too remote future. . .

"The man who as a woolen merchant sees the demand for his goods suddenly disappear, or who

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Holland and The Problem of "Capital in Circulation"

By PROF. PIETER LIEFTINCK
Minister of Finance, The Netherlands

Dutch Financial Representative Analyzes His Country's Postwar Problems With Reference to Both Internal and External Capital Movements, and Asserts That in These Matters Holland Is Now Facing a Situation More Difficult Than in a Century. Tells of Progress in Monetary Stabilization and in the Regulation of Internal Capital Movements Through Blocking of Cash Accounts and Enforced Registration of Securities. Looks to German Reparations as an Aid in Stabilization, but Points Out Nation's Need for Foreign Credits to Offset Loss Through War of Former Means of Meeting Its Excess Import Balance. Notes Holland's Substantial Investments Abroad as a Credit Base, and Invites American Capital Investment in Holland and Its Colonies.

Readers of the "Chronicle" may be interested in what may be called the problem of "capital in circulation" that now confronts the Netherlands. This problem has internal and external aspects. As to the internal aspects I think, amongst other things, of the measures which had to be taken with regard to the Amsterdam stock exchange and the now impending registration of securities. Besides this we can interpret the title "Capital in Circulation" as a

Pieter Lieftinck

problem of foreign character. It is closely connected with the monetary agreements which we have and will make with other countries. The problem of German reparation payments may also be considered.

Finally a part of the capital in circulation has both an internal and external character. I am now referring to enemy property, which for the Netherlands will be in great part German. Although these possessions are located in Holland, they have assumed an international aspect since the Paris conference on reparations has dealt with it and certain agreements were made there. If we wish to discuss the various kinds of "Capital in Circulation," I suggest we start with that part

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The Fund and the Bank as New Institutions

By ANDRE ISTEL
French Delegate to the Bretton Woods Conference

Financial Consultant of French Government Points to Strong and Weak Features of Fund & Bank. Discusses Technical Advantages of Bretton Woods Foreign-Exchange Credit Method; Mentions Practical Difficulties. Sees Bank as Useful Institution, but Indicates Room for Improvement. Analyzes Structural Differences Between UNO and Bretton Woods.

The aim of the Bretton Woods Agreements was to contribute to the recovery of multilateral trade and international investment through the restoration of orderly monetary and financial relations between the United Nations. The purpose of the International Monetary Fund was to regulate exchange rates through temporary credits; the purpose of the International Bank was to provide capital for the reconstruction of the devastated countries and for the equipment of inadequately developed areas.

Andre Istel

The new institutions are not designed as substitutes to existing channels, but as means to provide member countries with additional facilities to obtain foreign exchange through the Fund and long-term loans through the Bank.

Guiding Principles of the Fund

Concerning the Fund, general agreement was reached, as ably expounded at Bretton Woods by the Reporting Delegate, on three major points of principle: first, that an exchange rate in its very nature is a two-ended thing, and that changes in exchange rates are therefore properly matters of

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More Heard at Savannah

"Chronicle" Correspondent Gets Views and Opinions of Representatives of Various Nations Attending Meeting of World Fund and Bank.

SAVANNAH, GA.—Continuing his task of getting the views, opinions and comments of the large array of prominent representatives of this and other nations, the "Chronicle" correspondent met with considerable cooperation. There was a general willingness among the foreign visitors of all ranks and degrees of importance to present their statements.

A. E. de los Monteros

Mexico's Representative Speaks

At the request of the "Chronicle," Mexico's Governor of the Fund and Bank and Ambassador to Washington, Antonio Espinosa de los Monteros, submitted the following statement:

"As has been the case of a great number of countries, the recent war created in Mexico many fundamental economic changes, some of which may become permanent. Among the economic effects of war may be mentioned the increase in the general level of prices and costs of living. Although attempts were made to control prices, only partial success was achieved because the peculiarities of our economic structure have not yet revealed with any degree of clarity weapons of price control such as are effective in other countries.

"Among the more important economic consequences of war with

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Bretton Woods and Soviet Russia

By MIKHAIL V. CONDOIDE
Bureau of Business Research, Ohio State University

Mr. Condoide Gives as Reasons for Russia's Delay in Ratifying Bretton Woods Agreements: (1) the Soviet Government's Monopoly of Foreign Trade; (2) the Antagonism to the Capitalistic System; (3) the Unwillingness of Russia to Divulge Her Gold and Foreign Exchange Holdings; (4) the Unwillingness to Have a Foreign Exchange Value Placed on Her Currency; (5) and the Policy of Russia in Her Economic Domination of Countries in Eastern Europe. Sees Little Need by Russia of Short-Term Loans, but Holds Russia Will Want Long-Term Credit From the International Bank.

Why has Soviet Russia not yet ratified the Bretton Woods Agreement? The deadline for ratification of the agreement passed two months ago without Russian action. According to reports from Washington, the American Ambassador in Moscow has been informed that the Soviet government feels that "more time is needed to study the Bretton Woods proposals." This explanation has given rise to some surprise, for eighteen months have elapsed since the Bretton

Mikhail V. Condoide

Woods Conference, and as far as is known, the proposals have never met with Russian objections. The large quotas allocated to Russia in the Fund ($1.2 billion) and in the Bank (also $1.2 billion), as was requested by the Russian delegates, seemed to suggest that she would play a leading part in the reconstruction of the world.

However, there seem to be several broad and important factors which may account for the ap-

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A Policy for Peace

By HON. JAMES F. BYRNES*
Secretary of State

U. S. Spokesman on Foreign Policy, Though Expressing Faith in the United Nations Organization as a Path to Peace, Urges That a Strong Armed Force Be Maintained, That the Draft Act Be Extended and That Universal Military Training Be Adopted. Says as Long as Other Nations Remain Armed, We Cannot Afford to Be Militarily Unprepared. Wants No Alliance With Britain Against Russia or With Russia Against Britain, and Urges a Firm Confidence in the Right, Patience and Understanding to Assure a Full and Permanent Peace.

We Americans realize that the victory over the Axis was not an American victory alone. The victory was won by the peoples of many countries welded together in a powerful alliance. But as Americans we are proud that we contributed mightily to the defeat of the Fascists and Nazis in Europe and that we played the major part in the defeat of Japan.

James F. Byrnes

Irish Americans in turn are aware that the blows struck by America were struck by Americans of every race and faith. But we of Irish blood take honest pride in the number of Kellys and Burkes and Sheas whose names appear in the war's roll of honor.

These Irish lads came from the cities and the farms, from the factories and the fields. They came to the decks of our ships, to the cockpits of our planes, and to the turrets of our tanks. They came to the landing barges and to the foxholes. And when their guns and the guns of their comrades began to sound, it became certain that victory would be ours.

Tonight time does not permit me to recite to you Friendly Sons of St. Patrick the names and deeds of these Irish heroes. But their names and deeds will not soon be forgotten and there will be many an opportunity for more gifted Irish tongues to tell the tales of their gallantry.

I know that in these troubled days you are more anxious to look to the future than to the past—to consider what we must do now in order to insure that the sacrifices of these men have not been in vain.

Our Military Strength

Consequently, I desire to return to a subject to which I referred two weeks ago, the military strength of the United States.

We Americans love peace. We are a nation of civilians, not soldiers. It is fundamental to our system of government that military authority be subordinate to civilian authority.

Even in the midst of total war, we have maintained this principle. The American soldiers and

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*An address by Secretary Byrnes before the Friendly Sons of St. Patrick, New York City, March 16, 1946

The Economics of Collective Bargaining

By EMERSON P. SCHMIDT*
Director of Economic Research, Chamber of Commerce of U. S.

Dr. Schmidt Contends That Wave of Labor Disputes Is a Carry-Over From Prewar, When, as Result of Depression, the Purchasing Power Theory of High Wages Was Enthroned. Says Purpose of Collective Bargaining Is to Destroy Competition for Jobs, to Fix Wages by Pressure, and to Unite All Workers in a Plant to Enforce Demands. Holds Government Intervention by Publication of Statistics and Reports Favoring Wage Increases Has Been Exploited in Labor Union Literature, and He Denies that Wage Increases Have Not Been Obtained Without Unions. Recommends a Fundamental Reexamination of Entire System of Employment and Wage Payment and Calls for More Education in Economics and in Human Relations as Solution of Labor Problem.

If the wave of labor disputes since V-J Day were merely "labor in reconversion," a let down due to wartime restraints, no one would become very concerned. But we may be confronted with something much deeper, a basic transformation of our economic system which will alter profoundly our political system and the place of the individual in society. The transformation actually started in many parts of the world with the first World War. It caused a more or less complete displacement in numerous countries, during that war or during the inter-war period, of the system of private competitive enterprise with its political and personal freedom, by new economic and political systems under which the state dominates both the individual and the economy.

Dr. E. P. Schmidt

United States Transformed in the 1930's

This transformation touched us lightly until the middle 1930's. Then the politicians discovered under the stress of depression, that they could use the promises to labor to secure and hold the sinecures and prestige of public office.

Until the 1930's our Government and laws were based on the theory that the best way to promote the public welfare was to create an environment under which enterprise was fostered. By making property secure, investment in productive facilities would flourish and an adequate volume of well-paid jobs would tend to follow. Each person was privileged, within his means and ability, to become job-maker, job-seeker or self-employed. A scarcity of jobs would be corrected by more investment in job-making facilities. This system had it weaknesses; it did not operate perfectly. Temporary setbacks occurred. But few men would say that what we substituted has the earmarks of perfection.

In the 1930's when we had a shortage of job-makers and a surplus of job-seekers we tried to correct the imbalance by making the life of the job-maker tougher

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*An address by Dr. Schmidt before the Harvard Law School Forum, Cambridge, Mass., March 15, 1946.

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Original Cost Techniques Threaten Utility Equities

By W. TRUSLOW HYDE, JR.*

Public Utility Analyst, Josephthal & Co.

Mr. Hyde Contends That the Basing of Utility Rates on Original Costs Is Faulty During an Inflationary Period in Giving the Consumer a Windfall, and in Penalizing the Stockholder Who Receives the Same Dollar Dividend Having Reduced Purchasing Power. This Threatens the Ability of Utilities to Accomplish Equity Financing During a Period of Rising Prices. He Asserts That the Original Cost Basis Undermines Sound Capitalization in Preventing Enterprises From Collecting Sufficient Depreciation Funds to Rebuild Plant at a Price Level in Excess of Original Cost.

Individual state commissions have been adopting original cost for rate making purposes with such regularity that it is no longer possible to ignore the dangerous trend away from the Smyth vs. Ames theory of fair value which, in its Hope Natural Gas decision, the Supreme Court said was no longer a necessary consideration in establishing utility rates. Fundamentally, the original cost concept permits a utility company to earn a fair return on the original cost of its properties and recover sufficient depreciation to recoup the dollars invested in its plant. Claimed to be the only fair and equitable and the only scientific approach to monopoly regulation, this specious theory, which has been nurtured by the Federal Power Commission under the guise of legitimate accounting regulation, will effectively take the plant away from the owner and give it to the customer during a period of rising prices. It, therefore, presents a serious problem to investors and one which should make them particularly cautious in buying public utility equities in the event we enter a postwar inflationary period.

W. T. Hyde, Jr.

The fallacy in the original cost doctrine is that it fails to recognize that a common stockholder is the owner of an equity and that his income should reflect the fair value of the property he owns. If, during a period of rising prices, the value of his property increases, his income should show a commensurate rise so that his purchasing power remains constant. Under original cost theories, a plant which cost $1,000,000 would be limited for all time to an earning power of $60,000 subject only to a changing rate of return to reflect the cost of capital. Supposing, however, that the purchasing power of the dollar declines 50% over a period of time. In such an event, the stockholder who invested his money

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*An address by Mr. Hyde before the New York Society of Security Analysts, March 8, 1946.

Conditions Affecting Railroad Values

By ARTHUR C. KNIES*

Broker-Analyst, in Reviewing the Railroad Prospects, Points Out That Despite the Flush Business of War, and the Reduction in Interest Charges, the Position of Individual Railroad Companies Will Again Bear Close Watching and Only Those in Best Condition May Be Able to Stand the Gaff of Normal Operations. Says Truck and Boat Lines Are Suffering Losses and for This Reason They Will Be in Favor of Increased Rail Rates in Order to Compete. Holds Rails Are Becoming Stronger in Transportation Field, and That Freight Rates May Be Increased Up to 20%. Sees Some Rearrangement of Pending Rail Reorganizations and Concludes That the Long-Term Future Is Bright for Better Class of Railroad Securities.

Presently the bearish factors overshadow the bright side of the picture. If storm warnings are up, it would make sense to seek a safe anchorage — the storm may be long or short, severe or mild. This was our dominant thought when we turned temporarily bearish two months ago.

Arthur C. Knies

I know, too, that much interest lies in the proposed new reorganization legislation, and later on I will give you my reactions on that score. In self defense, I should say I attended just about all the hearings in Washington (or had a representative present when I took a rest) including the Supreme Court argument in the Rio Grande case, and, frankly, I don't feel as though I have recovered my equilibrium yet.

In the beginning, also, it seems appropriate to again state (as I have on so many occasions) that in the railroad field, just like any other industry, we have all types of good, bad and indifferent, and now that the roads are no longer receiving the high proportions of Government shipments they handled during the war, the old differences between companies are cropping out again. As in any contest of physical contact or exertion, the team in best condition can stand the gaff better than the others. 1946 is a "gaff" year.

As you know, it has been a long time since we had "normal" operations in the industry—by

*An address by Mr. Knies before the Central States Group of the Investment Bankers Association, Chicago, Ill. March 19, 1946. Mr. Knies is a partner of Vilas & Hickey, members of the New York Stock Exchange.

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Predicts "Dramatic Moments" for UNO

Sir Alexander Cadogan Points Out the Preliminary Question Presented by the Soviet-Iran Issue

By A. WILFRED MAY

NEW YORK CITY, March 20—"The meetings of the UNO Security Council beginning next Monday are sure to produce dramatic moments," is the prediction of Sir Alexander Cadogan, representative of the United Kingdom in the Security Council and the Atomic Energy Commission. In a press conference held today he stated that a big preliminary question confronting the Council is whether the Soviet - Iran issue constitutes a "dispute." If it is adjudged a dispute, the Soviet Union will be prevented from voting; at least as long as peaceful means for its settlement have not been exhausted.

A. Wilfred May

Sir Alexander strongly urged that the Council begin its deliberations with a technique of getting directly into areas of agreement before voting on formal resolutions or otherwise becoming vulnerable to dangerous controversy.

Olsen Heads Campaign for Community Chest of Oranges

Albert W. Olsen, of Orange, N. J., Assistant to the President of the New York Trust Co., of N. Y. will head the campaign for $1,515,-500 to be carried on this Spring in behalf of the capital needs of ten member agencies of the Community Chest of the Oranges and Maplewood, N. J. Mr. Olsen's appointment as General Chairman of the fund-raising effort, which will be known officially as the "United Campaign for Health and Youth", was announced on Mar. 14 by Brian P. Leeb of West Orange, President of Joint Campaign Fund, Inc., a philanthropic corporation recently formed to receive and distribute all money raised.

The agencies which will be beneficiaries of the fund-raising effort, and the amounts of their respective needs, are the Young Men's Christian Association of the Oranges, $245,000; the Young Women's Christian Association of the Oranges and Maplewood, $110,000; the Girl Scouts of the Oranges and the Oranges and Maplewood Council of the Boy Scouts of America, $47,795; the three settlement and community houses of Orange Valley, South Orange and West Orange, $37,840; Social Welfare Council, for a camp project to be directed by a joint committee of the Scout and Y organizations, $10,000; and the Orange Memorial Hospital and the New Jersey Orthopaedic Hospital and Dispensary, whose combined requirement of $925,000 covers the first step in development of a medical center to meet current health needs of the Oranges, Maplewood and adjacent communities of Essex County. The campaign will be launched in May.

A Policy Toward Russia

By HON. HENRY A. WALLACE*
Secretary of Commerce

Asserting That Russia Still Fears Capitalist Encirclement, Secretary Wallace Urges That We Beat No Tom-Toms Against Her, but Follow Her Example by Demonstrating That Our Political and Economic System Can Succeed in a Race With Communism. Says U. S., Through Leadership, Can Bring a Genuine Postwar Peace, and Points to Role of UNO as a Means of Determining Russia's Aggressive Intentions. Holds Russia Can't Ride Roughshod Over Eastern Europe and Get Away With It, and Wants No Recrudescence of Imperialism.

Harriman Urges Continuation Of Russian Relief

Retiring Ambassador to Russia Says We Should Not Mix Charity With Politics, and Though Not Minimizing the Differences That Have Arisen With Russia, Contends That Program of Society for Russian Relief Furnishes Visible Proof of Our Sincerity to Walk in Peace With Our Comrades in War.

Speaking at a dinner given in his honor by the American Society for Russian Relief at the Hotel Commodore, New York City, on March 19, W. Averell Harriman, until recently Ambassador to Russia, urged that this country continue its relief program in Russia, though he personally endorses the positions taken by our Government in opposing certain actions and foreign policies of the Soviet Government.

W. Averell Harriman

In the course of his address, Mr. Harriman stated that "the program of your Society has given us all the opportunity, which we have welcomed, to express to the people of the Soviet Union our sympathy for the great suffering that Hitler and his Nazi criminals have wrought upon them—I can assure you that the reports of their suffering have not been exaggerated—to express our admiration for their valiant resistance, one and all, against the invader, and then, later, our respect and gratitude for the great part they played in the ultimate destruction of our common enemy.

"Now that the war is over I find that there are some questions that have arisen in the minds of many people about the continuation of relief. There are questions as to whether relief is still needed. There are questions as to whether UNRRA, which of course is so largely supported by the United States, does not cover the requirements. And, lastly, there are questions as to whether we should be called upon to continue relief to the Soviet Union when it appears that she is not cooperating with us, wholeheartedly in the way we had hoped for in solving the difficult political and economic problems that face the peoples of this war-shattered world.

"I would like to discuss with you this last question first, since it is, in fact, a basic question. I want to discuss this quite openly. It is through frank and open discussion that people in America reach their decisions. Open discussion is the basis of our democracy.

"I cannot stand before you and minimize the differences that have arisen between our two Governments since the end of the war. I must state that I, personally, endorse the positions that have been taken by our Government in opposing certain actions and foreign policies of the Soviet Government. I share the opinion of our Government that, in these matters, the Soviet Government has not carried out certain agreements as we understand them. I have been glad to learn that our Government is taking a clear position based on the principles of the United Nations Charter and the principles in which the American people have profound faith. It is my impression that in this our Government has the support of the overwhelming majority of our people. This support transcends party

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I am happy to be here tonight to honor Averell Harriman and to speak for friendship between the great Russian people and our own. In June of 1944 Averell and I spent several happy days together in Central Soviet Asia at Alma Ata and Tashkent. From the long conversations I had with him at that time I know how deeply he feels the need of the closest cooperation between our two great peoples. The world will never fully appreciate the extent to which Ambassador Harriman facilitated the rapid transportation of lend-lease goods to Russia and thus hastened the end of the war.

Henry A. Wallace

I say "All honor to Admiral Standley, Ed Stettinius, Harry Hopkins, Averell Harriman and all the others who, acting under the magnificent leadership of President Roosevelt, saw so clearly the need for prompt help to Russia in the fall of 1941." Russia owes the United States and these men an undying debt of gratitude. The U. S. owes Russia an undying debt of gratitude. The citizens of the Soviet Union paid a heavier price for our joint victory over fascism than any other people.

Russia's Fear of Capitalist Nations

The Soviet Union knows what the leading capitalist nations, especially Great Britain, tried to do to it from 1919 to 1921. They know what certain of the military in the capitalist nations are thinking and saying today.

And just as some military men profess that the only road to peace is atomic bombs, bases, huge appropriations for armaments and Arctic expeditions, so the Soviets may feel that the only road to peace and security is for them to give the capitalist nations tit for every tat. They have gone further and have started giving their tats firsts. They are out to make every boundary secure. They fear capitalist encirclement. They are hungry for science and machines and feel that time is short to prepare for a possible capitalist-provoked war. Undoubtedly the anti-Russian press has plenty of material to use for its own evil ends.

*Address by Secretary Wallace before the American Society for Russian Relief, Inc., New York City, March 19, 1946.

(Continued on page 1512)

Substitute for Loan to Britain

By EMANUEL CELLER*
Congressman from New York

Rep. Celler Proposes as Substitute to a Loan, That British Be Permitted to Buy American Goods and the Amount Retained in London in Sterling Deposits to Credit of U. S. Treasury Which Would Pay Exporters in Equivalent Dollars. Holds Plan Could Be Extended to All Sterling Bloc Nations and Funds Used for Future Imports to U. S. or for Direct American Investments Abroad.

Without extraordinary administrative pressure, I doubt whether the proposed loan agreement will be approved by Congress.


Emanuel Celler

Perhaps there may be a way out of this dilemma.

By granting a loan to Britain for the whole of the British Empire, excluding only Canada and Newfoundland, and including such sovereign countries as Ireland, Iraq, Egypt, the Sudan, Iceland, and now probably Siam, as well as the mandates of Palestine, British Cameroons, Tanganyika, Transjordan, and other areas of the sterling area bloc pool, we place ourselves in the most ambiguous position of increasing dependence on Britain of sovereign countries and of extending the duration of the British mandates.

As an alternative, our assistance to Britain could be extended in goods and services, to be paid for in pounds sterling as delivered, the pounds sterling so produced to be placed to the credit of the United States Treasury in the United Kingdom. Trade should be thrown wide open. The British should be allowed to buy anything and everything they need and want for their own island economy.

*Statement of Congressman Celler in the House of Representatives, March 13, 1946.

(Continued on page 1531)

Christianity and Citizenship

By JOHN W. BRICKER*
Former Governor of Ohio

Prominent Republican Leader, Asserting That Regardless of One's Particular Religion, if It Is Founded on Sound and Accepted Moral Principles, That Individual Is a Better Citizen. Denounces the Increasing Emphasis Upon Big Government and Centralization of Governmental Authority, as Well as the Decline of the American Genius for Voluntary Action in Achieving Social Progress, and the Tendency to Solve All Problems by Passing Laws. Says Most Serious Evil in American Life Is the Division of Society Into Classes and Struggle of Minorities for Supreme Power, and Urges Church to Instill Voluntary Self-Motivated Effort and Self Discipline

One hundred and twenty-five years ago at Plymouth, Mass., Daniel Webster uttered these challenging words: "Whatever makes men good Christians, makes them good citizens." In this terse statement lies an important and often overlooked distinction. It is not necessary that a man accept the Christian religion to be a good citizen. But it is true that the practice of Christian ethics is necessary to imbue mankind with the qualities of good citizenship.


John W. Bricker

Regardless of what one's particular religious faith may be, if it is founded upon sound and accepted moral principles; if it is motivated by a spiritual power, and means a belief in the divine providence of Almighty God, that individual is a better citizen because of his profession and practice of that faith.

The legalistic concept of citizenship has nothing whatever to do with ethics or morality. Citizenship is a political status. It simply defines the relationship between a man and the state or sovereign to which he has sworn allegiance. Recall for a moment the fourteenth amendment to the Constitution of the United States. It says: "All persons born or naturalized in the United States, and subject to the jurisdiction thereof, are citizens of the United States and of the State in which they reside." Implicit within this definition are all of the rights and privileges that men and women enjoy because of their political status. But there is nothing which defines their responsibilites by which alone the quality of citizenship is determined.

Indeed, the political status of citizenship may embrace political immorality or moral decadence. The Nazi was a citizen. He had sworn allegiance with blind fanaticism to the political ideology of national socialism. But his citizenship meant the destruction of culture. It meant the perversion of youth. It meant the enslavement of human beings. It meant the denial of God. Likewise, the Jap was a citizen. He had sworn allegiance, also with blind fanaticism, to his emperor-god and to the pagan doctrines of ancestor worship. But his citizenship, like its counterpart in Hitler's Germany, represented a wave of renascent barbarism which for a time threatened the destruction of civilization.

In short, the moral or ethical qualities of citizenship are not derived from the relationship of a man to his political sovereign. Faithful allegiance to governmental authority may make a man a loyal subject. It does not make him a good citizen. The quality of goodness is not derived from political status. It flows from the moral and spiritual forces which inspire and motivate mankind.

It is at this point that Christianity becomes an ingredient of good citizenship. The religious doctrines of the western world stem from noble sources—from the Hebrew prophets as well as from the teachings of Christ. But, though men may differ as to religious faith, none will deny the ethics of Christianity as a way of life.

This way of life is dynamic, not static. It is found upon four cardinal principles. Christianity holds that all men are equal because they are the children of a God who is father of all. It emphasizes the dignity and worth of the individual human personality. It insists that the welfare of one person is inseparable from the welfare of all persons. And it teaches the lesson of mutual aid and voluntary cooperation among

*An address by Mr. Bricker at the Madison Avenue Presbyterian Church, New York City, March 13, 1946.

(Continued on page 1536)

New York Proposals for Preferred Stock Protection

By PERCIVAL E. JACKSON

Mr. Jackson Reviews the Proposed Amendments Introduced in the New York Legislature to Amend the Stock Corporation Law With Reference to Rights of Preferred Stockholders. These Amendments Would (1) Restrict Conditions Under Which Preferred Stock May Be Issued; (2) Prevent a Corporation Director Elected by Preferred Stockholders From Having Interests Adverse to Them; (3) Impose Conditions on a Corporation's Repurchase of Preferred Stock; and (4) Provide Judicial Protection for Preferred Stockholders in Corporate Recapitalization. Holds These Provisions Follow Pattern of Federal Laws and Will Be of Advantage Both to Investors and Corporations.

Senator Frederic E. Hammer has introduced and there is now pending before the Committee on Corporations of the New York State Legislature six bills amending the Stock and General Corporation Laws of the State, designed to protect the holders of preferred stock of corporations. These bills are as follows:


Percival E. Jackson

I. An Act (S. I. 1757-Pt. 1943) amending Section 11 of the Stock Corporation Law and which prescribes and restricts conditions under which preferred stock may be issued;

II. An Act (S. I. 1758-Pt. 1944) amending Section 56 of the Stock Corporation Law by adding a provision that no director elected by the vote of preferred shareholders shall have an interest adverse to preferred stockholders;

III. An Act (S. I. 1756-Pt. 1942) amending Section 69 of the Stock Corporation Law by adding a provision imposing conditions on the repurchase by the corporation or its officers of preferred stock after it shall be in default;

IV. An Act (S. I. 1760-Pt. 1946) introducing a new subdivision (c) in present Section 61 of the General Corporation Law, providing that a corporate recapitalization plan designed to affect dividends in default shall be subject to review by the Supreme Court;

V. An Act (S. I. 1761-Pt. 1947) adding a new Section to be known as Section 62-a of the General Corporation Law giving the Supreme Court jurisdiction to require recapitalization when preferred stock has been in default for a period of not less than five years or for a period of not less than three years when the corporate structure is unduly or unnec-

(Continued on page 1518)

Joins J. P. Arms, Inc.

(Special to The Financial Chronicle)

MINNEAPOLIS, MINN.—**Clarence Phillips** has become associated with **J. P. Arms, Inc.**, Rand Tower. In the past he was with J. W. Goldsbury & Co.

H. L. Heming Resumes As Rothschild Partner

L. F. Rothschild & Co., 120 Broadway, New York City, members New York Stock Exchange, announces that Lt. Col. Henry L. Heming has been released from active duty with the U.S.M.C.R. and has resumed his activities as a partner in the firm.

Kenneth Browne With Seligman, Lubetkin

Kenneth C. Browne, a staff member of the "Wall Street Journal" for 17 years, has become associated with Seligman, Lubetkin & Co., Inc., 41 Broad Street, New York City, dealers in unlisted securities, to do dealer contact work.

Richard Bardes With Edward Brockhaus Co.

(Special to The Financial Chronicle)

CINCINNATI, OHIO.—Richard W. Bardes has become associated with Edward Brockhaus & Co., Union Trust Building. He has recently been in the armed forces. Prior thereto he was an officer of Bardes, Smith & Polito and was with L. W. Hoefinghoff & Co.

Alfred Loyd Elected A Member of East and West Association

Has Many Important Connections

Alfred E. Loyd, a popular, well-liked personality of the securities industry, has been elected a member of the East and West Association, of which Pearl S. Buck, the noted author and authority on matters in China, is President, and in which prominent leaders of government, finance and industry, particularly in the Far East and especially in China, are active members.

For more than 25 years Mr. Loyd headed the firm of Alfred E. Loyd & Co., dealers and brokers in over-the-counter securities specializing in bank, trust, title and insurance company stocks, especially those of out-of-town or country banks.

He also has been elected a member of the Automobile Old Timers, of which George Conrad Diehl, the famous international bridge engineer and builder is President, and which has among its members outstanding veteran pioneers of the great automobile industry and many of the present rank and file thereof. The membership is quite exclusive and the prime requisite for admission is that the applicant must have been engaged in some manner in the industry or to have owned and operated an automobile at least 25 years ago.

Alfred Loyd is also active in politics. At the last November primaries he was elected a member of the Republic County Committee, County of New York, an influential committee of the Republican Party.

He resides in the beautiful old Gramercy Park section of the city, where he is a member of the Gramercy Park Association, and holds a personal key to Gramercy Park, the only private park in New York City.

He is Past Sachem (Chief) of the Improved Order of Red Men and also a Past Supreme Knight of the world-wide Ancient Essenic Order.

Mr. Loyd has been a student in China for over 35 years.

Public Utility Securities

Colorado Central Power (New) Common

On March 13th First Boston Corporation and Dean Witter & Co. offered 43,750 shares of Colorado Central Power Company common stock (par $10) at $34 a share. This represented the entire common stock, previously owned by a holding company, Crescent Public Service. The company operates three properties in the state of Colorado, serving a population of about 40,000. Principal activities in this area are irrigated farming, livestock and a variety of small manufacturing industries (the company does not serve any important mining areas). The earnings and dividend record have been as follows, according to the prospectus (earnings are on a pro forma basis):

Year	Share Earnings	Dividends
1945*	$1.78	$1.60
1944	1.71	1.60
1943	1.67	1.60
1942	1.61	1.60
1941	1.72	1.37
1940	1.73	1.37

*12 Months ended Oct. 31, 1945.

Capitalization consists only of $662,000 1st 3¾s due 1959 and 43,750 shares of common stock. While a pro forma balance sheet is not available, the common stock equity appears to be about $630,000, or nearly half of the capital structure.

The company purchases its entire output of electricity from Public Service Company of Colorado under a contract which runs to 1952. Residential revenues constitute half the total amount, commercial 16%, industrial 20%, and municipal and miscellaneous 14%. This is an unusually high proportion of residential business. The company's average revenues per KWH were 3c in 1945 and the rate for residential customers 4.33c; the later is of course well above the national average, which is presumably explained by the large proportion of rural business.

Colorado Central carried its plant account at $1,966,091 as of Oct. 31, 1945 which included $99,610 in intangibles. Fixed assets were stated at the appraised values of Sept. 30, 1926, plus later changes. An investigation of original cost is being conducted, but has not yet been sufficiently completed to determine how much of a write-off may be required by the Colorado Commission (presumably some part of the amount would be amortized over a period of years). The accrued depreciation reserve last October amounted to 36% of tangible property account, an unusually high reserve, which may prove useful in connection with write-offs.

In considering the adequacy of charges for depreciation and maintenance in relation to revenues, it is necessary to deduct from the latter figure the cost of purchased power. For the year ended Oct. 31, depreciation amounted to 7.3% of adjusted revenues and maintenance 6.9%, making a total of 14.2%. This figure appears to be somewhat on the low side as compared with other companies. Depreciation amounted to 2.2% of the gross plant account (excluding intangibles).

At the offering price of 34, the stock was selling at slightly over 19 times earnings, to yield 4.7%. Excess profits tax payments last year amounted to $14,882 and Federal income taxes were $46,566, so that total savings under the new tax law would approximate $10,500 or about 24c a share. Adding this to the stated earnings would produce $2.02 on which basis the stock would be selling at about 17 times adjusted earnings.

With Frank Vroman & Co.

(Special to The Financial Chronicle)

MINNEAPOLIS, MINN. — **Wallace J. Estenson** has become associated with **Frank Vroman & Co.**, Rand Tower. For the past four years he has been serving in the U. S. Navy.

On Kalman & Co. Staff

(Special to The Financial Chronicle)

ST. PAUL, MINN.—**Edward D. Anderson, Jr.**, has become connected with **Kalman & Co., Inc.**, Endicott Building. Mr. Anderson has been serving in the U. S. Navy Air Corps.

Where is Organized Labor Going?

By DONALD R. RICHBERG*

Mr. Richberg Analyzes Outstanding Labor Organizations, Characterizing the AFL as a Sexless Creation Representing Political Oligarachies; the CIO as a Loose Collection of Labor Organizations Without Consistent Policy; and the Railroad Brotherhoods as Responsive to the Interests of Their Members, Their Employers and the Public. Criticizes Union Leadership and Accuses John L. Lewis of Loving Power More Than Wealth, and Aspiring to Dictatorship. Sees Labor Organizations Entering Politics and Rewarding Friends and Punishing Enemies, and Points Out the Heavy Price Paid by Striking Workers and the Inefficacy of Horizontal Wage Increases for All Wage Earners.

The labor movement has no coordinated national leadership. Indeed, organized labor seems incapable of uniting on any national policy except opposition to any government restraints upon labor organizations or support of government favoritism to labor organizations.

Donald R. Richberg

To understand why this is so, a brief analysis of the outstanding labor groups may be helpful.

The American Federation of Labor is a sexless creation representing not wage earners, but the political oligarchies that control labor unions. These labor bosses can work together only when they have a common interest in maintaining organizations of private force and a common fear of being restrained by public force.

The Congress of Industrial Organizations is not a congress, but a loose collection of labor organizations with as much harmony and consistent policy as would be found in a poorly run menagerie. It should really be called the Congery of Industrial Organizations!

The railroad labor organizations are a group of brotherhoods and craft unions with fairly consistent, conservative policies and they are in the main responsive to the interests of their members, and accept responsibilities to employers and to the public. They carry on a constant struggle for unity against the disruptive policies of certain able but unduly selfish leaders. Their membership is far more intelligent and their leadership more sensible than one would assume from reading their bitterly partisan weekly newspaper which consistently foments instead of allaying industrial discontent.

United Mine Workers has always been a law unto itself—the chief lawmaker being John L. Lewis. Now that they have rejoined the A. F. of L., it is inevitable that the Federation will reflect the views of John L. Lewis—or else! The Eyebrow King will either run or ruin any organization to which he belongs.

Labor Leadership

The leadership of these organizations is highly important. To some extent, the leaders reflect the good and bad ideas and the prejudices of the rank and file. Their individual faults likewise reflect the faults and weaknesses of the labor movement as a whole. So it seems necessary to analyze them candidly but without malice.

William Green is a well-meaning drifter. As such, his rudderless, oarless raft stays afloat in troubled seas, but never gets anywhere! Dictators to right of him, racketeers to left of him, he volleys and thunders against the enemies of labor, keeping his eyes constantly averted from the chief enemies of labor, his associates who turn labor unions into criminal conspiracies against the general welfare. Under the leadership of the Executive Council

(Continued on page 1520)

*An address made by Mr. Richberg before the Rotary Club Luncheon, Washington, D. C., Feb. 21, 1946. Mr. Richberg is a member of the law firm of Davies, Richberg, Beebe, Busick and Richardson, Washington, D. C.

Dangers of Governmental Concentration

By HATTON W. SUMNERS*
Congressman from Texas

Veteran Democratic Congressman, in Announcing His Retirement, Scores Concentration of Power in Executive Agencies and Organized Minorities. Asserts "We Have Now a Financially Busted, Great Piled-Up Mass of Governmental Confusion Beyond Human Comprehension."

It is with a feeling of deep obligation and of gratitude to my own people and to those of the country at large, and with regret, that I announce though not retiring from their service, I will not be a candidate for re-election. Thirty-four years is a long time to be the representative in one job of a great people. I am grateful. No words can express and no service can demonstrate the gratitude I feel. I am going to do the best I can, though, to demonstrate my appreciation. I am shifting my activity at the end of this session to a place of great need, where it seems to me my experience and training should fit me to be more useful than I can be as a Member of Congress. The private citizenship seems to be awakening to their danger, and their duty and power. While my own people have taken care of the politics of our relationship, I have had opportunity to study our system of government, to watch its machinery at work. I have run our Constitution back through its history to its source, and then have followed it back through the centuries of its development, observing what policies of government tend to give it strength and those which weaken its vitality. I have learned as much about our system of government as a person of my capacity could learn, perfectly circumstanced to study it, stimulated by an intense interest, and held by a realization of opportunity and of duty as compelling, I believe, as ever caused any person to dedicate his life to anything.

Hatton W. Sumners

I have watched what my own generation, under administration of both parties, has been doing to the greatest system of democratic government ever evolved through the processes of the ages. By ignoring principles and the lessons of history, and accepting the theories of men and political expedience for our guidance, we have made vassals of our States and dependents of our people. By concentration of governmental power and drafts upon the Federal Treasury, we have now a financially "busted," great piled-up mass of governmental confusion beyond human comprehension, impossible of democratic control,

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*A statement issued by Congressman Summers (D-Texas) on March 10, 1946

Schoellkopf, Hutton Adds Three to Staff

Schoellkopf, Hutton & Pomeroy, Inc., 63 Wall Street, New York City, announces that William S. Kraybill, Captain, Coast Artillery, A.U.S., has become associated with the firm in its municipal department. John W. Reno, Lieutenant, Field Artillery, A.U.S., has also joined the municipal department and Raymond W. Pyle, Captain, Infantry, A.U.S., has become associated with the corporate division.

Mr. Kraybill was formerly with F. S. Moseley & Co. and both Mr. Pyle and Mr. Reno were previously with Holsapple & Co.

Dealer-Broker Investment Recommendations and Literature

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

Air Transport Industry Outlook—Study of Prospects—Delafield & Delafield, 14 Wall Street, New York 5, N. Y.

Canadian Stocks—Current Review showing earnings, price range, dividends and yields of 115 Canadian issues — Charles King & Co., 61 Broadway, New York 6, N. Y.

Egg Market and Wool Market—Booklets giving authoritative information on these two markets—Ask for "Wool" or "Eggs" and address Department "T," Merrill Lynch, Pierce, Fenner & Beane, 70 Pine Street, New York 5, N. Y.

"Future Belongs to the Pacific"—Discussion of prospects for the Pacific Coast area in the current number of "Investment Guide," which also contains data on a number of situations—First California Company, 300 Montgomery Street, San Francisco, Calif.

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.

"Local Notes"—Brief comment on a number of Kentucky industrial and banking situations—Bankers Bond Co., Inc., Kentucky Home Life Building, Louisville 2, Ky.

Mackubin, Legg Insurance Stock Index—Charts of 57 fire companies and 21 casualty companies, based on bid prices at month-end for the 4 years ending Dec. 31, 1945—also composite chart index of fire companies compared with casualty companies — Mackubin, Legg & Co., 22 Light Street, Baltimore 3, Md.

Pent-up Demand and Retail Sales—Study of department store situation, including a discussion of **Sears, Roebuck & Co.; Emporium Capwell Co.; Federated Department Stores, Inc.;** and **Bullock's, Inc.**—Dean Witter & Co., 45 Montgomery Street, San Francisco 6, Calif.

Real Estate Equity Stocks—Analyses of situations considered especially attractive at this time, including **Brunswick Site Co.; Commodore Hotel; Hotel Lexington, Inc.; Hotel Waldorf Astoria Corp.; Hotels Statler Co.; N. Y. Hotel Statler Co.; Roosevelt Hotel NY; Savoy Plaza;** and **870 Seventh Ave. Corp.**—Ask for list C21—Amott, Baker & Co., Inc., 150 Broadway, New York 7, N. Y.

U. S. Govt. Interest-Bearing Obligations—A descriptive chart—C. F. Childs & Co., 1 Wall Street, New York 5, N. Y.

Allis-Chalmers Manufacturing Co.—Special analytical report—Walston, Hoffman & Goodwin, 265 Montgomery Street, San Francisco, Calif.

Also available are reports on **Anaconda Copper Mining Co.; Baldwin Locomotive Works; California Packing Co.; Central Paper Co., Inc.; Chrysler Corporation; Durez Plastics & Chemicals, Inc.; Federal Motor Truck Co.; Federal Water & Gas Corp.; General Motors Corp.; Giddings & Lewis Machine Tool; Hooker Electrochemical Co.; LaPlant-Choate Co.; Lane-Wells; National City Bank of New York; J. C. Penney Co.; Puget Power & Light Co.; Servel, Inc.; Socony-Vacuum Oil Co., Inc.; A. G. Spalding & Bros., Inc.; Studebaker Corp.; Victor Equipment; Soundview Pulp Co.; Westinghouse Electric Co.**

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

American Phenolic Corporation—Analysis—J. F. Reilly & Co., Incorporated, 40 Exchange Place, New York 5, N. Y.

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.**

Bankers Trust Co.—An analysis—Geyer & Co., Inc., 67 Wall Street, New York 5, N. Y.

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

Also available is a circular on **Sports Products Inc.**

Chicago South Shore & South Bend RR. — Revised bulletin — Doyle, O'Connor & Co., Inc., 135 South La Salle Street, Chicago 3, Ill.

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; Mohawk Rubber.**

C. H. Dutton—Analysis—Moreland & Co., Penobscot Building, Detroit 26, Mich.—Also available is a study of **L. A. Darling.**

Eastern Corp.—Memorandum—Buckley Bros., 1529 Walnut Street, Philadelphia 2, Pa. Also available are memoranda on **Wellman Engineering** and **Foote Bros. Gear & Machine.**

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

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

Galvin Co.—Descriptive Circular—Seligman, Lubetkin & Co. 41 Broad Street, New York 4, N. Y.

Also detailed circulars on **Upson Co.; Tennessee Products; Wellman Engineering Co.; Kendall Co.**

Haskelite Corporation — Study of a firm which was a pioneer in the development of plywood and its uses—Amott, Baker & Co., 150 Broadway, New York 7, N. Y.

International Detrola — Memorandum—Cruttenden & Co., 209 South La Salle Street, Chicago 4 Ill.

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.**

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

McDonnell Aircraft Corp. — Memorandum — F. H. Koller & Co., Inc., 111 Broadway, New York 6, N. Y.

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

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

National Railways of Mexico—Analytical information—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

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

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

Oxford Paper Company—Current bulletin—Strauss Bros., 32 Broadway, New York 4, N. Y.

Also available is a memorandum on **Rockwood & Company** and **Lawrence Portland Cement Company.**

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

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

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

Republic Aviation Corporation—Special analysis in current aviation bulletin—John H. Lewis & Co., 14 Wall Street, New York 5, N. Y.

St. Louis-San Francisco—Study of situation in light of legislation under consideration by Senate which is expected to result in revision of Section 77 of the Bankruptcy Act—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

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

Seaboard Airline — Memo on current developments—Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

Soundview Pulp Co.—Analysis—Shuman, Agnew & Co., 300 Montgomery Street, San Francisco 4, Calif.

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

Thiokol—Descriptive booklet on manufacturer of synthetic rubber, plasticizers and chemicals—Amos Treat & Co., 40 Wall Street, New York 5, N. Y.

Wagner Baking Co.—Circular—Pulis, Dowling & Co., 25 Broad Street, New York 4, N. Y.

Waltham Watch Co.—Descriptive circular—du Pont, Homsey Co., 31 Milk Street, Boston 9, Mass.

"Growth Stocks"

In Fortnightly Market and Business Survey, E. F. Hutton & Co. Designate "the Coming Blue Chips."

In the March 7 issue of "Forthnightly Market and Business Survey," published by E. F. Hutton & Co., there is a list of 14 companies, characterized by the firm as "growth companies." In introducing the list the publication states that "The fundamental element which underlies the transformation of an industry or a company from a sometimes highly speculative venture into the exclusive circle of 'blue chips' is growth. Industrial growth results primarily from research, managerial ability and an expanding population.

"From the point of view of the investor, the ideal would be to discover an industry or a company in its initial stages of growth. The risk factor attendant upon such a course, however, is very great. The growth of the automobile industry was apparent before World War I but the mortality in the industry, even in the Twenties, was very high. A somewhat analogous parallel is to be found today in the aircraft industry where rapid technological changes are occurring, placing now one and now another company in an advantageous competitive position. While a substantial growth in the industry as a whole may be anticipated, the fortunes of individual companies are likely to vary greatly from year to year until greater stability is achieved in the field of technological developments."

The stocks in the list comprise Abbott Laboratories, American Viscose, Bond Stores, Borg-Warner, Dow Chemical, Food Machinery, Golden State, Libbey-Owens-Ford, McGraw-Hill, Charles Pfizer, Philco, U. S. Plywood, Victor Chemical and York Corporation.

George T. Currier of Columbus Exonerated

COLUMBUS, O. — George T. Currier, a local dealer in securities, was acquitted on every count by a jury sitting in the Common Pleas Court, Wyandot County, Upper Sandusky, O.

Mr. Currier was indicted on various counts in connection with the purchase of stock of the old Fidelity Building and Loan Co. of Columbus. The verdict of not guilty completely vindicates Mr. Currier.

Maurice Zollar With Kidder, Peabody Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Maurice A. Zollar has become associated with Kidder, Peabody & Co., 135 South La Salle Street, members of the New York Stock Exchange, and other leading exchanges. Mr. Zoller was formerly Vice-President of Welsh, Davis & Co.

Correction

In the "Financial Chronicle" of March 7, it was reported that Paul D. Speer & Co. was engaging in the securities business from offices at 610 South Broadway, Los Angeles, Cal. We have been informed that, while Mr. Speer is forming his own investment firm in Los Angeles, his offices are not yet officially open for business.

Chicago Personnels

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—**Elmer J. Stefany** has become connected with **Bache & Co.,** 135 South La Salle Street, after serving in the U. S. Army.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — **Norman H. Davis** has become associated with **Paul H. Davis & Co.,** 10 South La Salle Street. He was previously with First Securities Company of Chicago, Ryan-Nichols & Co., and John J. Seerley & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—**Lambert E. Reilly** has become affiliated with **First Securities Company of Chicago,** 134 South La Salle Street. Formerly he was with James E. Bennett & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—**William G. McCormick II** has joined the staff of **Holley, Dayton & Gernon,** 105 South La Salle Street, after serving in the U. S. Army.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Earl C. Petersen, formerly with Rawson Lizars & Co., for a number of years, has become associated with **Paine, Webber, Jackson & Curtis,** 209 South La Salle Street.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—**Archibald Bouton** is with **Daniel F. Rice & Company,** Board of Trade Building.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—**Charles E. Bostig** has rejoined **Straus & Blosser,** 135 South La Salle Street, after serving in the army.

Kaiser & Co. Joins Los Angeles Exchange

LOS ANGELES, CALIF.—Leland M. Kaiser, general partner of Kaiser & Co., has been elected to membership in the Los Angeles Stock Exchange, it was announced.

The firm also holds memberships in the New York Stock Exchange, the New York Curb Exchange and the San Francisco Stock Exchange.

In addition to its brokerage activities, the firm conducts a specialized investment business in state and municipal bonds. Offices are maintained in San Francisco, New York and Spokane, Wash.

James Brennan Joins J. F. Reilly Staff

J. F. Reilly & Co., Inc., 40 Exchange Place, N.Y. City, announces that James I. Brennan is now associated with them in the Public Utility Trading Department. Mr. Brennan was formerly with Troster, Currie & Summers.

Edwin W. Vickers With S. B. Cantor & Co.

S. B. Cantor & Co., 79 Wall Street, New York City, announce the association with them of Edwin W. Vickers as cashier. Mr. Vickers was formerly connected with Series F-1.

Buckley Brothers Opens Office in Lewistown

Buckley Brothers of Philadelphia, members of the New York Stock Exchange and other leading exchanges, announce the opening of an office in Lewistown, Pennsylvania, at 28 E. Market Street.

The new office is under the management of Chauncey E. Shull, Jr. who, since his return from service in the armed forces in November of last year, has been associated with the firm as their representative in Lewistown.

In addition to their principal office in Philadelphia and an office in New York, Buckley Brothers maintain offices in Pittsburgh, Hagerstown, Los Angeles, San Diego and Long Beach.

The firm's other exchange memberships are New York Curb Exchange, Philadelphia Stock Exchange and Los Angeles Stock Exchange.

Back From Service

BROWNSVILLE, TEX.—Emery William Watts, Jr., has returned from military service and is again active as a partner in E. W. Watts & Co., First National Bank Building.

Lamson Bros. to Admit Neubauer and Mathews

CHICAGO, ILL.—Lamson Bros. & Co., members of the New York and Chicago Stock Exchanges and other exchanges, will admit Joseph H. Mathews and William A. Neubauer to partnership in the firm as of April 1st. Mr. Mathews has been with the firm for some years in charge of the New York City office at 42 Broadway. Mr. Neubauer will make his headquarters in the firm's Chicago office at 141 West Jackson Boulevard.

Churchward & Co.

WEST HAVEN, CONN.—Churchward & Co., Inc., 37 Water Street, is engaging in a securities business.

Allied Chemical & Dye Releases Annual Report

Allied Chemical & Dye Corporation in its annual report to stockholders released today showed consolidated net income for 1945 of $18,913,605, equal to $8.54 per share. This compares with net income for 1944 of $18,025,075 or $8.14 per share.

Mr. H. F. Atherton, President, stated that cancellation of war contracts resulted in a slight decline in volume of business. The Company received from customers $267,594,000 in 1945, as compared with $274,104,000 in 1944.

Selling prices, for which ceilings are established by Government regulations, have remained substantially the same for the past decade, while hourly wage rates were 83% higher in 1945 than the average ten years ago.

The Company's operations were presented in a "short-form" statement. Comparison for the two years follows:

Herbert Burt Joins Staff of Wm. Blair & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Herbert J. Burt has become associated with William Blair & Company, 135 South La Salle Street, members of the New York and Chicago Stock Exchanges. In the past he was an officer of H. L. Harker & Co. and of Burt, Nelson & Ramser, Inc.

Mr. Atherton stated that the Company's expansion program includes projects for increased capacities for nitrogen products, acids, alkalis, dyestuffs and synthetic detergents and for production of a number of products not heretofore manufactured by the Company. A central laboratory is under construction at Morristown, N. J., at which fundamental and exploratory research will be conducted to supplement the extensive research activities of the Company's operating divisions and subsidiaries.

	1945	1944
The cmpany received from customers	$267,594,239	$274,104,501
These receipts were expended for:		
The cost of goods and services bought from others	153,546,082	152,794,660
The cost of human energy (wages and salaries)	62,708,811	60,451,951
The cost of tools wearing out (depreciation)	17,729,303	*18,785,107
The cost of payments ordered by Government (taxes)	17,844,897	27,171,330
The cost of using the tools (compensation to owners)	15,765,146	14,901,453
Interest and dividend receipts	3,148,459	3,123,622
Total receipts	$270,742,698	$277,228,123

*Included $3,000,000 for contingencies.

Rockford Dealers Form New Association

ROCKFORD, ILL. — Rockford members of the Illinois Securities Dealers Association and the National Association of Securities Dealers have formed the Rockford Securities Dealers Association for the promotion of the highest possible standards of business among themselves and the public.

Officers of the newly formed organization are Paul Conrads, Conrads & Company, President; S. A. Sandeen, S. A. Sandeen & Co., Vice-President; and Boy J. Easton, Secretary-Treasurer.

Mr. Easton stated that all Rockford investment brokers had joined the local group and would work together for the welfare of both dealers and clientele and aid in administration of laws and regulations affecting the securities business. Meetings, he said, will be held only when the need arises to acquaint all members with changes in laws, regulations and markets.

Michigan Brevities

N. Bradley Higbie, Jr., President of the McAleer Manufacturing Co., reports acquisition of the balance of the outstanding stock of the Bronson Reel Co., manufacturers of fishing reels, thus giving McAleer 100% ownership.

The approximately $345,000 used to make the purchase was part of the proceeds of the recent underwriting by Alison & Co., Detroit, of 50,000 shares of McAleer 5% convertible preferred, $10 par, and 50,000 shares of $1 par common.

Remaining $330,000 derived from the financing will be used to reimburse McAleer's treasury for capital expenditures incident to expansion and diversification of the company's activities.

Among products added to McAleer's postwar list are wheel clocks, side car carriers and a compressed air vacuum cleaner.

Net sales of McAleer for the 10 months ended Oct. 31, 1945, reached an all time high of $6,529,654, as against $4,731,836 in the full year of 1944. Net income for the 10-months' period amounted to $91,182, as compared with a net of $78,410 for the 1944 calendar year.

* * *

Trading on the Detroit Stock Exchange in February totaled 644,728 shares, representing a 50% increase over the same period last year. Market value of stocks traded during the month was $7,282,637.97.

* * *

A syndicate of investment bankers headed by the First of Michigan Corporation, and Watling, Lerchen & Company, both of Detroit, as co-managers, was the successful bidder for an issue of $1,600,000 of City of Port Huron sewer and garbage disposal system revenue bonds.

The bonds carry a coupon rate of 1.75% for maturities 1949 through 1961; and 1.25% maturities 1962 through 1976. The issue is being offered publicly at prices ranging from 0.60% to 1.25% yield for maturities 1949 through 1964, and at a price of 99½ to 97 for maturities 1965 through 1976.

In addition to the co-managers, the account includes: Stranahn, Harris & Co.; McDonald, Moore & Co.; H. V. Sattley & Co.; Crouse & Co., and Smith, Bennett & Co.

* * *

McDonald-Moore & Co., and associates have purchased a new issue of $610,000 Lorain, Ohio, sewer 1% bonds due serially Nov. 1, 1947 to 1961. These bonds, which are payable from unlimited ad valorem taxes and free from all present Federal income taxes, were offered to yield from 0.45% to 0.95%.

* * *

Ben F. Saylor will be President of the newly formed Peoples State Bank of Hazel Park, it was announced. Mr. Saylor has resigned his position as Vice-President of the Wabeek State Bank. He was associated with Wabeek for about 12 years.

The Peoples State Bank will be located at John R. and Stevenson Streets in Hazel Park, in a building soon to be placed under construction, the new President announced.

Directors of the newly-formed People's State are: Joseph H. Davidson, of Federal Department Stores; Roy F. Koltz, attorney; Maurice Aronsson, of Aronsson Printing Co.; George N. Higgins, State Senator; Maurice A. Haupert, Highland Park lumber dealer and manufacturer; Robert C. Taylor, owner of Marvel Products Co., Highland Park, and Irwin I. Cohn, Detroit corporation lawyer. Charles D. White, of Highland Park, has been named Cashier.

Michigan Personnels

(Special to The Financial Chronicle)

DETROIT, MICH.—**Patrick J. Eglinton** and **William O. Seelbach, Jr.**, have become associated with **Baker, Simonds & Co.**, Buhl Building. Both have been in the armed service. In the past Mr. Seelbach was with the National Bank of Detroit.

(Special to The Financial Chronicle)

DETROIT, MICH.—**Clayton R. Call** has been added to the staff of **Crouse & Co.**, Penobscot Building, after serving in the U. S. Army.

(Special to The Financial Chronicle)

DETROIT, MICH.—**Stuart H. Graham** and **Victor F. Gruel** are with **S. R. Livingstone & Co.**, Penobscot Building. In the past Mr. Graham was with Sutro Bros. & Co., and Merrill Lynch, E. A. Pierce & Cassatt. Mr. Gruel was with Van Grant & Co.

(Special to The Financial Chronicle)

DETROIT, MICH. — **Fred K. Mueller** has joined the staff of **C. G. McDonald & Co.**, Guardian Building.

(Special to The Financial Chronicle)

DETROIT, MICH. — **Jack D. Gould** is with **Merrill Lynch, Pierce, Fenner & Beane**, Buhl Building. In the past he was with Paine, Webber & Co.

(Special to The Financial Chronicle)

DETROIT, MICH.—**John T. McMullen** has rejoined the staff of **Paine, Webber, Jackson & Curtis**, Penobscot Building.

First of Michigan Corp. Reelects Officers; Men Back From Service

DETROIT MICH. — Theodore Frincke was appointed Assistant Treasurer, Guyor Osgood, Manager of the Municipal Statistical Department, and all directors, officers and department heads were reelected or appointed at the annual meeting of the First of Michigan Corporation, Buhl Building.

The company reported a 36% increase in volume of business over the previous year. Late in the fall, the company reopened its Chicago office under the management of George L. Barrowclough, who had been on leave of absence for the duration of the war.

The following servicemen have returned to their duties with the Corporation: Cmdr. Frederick M. Alger, Jr., Director; Pfc. Fred H. Allison, Treasurer; Col. Emmet F. Connely, Chairman of the Board; Capt. Theodore Frincke, and Major Erwin R. Larowe, Manager Corporate Statistical Department.

Connecticut Brevities

For the year ended Dec. 31, 1945, the New Haven Clock Co. had net sales of $4,235,174 against $6,276,175 the preceding year. Net income was $22,458 compared with $192,864. Earnings per share on the 6½% preferred stock were $5.13 for 1945 against $40.90 the previous year, while the common shares showed a deficit of 3c against earnings of 75c in 1944. The income account for 1945 is subject to adjustment for renegotiation of war contracts.

On March 6, the stockholders approved a plan of dissolution of the company whereby present stockholders will receive for each share of common held, three shares of a new corporation to be called the New Haven Clock & Watch Co. The new corporation will have an authorized capital of 100,000 shares of $20 par value 4½% cumulative convertible preferred and 450,000 shares of no par common stock.

The property and assets of the New Haven Clock Co. will be transferred to the new corporation in consideration of the issue of some 216,000 shares of common stock of New Haven Clock & Watch and the assumption by the latter company of all the liabilities of New Haven Clock Co.

The new company expects to sell 62,500 shares of 4½% preferred stock, proceeds of which will be used to retire the 6½% cumulative preferred of the New Haven Clock Co., the payment of a $481,360 bank loan, the purchase of additional machinery and for general working capital.

Earnings per share on the common stock adjusted to reflect the new capitalization showed a deficit of 10c in 1945 compared to earnings of $2.25 in 1944.

* * *

The balance sheet of the Hartford Fire Insurance Company for the year ended Dec. 31, 1945 showed total admitted assets of $176,185,403—an increase of 10% over the preceding year. Stockholders' equity per share was $104.67 compared to $97.08 at the end of 1944.

The underwriting exhibit for 1945 showed premiums written totaling $61,266,768, an increase of nearly 12½%.

Net underwriting gain of $2,494,323 was 70% greater than in 1944.

Underwriting gain per share for 1945 was $2.08 compared to $1.22 in 1944 and net investment income was $3.72 and $3.55 respectively. These figures are before Federal income taxes which amounted to $1.25 a share in 1945 and 78c a share in 1944.

* * *

The New Haven Water Company showed net income of $595,191 for the year ended Dec. 31, 1945 which compares with $453,648 for the preceding year. Fixed charges were covered 3.62 times compared to 2.92 times in 1944 and earnings per share were $4.25 and $3.24 respectively.

Equity per share at the year end was $65.10 compared to $63.51 as of Dec. 31, 1944.

* * *

Gross profit on sales made by Niles-Bement-Pond Co. dropped from $15,604,755 in 1944 to $9,092,194 in 1945. Net income for the past year was $1,463,853 compared to $1,697,551 in 1944 and earnings per share were $1.85 and $2.15 respectively. The figures for 1945 are subject to adjustment for renegotiation of war contracts.

* * *

On March 26, the stockholders of Powdrell and Alexander, Inc., will vote on a proposal to split the company's stock on a two for one basis. It is proposed that two new shares of $2.50 par stock be issued in exchange for each of the presently outstanding $5 par shares.

* * *

For the twelve months ended Jan. 31, 1946, the Connecticut Light & Power Company reported net income of $3,553,058 available for dividends on the common stock, or $3.10 per share compared with net income of $3,154,069 or $2.75 a share for the preceding 12 months.

* * *

Standard Screw Company and its subsidiaries showed net income of $1,672,263 for the year ended Dec. 31, 1945 against $1,527,386 the preceding year. On a per share basis, earnings were $5.90 and $5.38 respectively.

Surplus at the year end was $8,527,414 compared to $6,987,747 at the end of 1944.

* * *

Veeder-Root, Inc. reported net income of $564,726 for the year ended Dec. 31, 1945 or earnings of $2.88 per share on the common after taxes and before renegotiations, for which no refund is expected. This compares with a net of $544,326 or $2.72 a share in 1944 after renegotiations and a $138,635 refund.

* * *

Sales of power made by the United Illuminating Company during the month of February totaled 54,978,052 kilowatts — some 13% less than sales for February, 1945. The sharpest decline was in the Bridgeport area, principally due to the General Electric strike.

Edward Uhler Returns To Duties at Dickson

Edward A. Uhler, formerly Lieut. Col. A.C., has returned from active service and has resumed his activities as vice president of R. S. Dickson & Company, Inc. He will make his headquarters in the firm's New York office, 30 Broad Street, as heretofore.

Hartmann Handling Securities

Henry Hartmann is engaging in a securities business from offices at 15-25 Whitehall Street, New York City.

Stenzel Rejoins Harriman

Roland Stenzel has rejoined the staff of Harriman Ripley & Co., Inc., 63 Wall Street, New York City. Mr. Stenzel has recently been in the military service. Prior thereto he was manager of the Hartford office of the firm.

N. Y. Security Analysts Nominating Committee

The Executive Committee of the New York Society of Security Analysts has appointed a Nominating Committee to nominate candidates for President, Vice-President, Secretary, Treasurer and seven places on the Executive Committee. The election of officers and members of the Executive Committee will take place at the annual meeting of the society to be held in May, at a date later to be announced.

The following members of the present Executive Committee have terms which will continue through this coming year: Lucien O. Hooper, W. E. Hutton & Co.; Oscar M. Miller, General American Investors; Harold H. Young, Eastman, Dillon & Co. Two members are to be elected for a one-year term and five will be elected for a term of two years.

All members of the society are invited to submit names for the consideration of the committee, which requests that suggestions be in its hands not later than April 8.

Members of the Nominating Committee are: Lancaster M. Greene, Chairman, Lancaster & Norvin Greene; Charles Tatham, Jr., Institutional Utility Service, Inc.; S. Logan Stirling, Eastman, Dillon & Co.; Glenelg P. Caterer, Lionel D. Edie & Co.; Jacques Kermisch, Sutro Bros. & Co.

Trust Co. of Georgia N. Y. Representative

Lloyd B. Hatcher recently opened offices in New York as representative of the Investment Department of the Trust Company of Georgia, President Robert Strickland announced. The offices are located at 15 Broad Street. Mr. Hatcher will be associated with Joseph J. Sheehy as Municipal Bond Trader. Mr. Sheehy formerly was with the Municipal Bond Trading Department of the Chase National Bank, New York, for many years.

This new office will represent the Bond Department of the Trust Company of Georgia in New York in its underwriting and distribution of municipal, state and U. S. Government securities. The Trust Company, established in 1891, always has been prominently identified with underwriting and distributing investment securities.

Mr. Hatcher, who recently was discharged from the Marine Corps, with the rank of Captain, has been with the Trust Company since 1935. He was formerly associated with the Municipal Bond Department of the Guaranty Company of New York in New York and Boston.

Opening of the new office was previously reported in the "Chronicle" of March 14.

Rosenthal & Co. to Be Formed; NYSE Firm

Harold L. Rosenthal and Alan H. Rosenthal, member of the New York Stock Exchange, will form Rosenthal & Co. as of April 1st. Offices of the new firm will be located at 60 Beaver Street. Both were formerly partners of D. H. Silberberg & Co.

Equitable Securities Corp. Adds Hopper to Staff

Equitable Securities Corporation, 2 Wall Street, New York City, announces that J. Kirk Hopper, Captain, U.S.M.C.R., has become associated with the organization in its sales department. Mr. Hopper served with the Marines in the Pacific for three years.

Missouri Brevities

In serving the important industrial-agricultural region which includes St. Louis and 156 surrounding communities, Union Electric Co. of Missouri in 1945 had one of the most eventful years in its 43-year history. The system furnished more electric service to more homes at lower average prices than ever before. A five-year construction program, involving $55 million, was initiated to meet the needs of increased uses which Company's studies indicate will follow full reconversion and expanding peacetime production.

Company's long-term program of corporate simplification was completed with the consolidation of all system electric properties into two major operating companies—Union Electric Co. of Missouri and its Illinois subsidiary, Union Electric Power Co.

Operating revenues of the company and its subsidiaries during 1945 amounted to $52,585,000, an increase of $3,976,000 or 8% over the previous record established in 1944. Electric revenues, which comprised 94% of the total, increased $3,192,000 or 7%. A substantial part of this increase was attributable to revenues from consumers of the Laclede Power & Light Co. system which was taken over on March 31, 1945. Net generation for the year totaled 4,315,000,000 kwh, as compared with 4,195,000,000 kwh. in 1944.

Net interest charges for the year were $3,389,000 as compared with $3,672,000 in 1944. The reduction in these charges reflects the savings resulting from the redemption of bonds by a subsidiary in 1944 partly offset by interest on additional bonds issued by the company in 1945.

Consolidated net income for 1945 amounted to $8,536,000, compared with $9,019,000 for 1944 (1944 earnings having been increased by $1,316,000 over the amount previously reported due to tax credits, etc.).

After deducting preferred dividend requirements, the balance available for common stock was equivalent to $2.58 per share, compared with $2.85 per share in 1944. Common stock dividends paid were $2.40 per share in 1945 and $2.15 per share in 1944.

* * *

Stifel, Nicolaus & Co., Inc., in the early part of this year offered 45,470 shares of common stock (par 50 cents per share) of the Hammer Dry Plate & Film Co. at $2.30 per share. The business of the company consists of the sensitizing of film base purchased from other manufacturers, and the cutting of this film in various sizes for use by portrait and commercial photographers.

* * *

Edison Brothers Stores, Inc., with offices located at 315 Washington Ave., St. Louis, Mo., and operating a nation-wide system of women's shoe stores, earned consolidated net profit of $1,360,520 for the year 1945. Without giving effect to the two for one split up of the common stock, effective as of Jan. 28, 1946, the net profit is equivalent to $2.77 per share on the 420,059 shares outstanding at the close of the year. This compares with $1,091,825, or $2.45 per share on 384,781 shares outstanding at the close of the previous year before setting aside $144,285 in the reserve for contingencies. The net profit for 1945 before Federal taxes amounted to $4,802,060 as compared with $2,975,531 for the year 1944.

In previous years the postwar refunds in connection with excess profits taxes were set aside in a reserve for contingencies. These refunds were collected during January of 1946 and the contingency reserve of $542,017 was transferred to surplus as of Dec. 31, 1945.

The increase in outstanding shares of common stock during 1945 is due to the conversion of shares of the 5% convertible preferred stock into common stock. The remaining 42,361 shares of $50 par value preferred stock were retired by redemption after the sale of a new issue of $5,000,000 4¼% cumulative preferred stock as of July 10.

* * *

The American Stove Co. reported sales for the year 1945 of $26,868,806, of which 84% was for war work produced during the first eight months of the year. Net income was $658,935, equivalent to $1.22 per share. Dividends of $1.20 per share were paid during the year. Company's total constribution to the war effort, covering a period of three years represented goods and services having a value of $65,889,400.

* * *

Earnings after all charges including depreciation, but before income and excess profits taxes of Falstaff Brewing Co. were $2,307,895 for the year ended Dec. 31, 1945. After deducting estimated taxes of $1,644,000, net profit for the year was $663,895. This, after provision for dividends paid to the holders of the company's outstanding preferred stock (retired on Nov. 1, 1945), leaves net income available for dividends of $641,279, or $1.42 for each common share outstanding.

* * *

Total operating revenues of Southwestern Bell Telephone Co., which in 1945 were $167,355,000, increased $16,332,000, or 11% over 1944 as a result of the continued expansion in the volume of business. Operating expenses, other than taxes, were $106,520,000. This was $12,627,000 or 13% higher than in 1944, largely because of increased wages. Taxes of $36,812,000 were slightly less than in 1944, due principally to nonrecurring costs incident to the company's refinancing. Operating expenses and taxes totaled $143,332,000, as compared with $131,966,000 in 1944. Net income after fixed charges amounted to $16,430,000 in 1945, as compared with $15,666,000 in 1944. The company is looking ahead to a period of intensive plant construction and extension.

Over the next five years gross construction expenditures needed to overcome wartime shortages are expected to exceed $140,000,000, while expenditures to care for normal growth during the period will reach an additional $100,000,000.

* * *

The American Investment Co. of Illinois for the calendar year 1945 reported net earnings of $992,422, compared with $944,841 in 1944. After dividend requirements on the preferred stock the net was equal to 65 cents per common share in 1945 as against 60 cents per share in 1944.

Long Heads St. Louis District of U. S. Savings Bond Division

I. A. Long, Vice-President of the Mercantile-Commerce Bank and Trust Company of St. Louis, has been appointed by W. W. Head, Chairman for the State of Missouri, as Chairman for Metropolitan St. Louis of the United States Savings Bond Division of the Treasury Department. As Chairman of the St. Louis district. Mr. Long will have charge of the activities concerned with the continuing sale of Savings Bonds particularly to individuals, and the furtherance of the pay-roll savings plan.

Richard Grab Forms New Broker Firm

Richard H. Grab has formed R. H. Grab & Co. with offices at 40 Exchange Place, New York City, to act as brokers in U. S. Government and municipal securities. Mr. Grab was formerly in the trading department of Carl M. Loeb, Rhoades & Co.

Lucas, Farrell & Satterlee

KANSAS CITY, MO.—Effective March 15th, the firm of Lucas, Farrell & Co., 921 Walnut Street, became known as Lucas, Farrell & Satterlee, Incorporated. Officers of the firm, which is located in the Columbia Bank Building, are Mark A. Lucas, Jr., President; Leo T. Farrell and Richard W. Satterlee, Vice-Presidents; Gertrude Faltermeier, Secretary and Treasurer.

A. G. Edwards & Sons to Admit Meyer As Partner

A. G. Edwards & Sons, members of the New York and St. Louis Stock Exchanges and other leading exchanges, will admit John R. Meyer to partnership as of March 28th. Mr. Meyer will acquire the Exchange membership of Gordon D. Stott. His headquarters will be in the firm's New York office at 61 Broadway.

William Keane With Miller

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—William P. Keane, Jr. has become associated with Revel Miller & Co., 650 South Spring Street, members of the Los Angeles Stock Exchange. Mr. Keane was in the past proprietor of William Keane & Co. in San Francisco. Prior thereto he was with Wm. A. Lower & Co. in Los Angeles.

Real Estate Securities

Comparison of Prices

This column has repeatedly called to the attention of readers the wholesome condition prevailing in the real estate bond market. With the stock market lying dormant several points below the highs established in December, last, the following partial listing of bonds now selling at 85 or better, and the startling advances they have made during the past year, may be in order. In some instances, as can readily be seen, where the bonds carry all or a part of the stock equity, they have advanced far above par.

	Present Market	Market 1-1-45
Ambassador Hotel	135	95½
Bauman (Ludwig)	92	80
Broadway Motors	94	65
Central Zone	86	73
Chanin Building	91½	68
Chesebrough Building	97	90
Circle (The) Theatre	96	93½
Dallas Park Apartments	90	85⅝
Park Central Hotel	111	66
Equitable Office Building	147	50
40 Wall Street	90	50
1400 Broadway	85	71
Grant Building	102	81
Greeley Square	110	76
Herald Square	100	85¼
Hotel Drake	85	55
Hotel Lexington Units	114	91
Hotel St. George	86	67½
Industrial Office Building	91	70½
Lefcourt Manhattan	95	88
Lewis Morris	97	80
Lincoln Building	184	126½
London Terrace	87½	64
Marcy	95	80
Midtown Enterprises	122	90
Pierrepont Hotel	90	67
Roxy Theatre	95	90
Savoy Plaza	100	71
Sherry Netherlands	85	57
60 Park Place	90	63
Textile Realty	104	81
Trinity Building	110	67
2 Park Avenue 4s	95	84
261 Fifth Avenue	89	76
Wall and Beaver	87	59

Insurance Investments In Gov't Securities

More than 63% of the new investments made by the life insurance companies of the country in 1945 were in United States Government securities and for the four war years as a whole the ratio has been 68%, the Institute of Life Insurance reported on Feb. 27. Last year's total purchases of U. S. Government securities by the life insurance companies were $7,769,000,000, the largest year's total on record, and their holdings of such securities increased during the year by $4,084,000,000 to a new high of $20,497,000,000. This is 46% of their total assets. The Institute also stated:

"Purchases of other securities and mortgages in 1945 by the life insurance companies increased by more than 45%, at the same time that the record War Bond purchases were made, the year's total of $4,509,000,000 comparing with $3,096,000,000 in 1944. These purchases were in large part refundings or replacements, however, the holdings of such investments showing a decrease of 1% during the year, to an aggregate of $19,226,000,000.

"With the change in the nation's financing needs brought about by the war's end, life insurance funds will be available in the coming year in even greater volume for the needs of business, industry, home-owners and farmers. As the government's needs for funds abate somewhat and the needs of the productive machinery of the country increase, these funds of the policyholders will be available, through investment to render an outstanding service in the expansion of production and employment."

Politics

By ROGER W. BABSON

Though Saying That Our Poltical Situation Appears Bad, Mr. Babson Contends That the American People Are Sound and Will Revert to Conservatism. Urges a Coalition of Republicans and Southern Democrats and Recommends That, in Meantime, Individuals Diversify Forms of Security, Such as Raising Foodstuffs, Stocking Canned Goods and Having a Place in Warm Section to Escape Fuel Shortage. Says Common Stocks Are Probably Safer Than Money.

BABSON PARK, FLA.—With an "accident" for President, "old chums" for Cabinet Officers and a Congress looking only for votes, our political situation appears very bad. My Democratic friends say that conditions really are no worse than in the past. They claim our pessimism is due to the radio, with its "news" and commentators, (which the newspapers have been forced to imitate) which serves as a great magnifying glass to make these evils look bigger than they really are.

Roger W. Babson

American People Are Sound

Many people believe that we are in an unfortunate era of an inevitable social and economic cycle. They believe that to attempt to stop it is like trying to "brush back the ocean with a broom." They believe it much better to wait until the tide naturally turns back to conservatism as it sometime surely will. I cannot agree with this do-nothing philosophy. I believe we all should fearlessly fight for what is right however much we may temporarily suffer. I believe that this country and the entire world could be saved from much grief by one simple thing. This would be for the conservative Democrats of the South and the conservative Republicans of the North to combine into one party.

It is true that our political leadership is very bad. This is why a few labor leaders are able to bully courts, Congress and the people into doing what is unjust and unsound. But the majority of the American voters are still wise and unselfish. They lack only the ability to express themselves due to the queer mix-up of both parties. If voters were able to forget the labels "Republican" and "Democrat" and could choose between "New Deal" and "Anti-New Deal" there is no doubt as to what would happen. Once more we would have a safe representative government as the founders of our country planned.

Let Us Be Prepared

In the meantime, it may be well to be forearmed and to diversify our forms of security. I believe in life insurance, for instance, but a life insurance policy will not give me food, clothing and shelter when none of these things are available. Hence, every large city family, who can afford it, should have a small productive place somewhere outside the city. Moreover, until most city families have such refuges, strikes will continue to grow more severe. They cannot be prevented by law. Only when families become independent of city conveniences, will the labor unions come to their senses.

I am especially interested in the possibilities of home refrigeration of food supplies. If we could be sure that our electric power would never be turned off, I would recommend that every family buy a home-freezer and join a community cooperative freezing association. On the other hand, the more we depend on these home-freezers, the more we are subject to the control of labor unions and politicians. Hence, those of us who use home-freezers should have them supplemented by a good supply of canned foods.

Favors the South

I wish that every family could have a refuge in Florida, California, Arizona or some other southern state. This would immediately eliminate the fuel hazard from which northern cities throughout the world are suffering today. Moreover, with a flowing well or irrigation, food can be raised in the southern states every month of the year. In fact, the food, clothing and shelter problem is largely solved by having a place in a warm section of the country.

I am not fearful of immediate trouble, but we should "insure" our investments against the possibility that they may, for a time, be of no use in supplying us with food, clothing and shelter. We buy fire insurance when we do not expect a fire! Certainly, the the chances that your individual house will burn down. Hence, why not equally insure for both hazards? This does not mean that one should now sell stocks. Money in good common stocks is probably safer than money in the bank. It merely means "hope for the best, but prepare for the worst."

J. Walter Thompson Co. Enlarges Wall St. Office

The Wall Street Office of J. Walter Thompson Company has more than doubled its space in the Irving Trust Building at No. 1 Wall Street. The telephone number remains unchanged.

SEE INSIDE BACK COVER

ANNUAL STATEMENT FOR THE YEAR ENDED DECEMBER 31, 1945 OF

THE TEXAS COMPANY

AND SUBSIDIARY COMPANIES (Excluding European Subsidiaries)

STATEMENT OF CONSOLIDATED INCOME ACCOUNT

GROSS OPERATING INCOME:		
Net sales (see Note 1)	$556,347,620.07	
Miscellaneous	20,729,616.31	$577,077,236.38
OPERATING CHARGES:		
Costs, operating, selling and general expenses (see Note 1)	$420,001,890.91	
*Taxes (other than Federal income taxes)	15,715,714.24	
Intangible development costs (see Note 2)	24,762,584.23	
Depreciation (including $17,358,002.37 for amortization of war emergency facilities—see Note 3)	44,102,917.40	
Depletion and leases surrendered	8,274,096.90	512,857,203.68
Income from operations		$ 64,220,032.70
NON-OPERATING INCOME (NET):		
Interest, dividend, patent and other income, less miscellaneous charges of $1,047,771.62		6,762,830.20
		$ 70,982,862.90
INTEREST CHARGES:		
Interest and amortization of discount and expense on funded debt	$ 3,010,377.72	
Other interest charges	1,115,556.93	4,125,934.65
		$ 66,856,928.25
PROVISION FOR FEDERAL INCOME TAXES (Based on income before adjustment for accelerated amortization of war emergency facilities—see Note 3)		11,000,000.00
NET PROFIT BEFORE PROVISION FOR CONTINGENCIES (see Note 4)		$ 55,856,928.25
PROVISION FOR RESERVE FOR CONTINGENCIES ARISING OUT OF THE WAR (See Note 5)		4,000,000.00
NET PROFIT CARRIED TO EARNED SURPLUS ACCOUNT		$ 51,856,928.25

*In addition, state and federal gasoline and oil taxes were paid (or accrued) to taxing authorities in the amount of $115,766,015.53.

STATEMENT OF CONSOLIDATED EARNED SURPLUS ACCOUNT

EARNED SURPLUS, December 31, 1944	$215,387,368.11
NET PROFIT FOR THE YEAR ENDED DECEMBER 31, 1945	51,856,928.25
	$267,244,296.36
DEDUCT—Dividends declared during 1945	28,111,650.00
EARNED SURPLUS, December 31, 1945 (see Note 6)	$239,132,646.36

STATEMENT OF CONSOLIDATED CAPITAL SURPLUS ACCOUNT

CAPITAL SURPLUS, December 31, 1944 and 1945	$ 77,669,213.33

CONSOLIDATED BALANCE SHEET

ASSETS

CURRENT ASSETS:		
Cash—		
In United States	$ 84,095,513.56	
In foreign countries	4,364,334.55	$ 88,459,848.11
U. S. Government short-term securities, at cost		36,487,557.65
Notes and accounts receivable—		
Notes receivable	$ 348,164.74	
Accounts receivable	36,739,958.95	
	$ 37,088,123.69	
Less—Reserve for bad debts	650,000.00	
	$ 36,438,123.69	
Accounts and claims receivable from U. S. Government (see page 3 of report to stockholders)	8,124,298.06	44,562,421.75
Inventories—		
Crude and refined oil products and merchandise, at cost determined on the first-in, first-out method (after elimination of intercompany and interdepartmental profits) which in the aggregate was lower than market	$ 81,069,981.48	
Materials and supplies, at cost	16,278,896.70	97,348,878.18
Total current assets		$266,858,705.69
SPECIAL DEPOSITS FOR REPLACEMENT OF PROPERTIES UNDER AGREEMENTS WITH CERTAIN U. S. GOVERNMENT AGENCIES		10,675,122.21
LONG-TERM RECEIVABLES (Less reserve of $250,000.00)		2,994,947.77
INVESTMENTS IN AND ADVANCES TO EUROPEAN SUBSIDIARIES NOT CONSOLIDATED, less reserve of $5,300,000.00 (see Note 7)		6,759,960.98
INVESTMENTS IN AND ADVANCES TO COMPANIES OPERATING IN FOREIGN COUNTRIES, WHICH ARE NOT SUBSIDIARIES—AT COST, less reserve of $26,300,000.00 (see Note 7)		107,361,890.59
INVESTMENTS IN AND ADVANCES TO COMPANIES OPERATING IN THE UNITED STATES, WHICH ARE NOT SUBSIDIARIES—AT COST, less reserve of $1,300,000.00		31,553,712.63
PROPERTIES, PLANT AND EQUIPMENT—AT COST:		
Lands, leases, wells and equipment (see Note 2)	$416,601,899.61	
Oil pipe lines and tank farms	72,601,129.87	
Refineries and terminals	248,801,917.79	
Ships and marine equipment	56,360,057.39	
Sales stations, facilities and equipment	102,438,098.95	
Miscellaneous	3,171,527.48	
Total	$899,974,631.09	
Less—Reserves for depreciation, amortization and depletion	501,187,306.63	398,787,324.46
PATENTS—AT COST (Less reserve for amortization of $1,757,406.89)		787,620.09
DEFERRED CHARGES:		
Prepaid insurance and taxes	$ 1,737,121.44	
Drilling costs on incomplete wells	3,782,781.99	
Other prepaid expenses and deferred charges	2,554,462.02	8,074,365.45
		$833,853,649.87

LIABILITIES

CURRENT LIABILITIES:		
Construction advances payable to U. S. Government (see page 4 of report to stockholders)		$ 10,048,194.72
Other notes and contracts payable (including $1,071,048.00 due in 1946 on long-term debt)		3,663,093.32
Accounts payable		26,897,685.43
Accrued liabilities		23,992,623.27
Provision for Federal income taxes		4,680,411.13
Dividend payable January 2, 1946		11,244,660.00
Total current liabilities		$ 80,526,667.87
LONG-TERM DEBT:		
3% Debentures, due April 1, 1959	$ 40,000,000.00	
3% Debentures, due May 15, 1965	60,000,000.00	
3½% Mortgage notes payable to U. S. Maritime Commission in annual installments of $979,408.00, in connection with purchase of tankers	11,986,196.00	
Construction advances payable to U. S. Government	1,956,406.19	
Other long-term debt	556,303.71	114,498,905.90
DEFERRED INCOME AND SUSPENSE CREDITS		1,008,111.57
RESERVES (As authorized by the Board of Directors):		
For benefits under employes' plans—excluding $1,590,000.00 included in current liabilities above	$ 11,761,753.70	
For foreign exchange fluctuations (see Note 7)	2,139,851.14	
For contingencies arising out of the war (see Note 5)	19,000,000.00	
For other contingencies	7,000,000.00	39,901,604.84
CAPITAL STOCK AND SURPLUS:		
Capital stock, par value $25.00—		
Authorized 14,000,000 shares		
Issued 12,058,789 shares	$301,469,725.00	
Less—Held in treasury, 814,129 shares, at par value	20,353,225.00	
Outstanding 11,244,660 shares	$281,116,500.00	
Capital surplus	77,669,213.33	
Earned surplus (see Note 6)	239,132,646.36	597,918,359.69
		$833,853,649.87

CONTINGENT LIABILITIES — Reference is made to Notes 4 and 7 with respect to certain contingent liabilities. In the opinion of the Company's General Counsel other contingent liabilities are not materially important in relation to total assets.

The foregoing balance sheet and statements are taken from the annual report, dated March 18, 1946, to stockholders of The Texas Company, and should be read in conjunction with such report which contains the Notes to Consolidated Financial Statements and the certificate of Messrs. Arthur Andersen & Co., Auditors, attached to such financial statements. A copy of the report to stockholders may be had upon application to the Company. The said balance sheet, statements, and report are not intended to constitute an offer, solicitation of offer, representation, notice, advertisement, or any form of a prospectus in respect of any security of The Texas Company.

Result of Treasury Bill Offering

The Secretary of the Treasury announced on March 18 that the tenders for $1,300,000,000 or thereabout of 91-day Treasury bills to be dated March 21 and to mature June 20, which were offered on March 15, were opened at the Federal Reserve Banks on March 18.

Total applied for $2,074,769,000.

Total accepted, $1,315,311,000 (includes $49,839,000 entered on a fixed price basis at 99.905 and accepted in full).

Average price, 99.905+; equivalent rate of discount approximately 0.375% per annum.

Range of accepted competitive bids:

High, 99.910, equivalent rate of discount approximately 0.356% per annum.

Low, 99.905; equivalent rate of discount approximately 0.376% per annum.

(59% of the amount bid for at the low price was accepted.)

There was a maturity of a similar issue of bills on March 21 in the amount of $1,316,513,000.

Romaine Reichert With M. H. Bishop & Co.

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, MINN. — Romaine R. Reichert has become associated with M. H. Bishop & Co., 523 Marquette Avenue. Mr. Reichert was formerly with the Geo. C. Jones General Agency. Prior thereto he conducted his own investment business in Minneapolis under the name of R. R. Reichert Co.

"Our Reporter on Governments"

By JOHN T. CHIPPENDALE, JR.

Minor price changes are still in vogue in the Government securities markets. . . . Although prices are just under their all-time highs, activity has been too light to indicate a definite trend in either direction. . . . From the way the market acts, it seems as though it will await clarification of recent developments, particularly the effects of the debt retirement operation, before it moves very decidedly in either direction. . . . The announcement that the Treasury would continue to pay off more of the debt, out of cash resources, had only a very minor effect on the market, with slight betterment taking place in the intermediate and long bank eligibles, and the restricted obligations. . . .

There seems to be little doubt that the Government bond market is now at the crossroads, with the future trend dependent upon the open market operations to be carried out by the Central Banks. . . . Indications are that although the Treasury and the Federal Reserve System do not see eye to eye on policy with reference to the trend of short-term interest rates, it is not believed that these two monetary authorities are too far apart for agreement on this important matter. . . .

It is evident that Federal is in favor of an upward trend in short-term money rates so that bank funds seeking investment will not be put almost exclusively in long-term eligible obligations. . . .

THE MARKET

Confidence in the ability of the Government to keep interest rates low indefinitely, along with a scarcity of offerings, has carried prices of long-term eligible obligations to all-time highs and yields under 2.00%. . . . As a result the differential in yield between long-term and short-term obligations has narrowed to a point where a further decline from these levels in the yield of long-term securities might have an adverse effect on our financial system. . . .

Therefore, it is believed by Central Bank authorities that any revision in the interest rate structure should be brought about by a firming of short-term rates rather than through a further depression of the long-term rate of interest. . . .

A firming of short-term interest rates could be brought about by the Central Banks, not replacing reserves of member banks that will be lost during the refunding operation. . . . Also by not supplying the member banks with funds, to be used to meet additional reserve requirements as deposits are shifted from the Government to individuals and others. . . . The return flow of currency and gold could be offset by the sale of Federal-held Government securities. . . .

OTHER AVENUES

Likewise Federal is in favor of eliminating the differential discount rate, so that borrowing at low rates on short-term obligations with the proceeds reinvested in long-term issues would be terminated. . . . Also by letting Treasury bills find their own levels, the Central Banks could tighten short-term rates since, if it were not for the pegged buying rate of ⅜% set by Federal, this obligation would sell on a higher yield basis. . . .

There are many ways in which the Federal Reserve Banks could firm up short-term interest rates, and in that way attract funds into the shorter-term obligations because of the higher yield that would be obtainable in this security. . . .

It is indicated that the Central Bank authorities would like to have Certificates of Indebtedness selling to yield from 1% to 1⅛%, while the powers that be in the Treasury favor a yield of ¾% or ⅝% for these securities. . . . While the demands of the Treasury are always met, there is considerable support for the belief that a compromise has been reached in this situation. . . .

NO IMMEDIATE CHANGE

It is indicated that for the time being there will be no change in the coupon rate of the certificates, although it is believed that this security will not continue to sell at a premium above 100 in the not too distant future. . . . This would not result in any increase in the cost of the debt service, since the coupon rate on which the Treasury makes debt payments would remain the same. . . . The premium above the issue price does not do the Treasury any good. . . . It would not result in increasing bank earnings. . . .

EXAMPLE

Let us assume that Certificates of Indebtedness sell at 100 to yield 0.875%, in the near future. . . . What will be the effect of this minor firming of short-term rates on the Government securities markets? . . . It would mean that the commercial banks could buy a one-year obligation to yield 0.875%. . . . This yield would compare with a return of 0.89% for an obligation due in about three and one-third years, the 2s due June 15, 1949/51, an income of 0.98% for a four-year security, the 2s due March 15, 1950/52, and a yield of 1.23% for a bond due in six years and nine months, the 2s due Dec. 15, 1952/54. . . .

It most certainly seems as though a deposit bank would be much more attracted to a one-year obligation that yields 0.875% and which carries no premium, rather than a security that gives only a slightly higher return, with a much longer maturity, and at the same time selling at a very substantial premium. . . .

It seems also that a stiffening of short-term rates, which would bring about higher yields for Certificates of Indebtedness, will relieve the demand for the intermediate-term bank eligible issues. . . . It should be borne in mind that the funds which the commercial banks are putting to work now in the market are new monies which, in most instances, do not have to draw the large rate of return that was needed in the past. . . .

NON-BANK INVESTORS

Would non-bank investors be affected by a stiffening of short-term rates? . . . Insurance companies and savings banks are small holders of short-term obligations, although other investors, including "dealers," have sizeable positions in these securities. . . . The direct effect of such a change in rates would probable be very minor on these holders. . . . Nevertheless, indirectly it might have quite an effect, since non-bank holders of eligible issues might be inclined to let out some of these obligations before the demand and present all-time high prices disappear. . . .

There will eventually be new money issues of long-term obligations for ultimate investors, and this could mean that non-bank investors may deem it advisable to sell some of their bank eligible bonds, and take down the sizeable premiums that they have accruing on these issues. . . . The proceeds could be reinvested in restricted bonds or short-terms pending new offerings of bonds that meet their needs. . . .

NAM Presents Arguments for End Of OPA

Its President, Robert Wason, Presents Charts and Other Data to House Banking and Currency Committee to Support Claim That Price Controls Are Hampering Production.

Robert Wason, President of the National Association of Manufacturers, which has been carrying on a vigorous campaign against the extension of the OPA beyond June 30, the present expiration date, appeared on March 18 before the House Committee on Banking and Currency and presented to the Committee, in imitation or emulation of Chester Bowles, OPA, an elaborate series of charts and placards in support of his arguments. Mr. Wason maintained that the OPA was causing inflation by hampering production. "It is the considered opinion of our group," Mr. Wason asserted, "that the greatest handicap to all-out production is the policies of the OPA," and he added that "the kind of price control that will get maximum production; the kind of price control that has made America great, and the only kind that can keep America great, is the kind of price control that compels producers to give the American housewife what she wants at a price that she thinks is fair—the price control of competition in free markets."

Robert R. Wason

Mr. Wason offered data regarding the increases in prices of various classes of commodities. The figure ranged from 54% on foodstuffs down to 12% on metals.

This record of present inflation, he cautioned, does not include the rise of prices which has been and will be made under the new wage-price formula. The added prices will average between 5 and 10%. By having driven low-priced goods off the market, Mr. Wason stated, the OPA has forced American consumers to pay higher prices and to look to the black market for goods. In addition, he maintained that there is a hidden inflation in Government subsidies which adds to the price of food alone an additional 8%.

Mr. Wason refuted the OPA's argument that price controls must be continued until production catches up with demand, though admitting this is a "most plausible" argument. It does not hold, however, because "every dollar of production which is sold creates a dollar of buying power in wages, interest or profits."

"There is no such thing as having enough production to 'absorb excess buying powers'," he added.

Mr. Wason stated that manufacturers are buying out other newer firms, in order "to manufacture old products under new names and new prices to get around the stupidity of OPA."

Mr. Wason summarized four reasons why OPA hinders production:

"1. With 3,000,000 businesses to regulate and 8,000,000 prices to set and police, it is not possible to prevent delays and confusion . . . with some prices too high, others too low.

"2. With some prices too high, others too low—production will remain out of balance, because producers will naturally concentrate on turning out those goods which are most profitable . . . and attempts to correct this unbalance by price adjustments will always create still more points of unbalance.

"3. Fixing prices on the basis of OPA's theoretical estimates of future production and costs . . . rather than established facts . . . will make production dependent upon the accuracy of OPA guesses, instead of upon the realities of the market place.

"4. Holding profits 25% below 1936-39 and figuring profits upon net worth, instead of upon the volume of sales, destroys the incentive to try to get all-out production.

"Clearly, therefore, continuation of OPA means limited production . . . continued shortages . . . greater danger of inflation," Mr. Wason concluded.

The argument advanced by OPA that only price controls can prevent an inflation and collapse such as followed World War I was also attacked by Mr. Wason.

He declared that the inflation of 1919-20 was brought about by enormously increased foreign buying in our markets, limited expansion of productive capacity, and lack of information on available supplies and current production . . . which caused widespread fear of shortages.

"Clearly, therefore, we have no reason to assume that the pattern of events after World War I will be repeated.

"Runaway inflation is caused," Mr. Wason explained, "by people becoming frightened over the future value of their 'liquid savings' and rushing to convert them into goods . . . no matter what price they have to pay.

"Three things may bring this disaster about:

"People may get frightened because of government financial policies. (Continued large deficits are likely to have this effect . . . starting the money printing press is almost certain to do so.)

"People may get frightened because of continuing and growing shortages of goods. (Conversely, unless the government is printing money, a rising avalanche of goods gives people confidence in the future value of their money.)

"People may get frightened because of scare propaganda . . . statements that prices are going up . . . that the nation is on the verge of a disastrous inflation . . . etc.," he told the committee.

Committee Formed to Study Public Debt Policy

Work to Be Financed by $100,000 Grant From Falk Foundation. Committee Comprising Business, Financial and Academic Leaders, Will Study Implications of National Debt on Common Welfare. Will Maintain Regular Staff and Issue Periodic Reports and Recommendations.

The management of the 275 million dollar national debt and its effect on the common welfare will be the subject of an extensive research by a newly-formed Committee on Public Debt policy. The committee, to be financed by the Falk Foundation, of Pittsburgh, was announced on March 18 by W. Randolph Burgess, Vice-Chairman of the National City Bank of New York, who will serve as chairman. The Falk Foundation has contributed $100,000 for the study.

W. R. Burgess

The committee will be composed of men prominent in life insurance, commercial banks, savings banks, business and universities. It will have as consultants and research workers a group of economists both from universities and from fields of practical experience. A full-time staff will be maintained with offices in the Mutual Life Building, 34 Nassau Street, New York. In addition, members of the committee and their consultants will participate in preparation of reports.

The general pattern of the study will be similar to the tax study published under the caption "A Tax Program for a Solvent America," which was also financed by the Falk Foundation. The Foundation will assume no responsibility for the statements or views expressed by the committee, and the committee has full freedom of inquiry and expression.

The committee proposes to publish its study of this problem and its recommendations in a series of short, simply written pamphlets, for wide circulation, which will eventually be gathered together into a bound volume. The committee will explore various aspects of the public debt and its relation to the American economy. The implications of the debt to prices, to the purchasing power of money and savings, its effects upon economic incentives and the policy as to interest rates, floating debt and debt retirement will be given special attention. In addition, the interrelationship of the debt and financial institutions such as savings banks, commercial banks, life insurance companies and trust funds will be probed by experienced research personnel and reviewed by the committee.

Meetings of members of the committee and their staff and advisors will be held two or three times a month during the next several months while its work is under way.

This method of operations, Mr. Burgess said, is intended to bring to bear the many varying points of view represented on the committee and among its advisors and result in the formulation of appropriate and clear-cut recommendations.

John S. Sinclair, Executive Vice-President of the New York Life Insurance Co., will serve as vice-chairman of the committee, and Donald B. Woodward, research assistant to the President of the Mutual Life Insurance Co. of New York, will serve as secretary.

Other members of the committee are as follows: Gen. Leonard P. Ayres, Vice-President, Cleveland Trust Co., Cleveland, Ohio; Daniel W. Bell, President of the American Security Trust Co. of Washington, D. C., and former Under-Secretary of the Treasury; E. E. Brown, President of the First National Bank of Chicago; Lewis W. Douglas, President of the Mutual Life Insurance Co. of New York; Marion B. Folsom, Treasurer of the Eastman Kodak Co., Rochester, N. Y.; Robert L. Garner, Financial Vice-President of the General Foods Corp., New York City; Harold M. Groves, Professor of Economics, University of Wisconsin, Madison, Wis.; Wesley C. Mitchell, Professor Emeritus of Economics, Columbia University; B. U. Ratchford, Professor of Economics, Duke University, Durham, N. C.; Earl B. Schwulst, Executive Vice-President of the Bowery Savings Bank, New York City; G. Willard Smith, President of the New England Mutual Life Insurance Co.; Levi B. Smith, President of the Burlington Savings Bank, Burlington, Vt.; A. L. M. Wiggins, businessman and banker, of Hartsville, S. C.

Consultants to the committee include: Prof. C. C. Abbott, Graduate School of Business Administration, Harvard University; Sherwin Badger, Financial Secretary of the New England Mutual Life Insurance Co.; Prof. B. H. Beckhart, Columbia University and Director of Research of the Chase National Bank; Prof. Jules Bogen, New York University and editor of the New York Journal of Commerce; S. M. Foster, Economic Advisor of the New York Life Insurance Co.; Prof. Marcus Nadler, Graduate School of Business Administration, New York University; Roy L. Reierson, Assistant Vice-President, Bankers Trust Company; George B. Roberts, Vice-President of The National City Bank of New York; Murray Shields, Vice-President of The Bank of Manhattan Company, and Arthur P. L. Turner, Jr., of The Bank of Manhattan Company. The Director of Research is Prof. James J. O'Leary, formerly of Wesleyan University, Middletown, Conn.

Western Development Corp Opens in New York City

Western Development Corporation has been formed with offices at 120 Wall Street, to engage in the investment business. Officers are Stephane Leyen, President; Serge Landau, Vice-President and Secretary; and Manuel Radies, Treasurer and Assistant Secretary. Mr. Radies in the past was in the trading department of J. Ballay & Co., Inc.

M. E. Allison Forms Own Firm in Texas

SAN ANTONIO, TEX.—M. E. Allison has formed M. E. Allison & Co., Inc., with offices in the Milam Building. The new firm will specialize in Texas municipal bonds. Mr. Allison was formerly San Antonio manager for the Ranson-Davidson Company, Inc.

Now Green, Erb & Co.

CLEVELAND, OHIO—Announcement is made that the corporate name of Green, Wolfe & Co., N.B.C. Building, members of the Cleveland Stock Exchange, has been changed to Green, Erb & Co., Incorporated. Partners in the firm are Albert B. Green, Robert L. Erb, and William M. Green.

Bank and Insurance Stocks

By E. A. VAN DEUSEN

This Week — Bank Stocks

What's the matter with bank stocks? Since the lows of 1932 they have persistently lagged behind the general market. Yet the banks, over many years, have experienced a sustained growth in book values and earning assets accompanied by an improvement in net operating profits, exclusive of security profits and recoveries from items written down during the 1929-32 collapse. The record is worthy of examination and study.

First, let us consider their market performance since 1932, as measured by Standard & Poor's weekly index of New York City bank stocks, compared with Standard & Poor's composite index of 402 industrial and general stocks and the Dow-Jones Industrial Average. In each of the three indices, the low index of 1932 has been converted to 100, and subsequent index numbers similarly adjusted, thus giving a direct per cent relationship with the 1932 lows as a base.

	Bank Stocks (Index 60.3)	402 Stocks (Index 34.3)	Dow-Jones Industrials (Index 41.22)
1932 Low	100	100	100
1937 High	256.2	407.6	471.6
1942 Low	98.2	177.3	225.4
1945 High	213.3	409.0	475.1
1946 High	211.1	434.1	502.1

It is obvious that the recovery of bank stocks since 1932 has been considerably less than has been the recovery of the general stock market. Specifically, their recovery has been 48.5% of that of the 402 stocks and 42.0% of that of the Dow-Jones Industrial Average. In 1942 bank stocks even fell beneath their lows of 1932, while the 402 stocks were 77.3% and the Dow-Jones Industrials 125.4% above their 1932 levels.

Many vicissitudes beset the banks during the thirties. An epidemic of bank failures over the country culminated in the "Bank Holiday"; after this, the improvisations of the New Deal followed each other in quick succession; gold was revalued, interest rates declined, and an anti-business and anti-profit political complex was strongly manifested in Washington, some of it directed very pointedly at commercial banking, particularly at the larger institutions. Investor confidence sagged and was reflected in the market for bank stocks.

An offsetting factor developed, however, from the "pump-priming" activities of the Government, which program required large expenditures of money, and which the Administration borrowed largely from the banking system. The national debt mounted; deficit-financing, after Lord Keynes, was enthroned.

The public debt of the United States amounted to $19,487,000,000 on June 30, 1932. From there on it mounted as follows:

1933	$22,538,672,000
1934	27,050,141,000
1935	28,700,893,000
1936	33,778,543,000
1937	36,424,614,000
1938	37,164,740,000
1939	40,439,532,000
1940	42,967,531,000
1941	48,961,444,000

Thus, between 1932 and six months before Pearl Harbor, the debt expanded by nearly $30,000,000,000, equivalent to approximately 150%.

Since a large portion of this debt was "monetized" through the commercial banks of America, particularly the large New York City institutions, the latter's deposits and earning assets rose considerably. The following year-end figures of a group of 15 leading New York banks tell the story:

Year-End	Deposits ($000,000)	U. S. Gov't Securities ($000,000)	Total Earning Assets ($000,000)
1932	7,704	2,498	7,465
1933	7,325	2,280	7,087
1934	9,409	3,390	7,929
1935	10,751	3,683	8,470
1936	11,655	4,059	9,360
1937	10,647	3,453	8,429
1938	11,584	3,740	8,325
1939	14,215	4,656	9,260
1940	17,349	5,889	10,738
1941	17,465	7,040	12,636

Deposits increased 130%, holdings of Governments 180% and total earning assets, approximately 70%.

Since "Pearl Harbor," the national debt has expanded from $48,961,000,000 on June 30, 1945, to approximately $232,375,000,000 as of Oct. 31, 1945. Deposits and assets of the 15 banks have risen as follows:

Year-End	Deposits ($000,000)	U. S. Gov't Securities ($000,000)	Total Earning Assets ($000,000)
1941	17,465	7,040	12,636
1942	20,857	11,620	16,902
1943	21,819	13,382	18,671
1944	25,155	15,780	22,451
1945	28,163	16,003	24,362

These banks ended the year 1945 with deposits, Governments and total earning assets at an all-time peak. Will this peak be maintained? It may even be exceeded, for there is as yet little evidence that economy will be the watchword of Washington, even though some appraisers of the future course of governmental finance visualize a balanced budget next year.

It appears to this observer, however, that for a considerable time our country will be saddled with an undiminished debt, and that the portion carried by the banking system will also remain undiminished. Meanwhile, commercial loans are expanding, as was shown in this column two weeks ago, so that the outlook for 1946 and even longer, is that the total earning assets of these banks will be maintained at a high level, and may exceed the 1945 year-end peak.

Space does not permit at this time a discussion of what the banks have earned and may earn on this high level of earning assets. A discussion of this will be presented in a subsequent issue.

Bretton Woods and Soviet Russia

(Continued from page 1495)

parent hesitation of the Soviet Government in joining the organization. These factors are directly related to the social and economic system that Soviet Russia has been developing for the last 25 years.

Independence of the Collective Economy

All the efforts of the Soviet Union have been devoted to the development of a collective economy independent of the rest of the world. The development and use of the monopoly of foreign trade is explained chiefly by the fact that a relatively free trade between Soviet citizens with citizens of other nations would hamper and check the planned development of the Russian collectivism. The international trade of Soviet Russia had to be strictly controlled by the state. Export from and imports into Soviet Russia had to be conducted according to plan. This could be achieved only through a monopoly of foreign trade where the state could and did regulate and control all the international transactions of the Soviet Union. Moreover, the monopoly of foreign trade enabled the Soviet state to import commodities essential for the prescribed industrialization of the state and pay for these imports through exports of commodities of which the state had a relative surplus.[1] Finally, the monopoly of foreign trade enabled the Russians to minimize the effects of world economic trends upon the Soviet economy, and, together with planning, permitted the rapid prescribed industrialization of the country, thus making it practically self-sufficient.

Since 1920, Russian currency has been inconvertible and is not now quoted in world markets. It is an internal currency whose purchasing power fluctuates widely. There is no relationship between internal and external price levels. Foreign trade accounts are settled by shipments of gold and by credits accumulated abroad. Thus, Soviet Russia was able to achieve a great deal of economic independence without much danger that movements of international price levels or changes in cyclical phases would upset the price level and the economic structure of Russia.

Will Russia Furnish Information?

With the ratification of the Bretton Woods Agreement, Soviet Russia will have to submit periodically a certain amount of information to the Fund. Article VIII, Section 5 of the agreement enumerates what information the Fund may require. The chief items are: (1) Official holdings at home and abroad of gold and foreign exchange; (2) production of gold; (3) international investment position; (4) price indices, i.e., indices of commodity prices wholesale and retail markets and of export and import prices.

For reasons of their own, Soviet authorities have never disclosed any information on these factors, and whether this will be done at present is a matter of speculation. With regard to price indices, Soviet Russia has discontinued publishing them since the inauguration of the first Five-Year-Plan, though price indices, presumably, would be one of the essential tools of economic planning. One must keep in mind, however, that the price system in the Soviet Union is subordinated to planning. Cost of production and prices of commodities sold are fixed by the plan, and relative prices of commodities do not determine the allocation of factors of production. The price mechanism is used as a tool in the realization of the plan and for redistributing national income.[2]

By ratifying the agreement Russia's currency will become convertible into other foreign currencies and will be given a par value in terms of gold. It will become subject to exchange rate fluctuations, and, more important for Russia, will be exposed to external business conditions as are prices of capitalist countries. A more or less rigid relationship between price levels in the Soviet Union with those of the outside world will be established. In other words, the world price levels will be related to those of the Soviet Union. Consequently, economic conditions of the world may have a much greater influence over Russia's economic conditions, and this, obviously, may affect Russian economic independence.

In addition, the Bretton Woods Agreement is essentially a plan to improve world trade conditions within the framework of capitalistic rules of action or principles, and, in case of success, will probably strengthen the capitalistic way of life throughout the world. If this proposition is correct, the Russians are then confronted with the necessity of deciding whether they will participate in a plan to bolster an economic system which, though still powerful and dynamic, is, according to the Russian interpreters, moribund.

There are a number of other economic and political factors which may give a partial clue to the behavior of the Russians.

The Bretton Woods Agreement was discussed in July, 1944 when conditions of peace were unknown; the war could have lasted a few more years; and the economic strength of Soviet Russia might have been impaired to a much greater extent than it actually was. On June 11, 1942 a Master Lend-Lease Agreement was signed between the United States and the U.S.S.R. which, in article VII, states that both nations will agree "to the elimination of all forms of discriminatory treatment in international commerce, and to the reduction of tariffs and other trade barriers." The Master Lend-Lease Agreement was signed at a time when the fate of the War was in the balance and conditions in Russia were rather precarious. As in the case of Bretton Woods, the Russians were apparently willing to go along with the United States in the liberalization and expansion of international trade. At present, however, they do hesitate and question the wisdom of getting into closer relations with the outside world.

Another important factor in this very tangled situation is the present economic domination of Soviet Russia over Bulgaria, Hungary, Poland, Romania, and Yugoslavia, and Russia's apparent aim at a gradual absorption of the economies of these nations into its own. The United States and the United Kingdom have protested these policies, but without avail until now. Obviously, the Bretton Woods plan never vizualised such a development, and if the renunciation of these aims were to be the price of Russia's membership in the international organization she might be unwilling to pay the price.

The important question is how much help can Soviet Russia expect from the Bretton Woods Agreement in case she joins the organization? It is doubtful whether or not she is greatly interested in short-term loans obtainable from the International Monetary Fund since these loans are to be used for temporary alleviation of disequilibria produced by unfavorable trade balances and to bolster the declining exchange rates of weak currencies: in other words, to smooth

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1 Condoide, Mikhail V., *Russian-American Trade*, p. 22, The Bureau of Business Research, 1946, The Ohio State University.

2 Ibid., p. 16.

(Continued from page 1510)

out fluctuations in foreign exchange rates.

Russia Interested in Long-Term Loan

Soviet Russia is, however, interested in obtaining large long-term loans which will help her to restore, reconstruct and develop her economic system. These she can get from the International Bank for Reconstruction and Development, though the amount and size of the loan will be decided upon by the management of the bank. For a time Russia has entertained hopes of obtaining a large loan from the United States and a figure of some $6 billion has been mentioned frequently. However, with the recent decision of the Federal Government to use the Export-Import Bank for granting loans to foreign nations, except in the case of the loan to the United Kingdom, Russian chances of borrowing such a large amount of capital are greatly lessened. According to Washington, the Export-Import Bank is ready to open negotiations with Russia for a $1 billion loan But this loan will be predicated upon the adherence to and the participation of the Soviet Union in the Bretton Woods Program and the forthcoming International Trade Organization. At the same time, the problem of aid given to Russia under Lend-Lease, which amounted to over $1 billion, is to be discussed and settled.

What Course Will Russia Choose?

Thus, on the one hand, Soviet Russia may join the Bretton Woods Organization and obtain some help from the Fund and long-term credits from the Bank and the United States, though these will be tied up with certain restrictions with regard to her independence in the field of economic decisions and policies, or, on the other hand, she may decide to maintain complete economic independence from the rest of the world and continue to work out her own economic problems without the help of the Western World. If she choses the latter course, the occupation and gradual absorption of her neighbor countries will provide her with greater resources to maintain an indepent economic world of her own. The resources of Eastern Europe are great and they can contribute greatly to the economic expansion of Russia. Czechoslovakia, Poland and, to a certain extent, Austria can greatly alleviate the shortages of consumers' goods in Russia, while the remaining countries will provide her with large amounts of food and other necessary raw materials.

In addition, Russia has been able to obtain large quantities of existing stocks of goods and of equipment from Germany, Bulgaria, Romania, Finland, Hungary, and to a lesser extent, from Austria, and Manchuria, justified as reparations, war booty, and restoration of looted property.

This latter course may also be justified and even bolstered by political and security arguments from the Russian point of view.

Since the end of the war, there has been much greater emphasis upon the achievements of the collectivistic economy of Russia which was, according to Russian spokesmen, paramount in the winning of the war. There has also been a rise in the Russian nationalistic spirit.

Finally, the Bretton Woods Agreement aims at an expansion of world trade in which the Russians have never been particularly interested. The foreign trade of Soviet Russia has been used as a means to achieve industrialization through the importation of commodities required for the building of her economic independence. Exports, on the other hand, have been used as a means of payment for these imports and not as a means to produce employment for their own people.[3]

Thus it would seem that the hesitation of Soviet authorities in ratifying the Bretton Woods Agreement is definitely related to their concept of the function of international trade in relation to their internal economic organization, and to their national aims and objectives.

3 Ibid., p. 64.

Harriman Urges Continuation Of Russian Relief

(Continued from page 1498)

lines and is an expression of our national aspirations. On these principles rest our hopes for lasting peace.

"I share with the people of this country disappointment and concern over the direction that some Soviet Government policies appear to be taking.

"But I am not here tonight to discuss these political issues, nor how they may be dealt with. At the same time I do not feel that I can in fairness join in asking the support of the American people for Russian Relief unless I make clear that I recognize the serious political differences that have arisen between our two Governments and that on these political differences I stand squarely back of the American position. On the other hand, I feel with equal force that we should not allow any controversies that we have with the Soviet Government to interfere with our desires to be of assistance to the Russian people and thus to convey to them an expression of our sympathy in their distress, and our friendship in their great work of rebuilding their lives.

"It has never been our policy to mix politics with charity, either at home or abroad. Our support of UNRRA has been on this basis. The position of the American representatives on UNRRA has been consistently that UNRRA aid should go where the need is the greatest, regardless of any political consideration.

"The need for assistance and relief to the Russian people from America is still great. The program that has been developed by your Society covers needs which are not included in aid from UNRRA. The program has been worked out with great care with the Soviet Alliance of the Red Cross and the Red Crescent Societies and with other Soviet officials to meet the most urgent human needs which UNRRA does not reach.

"Now of all times when serious differences have arisen with the Soviet Government, when ugly suspicions have been aroused, this program of the Society of Russian Relief gives all of us Americans the opportunity to contribute to the amelioration of the suffering of the people of Russia and to hold out our hands with visible proof that we desire in all sincerity to walk with them as comrades along the road to world peace, as we have marched with them as Allies across the battle fields to victory in war."

Mutual Funds

Building Boom

"The accumulated demand for housing is today the highest in history," according to **Distributors Group** in a new folder on **Group Securities' Building Shares.** The survey covers the two main divisions of the building industry—home and highway construction.

The deficiencies in housing which accumulated during the depression years were just beginning to be made up when building was cut short by the outbreak of war in 1941. The National Housing Administration estimates that to fill the accumulated demand at least a million and a quarter homes per year must be provided for over the next ten years.

As with home building, the war interrupted a long-term program of highway construction that was barely keeping up with the rapidly increasing use of highways by trucks, buses and automobiles. And, as in the case of home building, the huge present demand is accompanied by ability to buy.

The bulletin concludes: "The stocks of many of the hundreds of companies in the building industry have already advanced to reflect its bright outlook. Others, relatively, have been neglected. In our opinion many of the outstanding values are in this group. Careful selection is required to obtain best results. . . ."

A Solution to Problems of Fiduciary Investment

Keystone Co.'s current Keynote is devoted to a study of the problems of those responsible for investing the capital of individual trust funds or of public institutions. Today they are confronted by the problems of record low interest rates on conservative investments and rising costs of living for individuals or higher operating expenses for institutions.

The bulletin points out that unless the individual trust or institution is able to employ a large research organization, the administrators often feel that they have no choice but to restrict investments to top-grade bonds, even though return is inadequate and the investment offers no protection against shrinking value of the dollar.

An examination of the investment requirements of these fiduciary investors, according to Keynotes, will show that their problem in many cases would be alleviated if they could obtain wider diversification and professional supervision and suggests that such professional services are available through the use of the **Keystone Funds.**

Creditable Performance

The **Parker Corporation** has prepared a booklet of investment company performance based on data in the Jan. 28 issue of Barron's Weekly.

A series of four charts is used to demonstrate the percent change in per share asset value of common stock funds from the 1937, 1939, 1941 and 1943 year-ends to Dec. 31, 1945. In the eight-year period **Incorporated Investors** occupied third place with a gain of 157.5%. In the six-year and four-year periods, it occupied first place and in the two-year period it occupied second place with a gain of 83.6%, compared with a gain of 64.4% for the Dow-Jones Composite Average.

Commenting on this remarkable performance, William A. Parker, President, said: "We wish you to know that we are quite aware that these records have been made under favorable conditions. There will be testing periods ahead but it is our conviction that investment trust managements are grown-up and alert and will give a fair account of themselves from now on in booms or depressions. Please take notice that we use the expression 'a fair account of themselves.' We shall doubtless make mistakes, but we shall be alert to correct them."

Inflation—When?—How Much?

W. L. Morgan & Co.'s latest Wellington News reports on the conclusions reached regarding inflation at a recent meeting of the **Wellington** management group. An estimated maximum early postwar price level index figure of 150 was arrived at. This represents a level nearly 100% above the 1939 level and some 30% above existing real prices.

As to the relationship of wholesale prices to earnings or stock prices, continues the report, one of Wellington's economists believes postwar earnings and stock prices will probably rise comparatively less than wholesale prices due to ceiling prices and low profit margins. However, postwar earnings of $13 for the Dow-Jones Industrial Average was considered a reasonable probability.

As this Average showed earnings of about $14 in 1929 when the price level of the Average reached 381, the question was raised whether postwar earnings of $13 for the Average could support a price level of 260, or 20 times such earnings, in view of present low yields on securities. The economist expected some further advance in stock prices but did not believe that earnings would be capitalized on any such fantastic basis as occurred in 1929, although he admitted there was no way to forecast how speculative psychology would affect price-earnings ratios. Therefore, as the market advances above the 200 level, he believes a more conservative investment program should be followed.

Balance

Lord-Abbett discusses the inflation problem in a recent report. This sponsor's March 18 Investment Bulletin offers the suggestion of "Balance" as a means of protecting the purchasing power of investors' savings.

It is proposed that an investment program made up 58% of common stocks, 34% of semi-equity-type preferred stocks, and 8% of bonds and cash, might do the job. The substantial amount of common stocks plus a degree of volatility in the preferreds, should reflect in substantial measure whatever equities in general do toward preserving purchasing power; yet the defensive characteristics represented by the bonds and preferreds, plus the quality factors in these professionally-selected commons, should serve as a buffer in case of a storm.

It is further proposed that such a program may be achieved by placing investible funds in designated proportions in the various **Lord-Abbett** sponsored funds. And a dividend check on the 20th day of each month would be another feature of the suggested program.

Industrial Production Turning Uuward

"After having last month reached the lowest level since 1941," according to **National Securities & Research Corp.'s** current Investment Timing, "the country's industrial production now shows signs of having reversed the downward trend."

Recoveries have been taking place recently in freight car loadings, and in the steel, paperboard, crude oil and electric power industries. The trend is steadily upward although in some cases, as yet, only moderate.

Among the other reassuring factors pointed out in the survey are the many technical developments, short-cuts, increases in mechanization, new processes and new productions, all of which should put the country in a better position to produce goods in the future.

The conclusion is reached that "This country's industrial production declined from a war-stimulated record high level for a year—from February, 1945 to last month. Considering the upturn in production in a number of industries, augmented by the recent settling of the steel strike three weeks ago and now the General Motors and General Electric strikes, it appears that, barring a coal strike next month, we have seen the low in industrial production for some time to come; the present leevl is higher than any pre-war year and there is every prospect of maintaining considerably higher levels for several years."

Mutual Fund Literature

Calvin Bullock — Current issue of Perspective. . . . **Selected Investments Co.** — Memo showing diversification of a $10,000 investment in **Selected American Shares;** latest issue of "These Things Seemed Important." . . . **National Securities & Research Corp.** — Revised folders on **National's Preferred Stock, Low-Priced Bonds and Bond Series;** first issue of new service, "The National Trust Funds Survey." . . . **Lord, Abbett**—Current issue of Abstracts.

A Policy Toward Russia

(Continued from page 1498)

Beat No Tom-Toms Against Russia

But granting that Russia is wrong on every count I still say that the United States has nothing to gain, but on the contrary everything to lose by beating the tom-toms against Russia.

The thought of a war between the U. S. and Russia is to me as monstrous and preposterous as would be a U. S. war with England or France. Stalin and the other Soviet leaders and the Soviet people must have above everything else peace for many, many years to come. Large parts of the Soviet Union over-run by the Nazis lie in ruins. Thousands of villages, hundreds of towns, collective farms, factories, schools, hospitals, and cultural centers were wiped out by the enemy and hundreds of thousands of people are shelterless and reduced to primitive forms of living.

Even those parts of Russia which were not invaded by the enemy have suffered as a result of the evacuation of plants, forced transference of populations, reduced standards of living. The Soviet people as a whole are tired after five years of the most intense war in their history which made necessary long hours of work, superhuman labor, while consumption was reduced to the most essential items and to as low a level as is compatible with subsistence and bare working needs. The Soviet people even more than the people of other war devastated countries want a chance to rebuild what has been destroyed and to carry forward their plans for improvement in living standards. And for that they need a continuing peace.

We here in the United States know that we want to preserve the peace of the world by all means at our disposal. It is not to our interest or to the interest of the world that we should take the side of any one country against another. We believe that even the conflicts between Great Britain and Russia can be adjusted amicably and peacefully. Is it not significant that despite century-old talk about the irrepressible conflicts between the British Lion and the Russian Bear, England and Russia have fought side by side in the two greatest wars of modern times, even though Russia had changed over from a Tsarist Empire to a Soviet Republic in the meanwhile?

Ponder the reasons for that, and you may find that the common bonds between these two peoples lie deeper than the elements of conflict which stir the surface.

U. S. and Russian Policy

We in the U. S. are trying to further the democratic idea in the world so as to serve the interests of all mankind. We know that we can build a solid and peaceful future only on three foundations. We must conserve and develop our natural resources. We must nourish science and the genius of invention. We must aim at economic and social justice which will secure and enhance the dignity and freedom of the individual. That is what we seek. But that is also what the Soviets are seeking in their own way. There is no conflict between us on these essentials of policy.

But there is a race between us as to who will obtain these ends more surely and quickly and by what means. We hope to use our own political and economic methods to achieve these ends. The Russians think that Communism is a surer way to these goals. In a sense, Stalin in his speech of Feb. 9 challenged us to such a race in furnishing the needs of the common people without war or business crisis. We are only too ready to take up that challenge and to show that we can meet it. The only way to defeat Communism in the world is to do a better and smoother job of maximum production and optimum distribution. We can sincerely hope that Russia through Communism can do a first class job in the way of improving the condition of the people, but I also hope that we can use Democracy to do a much better job in that respect.

But let us make it a clean race, above all a peaceful race in the service of humanity. Let's outcompete Russia in the most friendly spirit possible, for we must realize that militarily speaking there could be no final victor in any armed conflict between our two great nations.

The inevitable result of such a struggle would be to bring about either the triumph of dictatorial Communism or the revival of dictatorial Fascism on a worldwide scale. It would sound the death knell over all our efforts to maintain individual freedom and the opportunities for individual initiative and enterprise which are the cornerstones of our own civilization.

U. S. Leadership for Peace

I am sure Averell Harriman will agree with me when I say that today there is just one nation whose leadership can bring a genuine postwar peace to the world. That one nation is the United States. The reason is that not alone are we the most powerful nation in the world but our motives are less under suspicion. When foreign people have fallen under our control we have tried to raise their standard of living, not to exploit them. Both the United States and the United States Army have reason to be proud of their record in the Philippines.

The most magnificent accomplishment of the Soviet Union in my opinion is the way it has handled the many peoples of Central Asia, giving them a sense of participation in government which they never had before. They may not have American freedom of speech but they have more than they have ever had before. They are encouraged to maintain their languages, their cultures, their costumes, and music. Their best students are given a chance to study science, economics, government, and the arts in Moscow and Leningrad. In Outer Mongolia I saw a number of Mongols who had become highly skilled in the manufacture of animal vaccines because of their opportunity to study in Western Russia.

We need a better understanding of the reasons for the recent actions of the Soviet Government which have been so disturbing to many people in this country and elsewhere and which feed the current talk of war. The Soviet Government and its leaders disclaim aggressive intentions and any desire for world domination. Let's have a clear statement of the facts and let's use cool judgment.

The Soviets may not realize fully the psychological effects of some of their actions because their minds are dominated by the fear of insecurity. On the other hand, some Americans are driven by the fear of communistic penetration and of world Communistic revolution. These fears take us back to where we were some 10 or 15 years ago as if we had never fought a global war side by side with the Russians against the Nazi enemy. If we let these fears dominate our minds and hearts we shall be repeating history, and the day will come when our sons and grandsons will pay for these fears with rivers of blood.

Role of UNO

We have now the means for eliminating fear and for discussing all difficulties in the open so as to arrive at a sensible compromise.

We have the United Nations Organization with its Assembly and Economic and Social Council and Security Council. The first meetings of the United Nations have shown that all governments including the Soviet Government can cooperate, can make adjustments and compromises, can speak plainly and openly even on the most difficult international issues, can accept decisions made by majority vote even if that means a defeat for their own proposals. We must furnish leadership in cultivating this method of international discussion and adjustment as the only hope of escaping from the horrors and miseries of war.

But aside from the UNO, we in the United States can do much to allay the fears which are the cause of all the trouble that is brewing.

We must make a special effort to talk things over with the Soviet leaders and to come to a friendly understanding. I think that we can make it clear to the Soviet Government that no country however powerful in a military or economic way can dominate by mere force even the smallest countries for very long. Russia can't ride roughshod over Eastern Europe and get away with it any more than we could in Latin America or England in India and Africa. On the other hand, we also must make it clear to the Soviets that we have no intention of creating blocs or special axis inside or outside the United Nations Organization. We are opposed to any ideas of "The American Century" or the "Anglo-Saxon Century."

No Recrudescence of Imperialism

The common people of the world will not tolerate any recrudescence of imperialism even under enlightened Anglo-Saxon atomic bomb auspices. If the English speaking people have any destiny at all, it is to serve the world—not to dominate it. The same is true of the Soviet people. Their chance of success lies not in domination but in service. Our joint chance of success lies in developing the maximum trade between the two countries. We in the Department of Commerce are eager to facilitate this trade. If we gear our policies to the ideal of service the whole issue between capitalist and socialist countries will become of much less importance as a source of friction.

For the good life of the common people depends upon the same things everywhere: upon more and better production, upon better distribution, upon the organization of social services, and upon a spirit of national unity and international cooperation.

Curtis N. Browne Dies

Curtis Northrop Browne, a Vice-President and a Director of the advertising firm of Albert Frank-Guenther Law, Inc., died suddenly at his home at Hewlett, Long Island on Sunday, March 17. He was 55 years of age and a native of New York.

Curtis N. Browne

Mr. Browne graduated from Harvard College in 1912. After some years with the American Sugar Refining Company, he joined the staff of Albert Frank-Guenther Law in 1921.

Since he moved to Hewlett in 1930, Mr. Browne had always taken an active part in the civic affairs of the Village of Hewlett Harbor, and has served as Mayor of the Village since 1942. He was also a former president of the Metropolitan Badminton Association.

Mr. Browne was a member of the Harvard Club of New York City, St. Nicholas Society, Society of Colonial Wars, the Sons of the Revolution, Mayflower Society and the Society of the Cincinnati.

He is survived by his widow, Winifred Chisolm Browne; a son, Ensign Peter C. Browne, USNR, now stationed at Cavite, Philippine Islands; a daughter, Miss Sheila Browne; a brother, Gilbert G. Browne; and two nephews, Junius H. Browne, and Philip K. Browne.

Jan. Div. Payments

Publicly reported dividend payments amounted to $358,400,000 during January, bringing the total for the three months ending in January to $1,326,500,000 or fractionally larger than in the same period of 1944-45, said the Department of Commerce in its report of Feb. 28, which also said:

Percentage gains in the three-month comparison were largest for trade and finance which advanced 13.7 and 12.1% respectively. Among major industries registering declines, communications (off 5.6%), miscellaneous (off 4.0%), and manufacturing (off 3.6%) were noteworthy.

Within manufacturing, the 15.3% rise of chemicals and the 14.2% rise of textiles and leather were outstanding. Farthest on the down side were other manufacturing, transportation equipment, and oil refining with reductions ranging from 11 to 15%. Dividend payments in the iron and steel and machinery except electric groups were about 6.5% lower.

Quinn & Co. Opens in Albuquerque, N. Mex.

ALBUQUERQUE, N. MEX.—Arthur P. Quinn and Elizabeth Quinn have formed Quinn & Co. with offices in the Franciscan Hotel to engage in an investment business. Mr. Quinn was associated with the Denver office of Merrill Lynch, Pierce, Fenner & Beane from 1931 to 1941. Elizabeth Quinn was cashier for Stern Bros. & Co. of Kansas City.

Allied Chemical & Dye Corporation

To the Stockholders:

Herewith are presented the consolidated balance sheet of the Company at the close of business December 31, 1945, and the consolidated income account for the year.

Net income for the year was $18,913,605.

The customers of a corporation pay all its costs of production. These costs include wages and salaries. They also include compensation to the stockholders who provide the assets which are the tools required by labor for the production of goods and services.

In 1945 the Company received from customers		**$267,594,239**
These receipts were expended for:		
The cost of goods and services bought from others	**$153,546,082**	
The cost of human energy (wages and salaries)	**62,708,811**	
The cost of tools wearing out (depreciation)	**17,729,303**	
The cost of payments ordered by Government (taxes)	**17,844,897**	
The cost of using the tools (compensation to owners)	**15,765,146**	
Interest and dividend receipts		**3,148,459**
Total Receipts		**$270,742,698**

For the first six months of 1945 the Company's business exceeded that for the corresponding period of any previous year. In the third quarter, cancellation of war contracts resulted in a decline in volume, and total business for the year was slightly less than the total for 1944. Selling prices, which have not increased substantially in the past decade and for which ceilings are established by Government regulations, continued at about the 1944 level. The average hourly wage rate was 83% higher than the average ten years ago. The Company paid dividends of $6.00 per share.

Gross additions to the property account amounted to $8,655,801. Retirements were $3,610,562. The Company has made final settlement of its principal tax liabilities for the years prior to 1944 and additional taxes aggregating $2,573,648 were charged to contingency reserves previously created. The Company has amortized its war facilities and the difference, amounting to $1,959,431, between the accelerated amortization applicable to years prior to 1945 and the resulting tax refund, was also charged to contingency reserves.

As a result of renegotiation, it was determined that no excessive profits were realized by the Company on Government contracts for the year 1944. While such contracts for 1945 may be subject to renegotiation, no substantial adjustment is anticipated.

The Company's construction program includes projects for increased capacities for nitrogen products, acids, alkalis, dyestuffs and synthetic detergents and for production of a number of products not heretofore manufactured by the Company. A central laboratory is under construction at Morristown, N. J., at which fundamental and exploratory research will be conducted to supplement the extensive research activities of the Company's operating divisions and subsidiaries.

The Directors record with sorrow the recent death of Mr. Rowland Hazard, a Director of the Company since its formation.

The contribution of American industry to the successful termination of the war will provide a prominent chapter in world history. The chemical industry of the nation has had an important share in this achievement. Although many problems arising in the transition from a wartime to a peacetime economy confront all industry, in the opinion of the Directors the Company is prepared to participate fully in the continuing industrial progress of the country.

Dated, March 14, 1946.

Respectfully submitted,
H. F. ATHERTON, *President.*

CONSOLIDATED GENERAL BALANCE SHEET—DECEMBER 31, 1945

ASSETS

PROPERTY ACCOUNT		
Real Estate, Plants, Equipment, Mines, etc. at cost		$282,123,096.40
INVESTMENTS		
Sundry Investments at cost or less		27,500,792.97
CURRENT ASSETS		
Cash	$64,428,558.24	
U. S. Government Securities at cost	55,708,771.86	
Marketable Securities at cost	15,276,512.50	
Accounts and Notes Receivable—less Reserves	25,464,865.36	
Inventories at cost or market whichever is lower	27,034,266.52	
		187,912,974.48
DEFERRED CHARGES		
Prepaid Taxes, Insurance, etc.		1,757,187.83
OTHER ASSETS		
Patents, Processes, Trade Marks, Good-will, etc.		21,305,942.61
Total		$520,599,994.29

LIABILITIES

CURRENT LIABILITIES		
Accounts Payable	$6,969,836.05	
U. S. Government Contract Advances	303,555.39	
Wages Accrued	1,108,412.58	
Taxes Accrued	18,051,481.78	
		$26,433,285.80
RESERVES		
Depreciation, Obsolescence, etc.	$234,706,646.23	
Investments and Securities	40,000,000.00	
General Contingencies	18,656,776.82	
Insurance	2,020,150.63	
Sundry	1,850,254.42	
		297,233,828.10
CAPITAL STOCK AND SURPLUS		
Common Stock, without par value, basis $5. per Share Issued 2,401,288 Shares	$12,006,440.00	
Capital Surplus	101,037,235.00	
Further Surplus	109,726,505.87	
Total Capital Stock and Surplus	$222,770,180.87	
Deduct Treasury Stock	25,837,300.48	
		196,932,880.39
Total		$520,599,994.29

U. S. Government Securities consist of: Treasury Savings Notes with principal value of $17,000,000; Excess Profits Tax Refund Bonds with principal value of $1,188,352; and other U. S. Government Securities having market value at December 31, 1945 of $37,515,846. Marketable Securities consisting of 150,500 shares of common stock of the United States Steel Corporation and 270,000 shares of capital stock of the Air Reduction Company, Inc., listed on the New York Stock Exchange, had a market value at December 31, 1945 of $26,924,313. Treasury Stock consists of 187,189 shares of common stock carried at cost. Claims for tax refunds totaling $8,795,927, principally due to additional amortization allowable for prior years, are included in Accounts and Notes Receivable. Charge to Reserve for General Contingencies includes $2,573,648 on account of assessment of additional Federal taxes for years prior to 1944, and $1,959,431 representing additional amortization of $9,184,362for years prior to 1945 less related tax credit of $7,224,931.

Further Surplus consists of $88,104,661 earned surplus accrued to the Company since its organization and $21,621,845 accrued to its subsidiary companies prior to the Company's organization.

CONSOLIDATED INCOME ACCOUNT
YEAR ENDED DECEMBER 31, 1945

Gross Income (other than dividends and interest) after provision for depreciation, obsolescence, repairs and renewals, all state, local and capital stock taxes		**$ 27,823,952.96**
Other Income:		
Dividends	**$2,677,395.61**	
Interest	**471,063.10**	**3,148,458.71**
Gross Income before provision for Federal Income and Excess Profits Taxes		**$30,972,411.67**
Federal Income and Excess Profits Taxes		**12,058,806.60**
Net Income		**$18,913,605.07**

SURPLUS ACCOUNT

Surplus at December 31, 1944	**$205,134,729.80**	
Net Income year 1945	**18,913,605.07**	**$224,048,334.87**
Dividends declared on Common Stock	**$14,407,728.00**	
Less: Dividends on Treasury Stock, not included in Income	**1,123,134.00**	**13,284,594.00**
Surplus at December 31, 1945		**$210,763,740 87**

The Company has elected to amortize emergency facilities over the period between time of installation and September 30, 1945. Additional amortization of $4,807,278 has been charged against 1945 gross income. Additional amortization for years prior to 1945 of $9,184,362 less related tax credit of $7,224,931 has been charged to Reserve for General Contingencies. Gross Income has been charged $671,514 for interest paid on additional Federal taxes for years prior to 1944. Amount of Federal Income and Excess Profits Taxes for 1945 is after credit of $1,418,982 due to carry-back provisions of the Internal Revenue Code.

Allied Chemical & Dye Corporation,
New York, N. Y.

We have examined the consolidated general balance sheet of the Allied Chemical & Dye Corporation and its subsidiary companies as of December 31, 1945, and the statements of consolidated income and surplus for the calendar year then ended, have reviewed the system of internal control and the accounting procedures of the company and its subsidiary companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

In our opinion, the accompanying consolidated general balance sheet and related statements of income and surplus present fairly the position of the Allied Chemical & Dye Corporation and its subsidiary companies at December 31, 1945, and the results of their operations for the calendar year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

March 13, 1946 WEST, FLINT & CO.

Railroad Securities

Last week the special three-judge Federal Court sitting in the Baltimore & Ohio voluntary debt readjustment proceedings signed a decree giving final approval to the plan. The motion of one group of holders of the unsecured 4½s, 1960 for the taking of additional testimony was dismissed. It is believed that there is no further legal recourse and that the plan will now be finally consummated within a very short time. Consummation of the plan will in turn open the way for anticipated refunding operations this fall involving the bulk, if not all, of the company's senior mortgage issues. It is felt in most railroad quarters that with the present general level of interest rates Baltimore & Ohio should be able to achieve some substantial interest savings on its strong mortgages, thus further adding to the strength of the debt structure.

The plan itself brings an extension of all near and intermediate term maturities of any appreciable size with the exception of regular serial equipments. It also places a substantial portion of annual interest requirements on a contingent basis. Fixed requirements will be at an indicated level of approximately $18,500,000. All mortgage bonds with the exception of the 1st 5s, 1948, the Southwestern Division 5s, 1950, and the various series of the Refunding & General Mortgage will carry fixed interest at the full prescribed rate. The 1% interest on the 1st 5s and 1½% interest on the Southwestern Division 5s are not secured by mortgage. This portion, therefore, was put on a contingent basis. As for the Refunding & General Mortgage bonds, 40% of the prescribed interest will be fixed and the balance contingent on earnings. All of the interest on the unsecured 4½s, 1960 will be contingent on earnings.

Directly following the fixed charges there will be a capital fund of the greater of $5,000,000 or 2½% of gross, less any charges made for depreciation and amortization of property other than equipment. There is also a small senior sinking fund of $1,751,608 ranking ahead of contingent interest. There are two classes of contingent interest—the secured contingent interest of $3,854,481 ranks first and consists entirely of the contingent interest applicable to the Refunding & General Mortgage bonds. The unsecured contingent interest amounts to $4,023,317 and includes the 1% on the 1st 5s, the 1½% on the Southwestern Divisions, and the entire interest on the 4½s, 1960.

The total of fixed charges and contingent interest will initially be in the neighborhood of $26,400,000. So long as such charges shall remain at or above $22,000,000 per annum the plan calls for a sinking fund, in addition to the senior sinking fund mentioned above, equivalent to 50% of net income after all fixed and contingent charges. When fixed charges and contingent interest have been reduced below $22,000,000 this sinking fund need not exceed $750,000 a year. So long as fixed charges and contingent interest remain at or above $20,000,000 there will remain in force a restriction on dividend payments. Any dividend paid will have to be matched by an equal amount applied to a sinking fund in addition to the two sinking funds mentioned above.

The plan is considered as putting the road in a position virtually impervious to depression conditions as fixed charges will be well within indicated earning power of the property under virtually any conceivable conditions. Also, even in normal business cycles the company should have little difficulty in covering the secured contingent interest. It is likely that unsecured contingent interest will be covered only in years of prosperity. The stocks appear far removed from effective earnings. Feasible refunding operations might bring the total of fixed charges and contingent interest down to around $23,000,000 but the level of $20,000,000 necessary to remove dividend restrictions will presumably have to wait on a number of years of high earnings and consequent heavy sinking fund payments. With industrial strife delaying a general economic recovery, the traditional lag in getting railroad expenses under control, probable wage increases retroactive to the beginning of the year, and no rate relief likely until late in the year, it does not appear likely that 1946 will provide any substantial amount for sinking funds.

Holland and the Problem of "Capital in Circulation"

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which is specifically Netherlands. The main purpose of the measures I had to take in the fall of 1945 to stabilize the monetary situation in Holland, was to restore the normal circulation of currency. It was a purely monetary operation, which aimed at restoring the equilibrium between the volume of money and the volume of goods. The blocked balances are proof that this has taken place.

From this point of view the money purge did not seem to implicate interference with capital transactions. However, such interference seemed inevitable in order to assure the success of the money purge.

In the first place certain private assets were cashed after the date of the money purge, (Sept. 26, 1945) such as old checks and drafts, interest and dividend coupons and treasury bonds. In order to prevent evasions and frauds, it was stipulated that the money proceeds after Sept. 26, 1945, from these assets would have to be credited on blocked account, but under certain conditions could be reinvested. Thus, interference with capital transactions was a logical consequence of the money purge.

Internal Capital Movements

There is a more profound reason which makes it necessary for the Netherlands Government to carefully consider interference with internal capital movements. Financing our reconstruction in the coming years will originate from two principal sources: imports of foreign capital and savings out of current Dutch incomes. The use of old savings and the urge to spend capital freely have to be opposed by keeping strictly under control all possibilities of free and easy spending. Some system of forced saving, even though it may have some disadvantages, may be necessary in order to avoid inflation as a means of financing our reconstruction. Therefore, a completely free capital is impossible at the present time, and some degree of control is inevitable.

The situation at the Amsterdam stock exchange can be summarized as follows:

(a) Trade in ordinary and mortgage bonds is allowed with free as well as with blocked accounts. The proceeds of a sale is however credited on blocked account;

(b) Trade in stocks is not yet permitted. The acquisition of stocks out of free accounts will only be possible when more is known about their intrinsic value, which is influenced by the indemnification of war damages, changes in the Dutch fiscal system, etc.

(c) Furthermore, decontrol of the stock exchange will have to wait until the present registration of securities is completed so that holders in good and in bad faith are duly separated, and until the present tendencies towards free spending have been diminished.

Enforced Registration of Securities

We will now consider the internal capital in circulation, namely the registration of securities. It is necessary for every legal or actual holder of a security to register it. The purpose of this is fourfold:

(1) The restoration of the rights of former owners who have had their property illegally confiscated. If the securities cannot be returned to their rightful owners, an indemnification, partial or total, will be paid.

(2) The second aspect is fiscal. Tax evaders can be overtaken. The registration also provides as broad as possible a basis for future taxes, of which a tax on personal wealth, a tax on the increase of personal wealth or a one-time capital levy will undoubtedly be preponderant;

(3) In the third place the registration has a political purpose. The Netherlands Government will confiscate enemy and similar property (for example of persons who collaborated with the Germans). The registration will provide the data necessary for this confiscation, which will include securities bought with monies earned on the black market;

(4) Foreign Exchange control is the fourth aspect with which the registration is related. Netherlands owned foreign securities are an important part of the Dutch foreign exchange assets;

Briefly, the registration of securities will have to lead to the following results:

(1) Recognition "prima facie" of the present holder of a security, who has registered it;

(2) Reinstatement of the rights of a former owner, who has lost his property in an illegal way, provided that certain conditions are fulfilled;

(3) Confiscation by the Government of Dutch securities which have not been registered at all and those securities which are assigned neither to the present owner nor to a former one.

(4) Declaration of the Dutch stock of foreign securities.

It necessarily follows that some measures regarding life insurance, mortgage loans, etc. as well as securities, had to be taken.

German Reparations

I now come to German repara-

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tions, which are, as we shall see, a mixed form of internal and external capital movements. The Paris conference of November and December 1945, fixed the country quotas of the German reparations, provided for the return of monetary gold, and established an inter-allied reparations agency in Brussels. It was also decided that each signatory country could dispose of the German assets according to its own procedure located within its jurisdiction. The net income of those assets, i. e. after taxes and other deductions, will be considered as a collateral, which the country concerned can appropriate by preference, of course reducing thereby its share in the reparations. The principal reason for the seizure is to prevent the return to German control of the assets in question. The term "German assets" was not defined in detail in the Paris Convention. However, it is specifically provided that German assets include assets which, though in appearance not German, in reality are so. This affects property under a false name. Another stipulation goes still farther in the same general direction. It provides that the signatory countries will take the necessary measures (in so far as they have not yet done so) to cancel all transfers, since the German occupation or since the entry into the war of the country concerned, which result in the fraudulous withholding of German assets from the relative control regulations.

External Capital Movement

Finally, something should be said about the external aspects of the capital movements problem for the Netherlands. Holland has always had an important part in the share of the volume of international capital movements. I only recall the great significance of Amsterdam before the war as a center of international finance and the fact that since early times Holland has been a net exporter of capital.

Let me go into some detail on both points.

The position of Amsterdam as an international centre is backed by a long historical growth. In the 17th century Amsterdam was the largest merchant town of the world and the cradle of modern techniques of international monetary transactions, such as the credit line and floating of international loans. Just as in Northern Italy during the Middle Ages and in London a hundred years later, financial activity in Amsterdam found its origin in commercial activity and the merchants turned bankers. From approximately 1600 until about 1800, Amsterdam was the only international financial centre. As early as 1609, The Amsterdam Exchange Bank was founded and practically all Western European traders financed their transactions by "bank-florins." A century later Amsterdam started accepting drafts for foreign account. In the 18th century Amsterdam continued to be the most important centre for international loans. London took over this role after the Napoleonic wars, but until World War II Amsterdam continued to rate after London and New York.

In 1855 the number of foreign securities quoted in Amsterdam was 71. During the period 1883-1886 the total value of Dutch securities was 1,200,000,000 guilders, and of foreign securities 2,200,000,000 guilders. From 1910 till 1914 the value of foreign securities still exceeded that of domestic securities by 10%. During the First World War, the domestic securities market gained more significance owing to the concentration of the banking system and the industrialization of the country.

During and after World War I much foreign capital found its way to Holland, especially that of Central-European origin. Amsterdam thus became one of the largest foreign exchange markets of Europe.

Turning to the role of Amsterdam as a capital exporting country, may I cite some facts of the financial history of your own country?

One need not mention the well-known stories of New York, the 17th century name of which was New Amsterdam, or of Staten Island, at that time a plantation of an Amsterdam burgomaster. But what should be mentioned is the fact, that in 1626 the peninsula of Manhattan was bought by Dutch traders from the Indians for commodities amounting to $24.00. However, obtaining Manhattan was easier than keeping it, and as a Minister of Finance I can only regret that Holland no longer possesses Manhattan; if such was the case, we could mortgage it.

After the disappearance of "New Netherland" in 1674 the financial relations between our two countries remained slumbering until the time of your war of Liberation. France and the Netherlands, at that time probably the world's richest country, loaned at the request of Congress considerable amounts to the young independent states. These loans played an important role in getting the States through the first difficult years, especially during which time its Treasury was often in a critical condition. It is no exaggeration to say that from a financial point of view Holland not only was at the cradle of the American nation, but also nursed the baby. Holland continued following the steps of the healthy youngster who so quickly developed into a giant. At nearly every phase of this development Dutch funds took an active part.

According to Federal Reserve Board statistics, all foreign-owned assets in the United States amounted in 1939 to $5,215 millions. England came first with $1,635 millions or 31.4%, Canada came second with $1,060 millions or 20.3% and Holland came third with $850 millions or 16.3%. I would emphasize that this high figure is not just "fly by night," but the fruit of centuries' accumulation, not by speculating, but by saving and investing. On the other hand I am glad to acknowledge the numerous American investments in Holland, and the Dutch East and West Indies. Holland, in the past an important purchaser of American cars, has within its boundaries a subsidiary of the Ford Motor Company. One of the largest American oil companies has a big refinery on the island of Aruba in the Dutch West Indies. Your aluminum industry has important bauxite concessions in Surinam. In the East Indies, especially on Sumatra, your rubber companies have large plantations and the largest rubber plantation of the island is American property. Perhaps more important still, are the interests of your oil companies on Java, Sumatra and Borneo. Equally important is the efficient cooperation with Dutch companies on Dutch New Guinea. The American industries on Java (a tire plant and an assembling factory) have been very much welcomed.

As a result of its export of capital, Holland was in a position to finance a net balance of imports. The receipts on the balance of payments, consisting of revenues from capital, service and especially shipping transactions, and from commodity exports left nearly always a net balance over the total amount required for payments to other countries. The war has radically changed this situation. The extensive devastation of Dutch production, in the industrial as well as in the agricultural sector, has put our country under difficulties which might seem almost unsurmountable. I cite the complete absence of raw materials and the lack of indus-

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Holland and The Problem of "Capital in Circulation"

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trial equipment, including in many cases simple tools. Our production can only gain momentum by purchases abroad of the by far largest part of the raw materials and other capital goods needed. In normal times the financing of similar purchases was no problem for Holland. However, commodity exports and shipping activities recover only slowly. Exports largely depend on preceding imports of raw materials and equipment. Holland is faced with the problem of how to pay for these imports now necessary. Two possible sources can be noted: first the revenues of Dutch investments abroad or the principals themselves, secondly foreign credits and loans. So far we have only used the second source, for several reasons.

Release of Dutch Foreign Assets

Immediately after the invasion of Holland, on May 24, 1940, the Netherlands Government in London issued a decree blocking all transactions in Dutch assets abroad; so as to prevent their seizure by the enemy. However, simultaneously these assets were affected by the autonomous measures of several allied governments, with the same purpose. Consequently it was not possible during the war to use the revenues of our assets for our purchases. Once the hostilities ended and our country liberated, the Netherlands Government immediately started negotiations to obtain the unfreezing of our assets, including current bank accounts. This unfreezing required the fulfillment of several conditions, partially of juridical character. It was necessary to guarantee that no unfrozen assets would fall into the hands of persons or firms, which, though formally legal owners, must be destituted of their rights because of their attitude during the occupation of their nationality. The sifting of all assets is in the interest of Holland as well as of the unfreezing country, which wishes to see the purposes of its blockading measures implemented by adequate action on our part.

Negotiations with the United State Government have led, in January, to the gradual unfreezing of our assets in this country. Nevertheless, the Netherlands Government can only use its long-term assets abroad for the financing of the Dutch reconstruction if no other solution can be found for the obvious reason, that these assets have always been one of the principal sources of balance of payment equilibrium.

Foreign Credits Needed

At the present time, with exports severely limited as a result of five years of German occupation and devastation, and the need for imports at an all-time high, we cannot afford to do without our assets abroad. It follows that after the unfreezing we still have need of credit from the United States. Apart from the purchases of consumers' goods, this credit would have an interim character, namely to link the acquisition of raw materials and equipment with the ensuing commodity exports. This leads to a conclusion as to the duration of the loans, which will have to be extended until the equilibrium of our balance of payments is restored. Our initial credit agreements have originated in Government initiative, but it is intended to have our private enterprise assume these tasks as quickly as possible. Our Government's task will then be mainly restricted to the supervision of credits, as they are only to be negotiated if they can be paid within a definite period. Needless to say the same standards are being observed in the credits obtained by our Government.

The development of the relations between our countries of which I gave a broad outline, is sound and the fruit of mutual confidence and goodwill, which seems to promise the best results for the future. The sufferings of my country under the German oppression are known to you. The country, which through the ages has been a creditor of the United States, is now badly impoverished and has been retarded ten or more years in its economic strength. However, we still have important assets. Our will to recover, plus our good name, esteem and the friendships which we have made all over the world, will surely enable us to succeed.

As I said, the relations between your country and mine have always been more cordial than between ordinary friends, with good reasons on both sides. The achievements of the glorious American armed forces in Europe and in the Pacific have made a deep impression on the people of the Netherlands, and every Dutch heart is overwhelmed with gratitude for the liberation which we owe in such a great degree to the sacrifices and efforts of your armed forces. We are also extremely thankful for the aid received from the American people after our liberation.

Holland is now facing a situation more difficult than it has seen in a hundred years, a situation in which she was placed through no fault of hers. The United States has been a loyal ally and has not spared any sacrifices, in human lives or in material resources, in the great struggle just finished. A Dutch proverb says: In times of distress you learn who are your real friends. Thus, in its battle for reconstruction which lies ahead, the people of the Netherlands lean heavily upon the country with which it is tied by century-long friendship, and relied upon the understanding and if possible the help of the American people.

Declining Interest Rates and Inflation

(Continued from page 1495)

push." It falls into five parts: (1) the movement of interest rates and prices during the war; (2) the movement of interest rates and prices since the end of the war; (3) expansion of the quantity of money and inflation; (4) declining interest rates and the inflation of capital-asset values; and (5) conclusions and recommendations.

II. The Movement of Interest Rates and Prices During the War

Shortly after Pearl Harbor the Treasury decided to finance the war on the basis of a yield pattern running from ⅜ of 1% for Treasury bills and ⅞ of 1% for 9-12 month certificates up to 2½% for long-term Treasury bonds. This was roughly the pattern of rates then prevailing in the market, reflecting in a large measure the excess reserve position of the commercial banks since 1934 and their urge for liquidity. The Treasury at the same time announced its determination to sell as large a part of its war debt as possible to nonbank investors, and to use the commercial banks in the role of residual financiers. The part played by the Federal Reserve System in war finance was twofold, namely, (1) to insure that member banks always had enough reserves to act as residual financiers, and (2) to stabilize the Government bond market. To accomplish these functions the Federal Reserve Banks were directed to purchase Treasury bills from member banks at the pegged rate of ⅜ of 1%. Since these bills could be repurchased at the same rate by the member banks, they were the equivalent of cash reserves. In addition, member banks were offered the inducement to discount other Government securities at the Federal Reserve Banks at a preferential rate of ½ of 1%.

The original yield pattern held quite well as long as investors doubted the power of Federal authorities to hold it and feared a collapse in longer-term Government security prices. As confidence grew, however, that the authorities could maintain the curve, investors, and particularly commercial banks, began to reach out for longer-term Government securities in order to bolster their earnings by obtaining higher yields and automatic capital gains growing out of "riding the yield curve." Whenever the commercial banks needed reserves to cover deposit expansion and withdrawal of currency, they sold Treasury bills to their Federal Reserve Banks, as well as certificates of indebtedness. The "reaching-out" process became increasingly noticeable in late 1944 and early 1945 and led to a sag in the yields of medium-term bank eligible securities. This sag was accentuated by virtue of the fact that eager bank-buying of medium-term securities coincided with a Treasury policy of eliminating new offerings of bank-eligible securities in that range. Toward the end of the war the decline began to spread to longer-term bank-ineligible issues as nonbank investors sold their medium-term bank-eligible issues to the banks and bid actively for the longer-term higher-yielding governments.

The general result of Treasury wartime reliance on the banks is a familiar one. From the beginning the sale of Government securities to commercial banks represented a large source of Government funds. During the early bond drives Government debt flowed into the banks directly as the Treasury offered securities to them, and indirectly as nonbank investors sold previously acquired holdings to the banks in order to participate in new offerings. In the later drives, with the elimination of commercial banks from the offerings, Government debt continued to gravitate indirectly into the banks via unloading by nonbank investors. From December, 1941 through August, 1945 commercial bank holdings of Government securities increased from \$21.8 billion to \$84.5 billion, and Reserve Bank holdings of Government debt rose from \$2.2 billion to \$22.1 billion. During the same period the adjusted demand deposits of all commercial banks expanded from \$39 billion to \$74 billion, the bulk of which expansion was the product of monetizing the debt.

The total demand deposits adjusted and currency outside the banks increased from \$48.6 billion in December, 1941 to \$100 billion in August, 1945. Despite this prodigious growth in the money supply, the wholesale commodity price index rose only from an average of 87.3 in 1941 to 105.7 in August, 1945, and the cost-of-living index rose from 105.2 to 129.3. The increase in the money supply was largely offset by four factors: (1) the phenomenal expansion of production, starting from the base of heavy unemployment of labor and equipment at the outset of war; (2) the need of business and individuals for more money as a result of the growing national income; (3) the public's tendency to hold larger cash balances because of such things as uncertainty, patriotic motives, etc.; and (4) the existence of direct controls on prices via price ceilings, wage ceilings, rationing and priorities.

III. The Movement of Interest Rates and Prices Since the End of the War

The process which was operating to depress bond yields during the war has been continuing in recent months. With the Treasury bill rate pegged at ⅜ of 1% and the yield on certificates of indebtedness held within narrow limits by reserve bank purchases, until the past few weeks commercial banks have been selling their certificates to the Federal and bidding strongly for longer-term securities. Aiding and abetting this process has been the Treasury policy of issuing certificates to meet refunding and other needs.

In recent months long-term Government bond yields have been falling rapidly. There are a number of reasons for this movement. As commercial banks have bid down the yields on bank-eligible Governments, nonbank investors have sold their bank-eligible holdings and have increased the burden of demand on the long-term Governments. The scramble for long-term 2½s became very acute early this year with the expectation of a balanced budget and the prospect of a drying-up in the supply of 2½s. Added to this has been the apparent Treasury intention of refinancing entirely in certificates. More than ever before both bank and nonbank investors have become confident that bond prices are on a "one-way street" and demand for medium and long-term Governments has been heavy as a general rule. The result has been that the Treasury yield curve has pivoted down, especially at the long-term end. This downward movement in Government bond yields has spread, moreover, into corporate and municipal bonds and into equities. More will be said about this tendency at a later point.

The Treasury's desire for lower interest rates has resulted in a continuing monetization of its debt since the end of the war. Evidence of this fact is that the Government security holdings of Federal Reserve Banks rose from \$22,530,000,000 at the end of August, 1945 to \$24,262,000,000 on Dec. 31, 1945. Since then they have fallen and reached \$22,526,000,000 on March 6. The Government security holdings of weekly reporting member banks in New York City and 100 other leading cities increased from \$46,674,000,000 on Aug. 31, 1945 to \$49,231,000,000 on March 6, 1946. Adjusted demand deposits of all commercial banks rose from \$74 billion on Aug. 31, 1945 to \$75.9 billion on Dec. 31, 1945.

It seems quite clear that falling interest rates and monetization of the Federal debt have proceeded hand in hand. The instrument by means of which interest rates have been kept low and driven even lower has been monetization of the debt. The continuing monetization of the debt during the past several months has been unsound because it has been adding to an already excess money supply and has been exerting strong upward pressures on prices. Furthermore, declining interest rates have led directly to rising prices of capital assets. Both of these avenues of inflation will be examined in greater detail in the next two sections.

IV. Expansion of the Quantity of Money and Inflation

During the past decade the conviction has gained strength among many economists that increases in the quantity of money have little effect upon the general price level. This explains why today so many economists are not particularly concerned over the fact that we are increasing an already excess money supply. Their reasoning is based on the experience of the Great Depression during which our money supply expanded without inflationary consequences. They also point to the relatively minor price rise during the war in the face of an enormous growth in the supply of money. It is clear, however, that certain conditions existed during the depression and war period which made it possible to expand the quantity of money without the inflationary consequences which might have been expected. During the depression the following factors offset the increased money supply: (1) the existence of widespread unemployment of labor and equipment; (2) poor profit expectations; (3) uncertainty on the part of business and individuals; and (4) low velocity of circulation of money. We have already noted that during the war the only moderate rise in prices can be explained by such factors as the huge increase in production and employment, the need for more money at a higher national income, the public's desire for increased liquidity, and the effective use of direct price controls.

It is perfectly clear that the conditions prevailing today make it unsafe to proceed further with an increase in the money supply. There is strong evidence that it is already far in excess of the public's needs. The total liquid assets of business and individuals in December, 1939 stood at \$65.1 billion, or 92% of the 1939 national income. By December, 1945 total liquid assets had reached $225.3 billion, or 135.3% of the 1945 national income. The increase in the total liquid asset holdings of business and individuals as related to the current national income from December, 1939 to December, 1945 was 47.2%. Similarly, breaking down the individual items in total liquid asset holdings of business and individuals as related to current national income from December, 1939 to December, 1945, currency holdings increased 91.4%, demand deposits 25.4%, and Government securities 218%.

In addition to the excess money supply now held by business and individuals, employment and current income payments have remained at very high levels and are increasing. The Bureau of Labor Statistics index of nonagricultural employment, which fell from 121.5 in August, 1945 to 115.4 in October, rose to 116.5 in December. The Commerce Department's index of income payments fell slightly from 236 in August to 229 in September, but then rose to 233.8 in December. On the other hand, the Federal Reserve index of industrial production fell from 186 in August to 164 in December.

There are many indications that business and individuals are in the mood to spend their money. Department store sales have expanded sharply and stores are striving desperately to maintain their stocks. Consumer credit increased by over a billion dollars from August to December, 1945. The figures on turnover of demand deposits show that the rate has been increasing in recent months. A noticeable increase has been occurring in the redemption of war savings bonds.

Despite the chilling effects of industrial disputes, the huge backlog of demand dammed up during the war has made labor and management confident that the economic future is bright. Entrepreneur and labor optimism exists as a general rule in place of the pessimism of the Thirties.

Added to all these conditions which provide the basis for strong inflationary pressures, wartime rationing and priorities have gone by the board, and OPA is fighting what is probably a losing "battle of the bulge." Nor should we forget that Federal taxes have already been cut in a period when high taxes are sorely needed.

In view of the underlying conditions which prevail in our economy today, the excess money supply is exerting strong upward pressures on prices. Further monetization of the debt should be stopped immediately and a determined effort should be made to mop up some of the excess supply of money. More will be said on this point in recommendations at the end of the paper.

Before leaving the subject of the quantity of money and inflation, it should be noted that many economists who shy away from using quantitative monetary controls at the present time either ignore the existence of strong inflationary pressures or think of them as merely a very temporary problem which expanding production will quickly solve. Assuming the validity of the stagnation thesis, they anticipate that our major economic problem will soon again be deflation and unemployment. This reasoning flies in the face of a large amount of evidence concerning deferred business and individual demands which promise to maintain investment and consumption expenditures at record levels for the next few years at least. Our economy, therefore, can be very "tight" for a considerable period and may very well be one in which changes in the quantity of money can have a very important influence on price levels.

V. Declining Interest Rates and the Inflation of Capital-Asset Values

The relationship between falling interest rates and inflation of capital-asset values is direct and clear-cut. As yields on medium and long-term Government securities have slumped under the forces described earlier, both bank and nonbank investors have sought higher-yielding corporate and State and municipal bonds. As the prices of the best of these bonds have risen and their yields have fallen, the demand has spilled over into low-grade corporate securities and preferred stocks, driving up their prices. Declining bond yields, moreover, have caused demand to shift into equities and real-estate and are an important factor in the price rises in these areas. There is no need to cite figures. The spreading price rise in bonds, stocks, and real-estate is familiar to everyone.

In the American pattern of life a boom in the securities market generates inflationary psychology not only in financiers on Wall Street but in the average man on Maple Street. It is a well-recognized force leading to a higher rate of consumer expenditures. This is a dangerous process, especially when the average person is already loaded with purchasing power and is searching frantically for scarce things to buy.

VI. Conclusions and Recommendations

The conclusions of this paper are that declining interest rates have been a significant source of inflationary pressures because (1) they have contributed to a great expansion of our money supply by increasing bank credit, and (2) they lead directly to inflation in securities and real-estate markets. For these reasons sound public policy requires the stabilization of bond yields. It also necessitates an end to monetization of the public debt and a beginning of demonetization. The means for accomplishing these objectives are not easy to suggest. In general, The Treasury and Federal Reserve cannot take precipitate action under existing circumstances. Rather, in whatever action they do take, extreme caution should be exercised. The authorities should keep clearly in mind the fact that commercial bank purchases of long-term Governments have been promoted by the general conviction (in no way discouraged by the Treasury) that Government security prices are on a "one-way street." It is very likely that without positive action the authorities could do much to stabilize the bond market merely by properly timed indications of intention, either explicit or implicit, designed to throw a little uncertainty into the minds of investors concerning the future of Government bond prices.

More specifically, I submit the following tentative recommendations:

1. The rate at which member banks discount their short-term Governments at the Federal should be raised to a full 1%. There is no longer any sound reason for special encouragement to borrowing at the Federal.

2. The Federal Reserve authorities should take whatever action is necessary to hold the certificate rate firm. The Treasury decision to retain the ⅞ certificate rate in the face of recent British and Canadian action in lowering similar short-term rates is commendable. In the event that heavy commercial bank purchases of long-term Governments should be resumed, a moderate rise in short-term rates might be employed to discourage the reaching-out by banks.

3. The Treasury has made a beginning in paying down its debt by employing its large cash balance. This appears to be a sound policy in view of the fact that a very large part of the securities being retired are held by commercial banks and Federal Reserve Banks. It now appears that there will be little need for Treasury borrowing for some time. When the need to borrow for refunding purposes does arise, the process of funding a considerable part of the floating debt should be started. To this end, long-term 2½s should be offered at regular intervals. Savings institutions would provide a large market for these securities. Part of this funding operation should also be a determined effort to get a sizable portion of the debt out of the banks into the hands of the general public holding surplus money. This is admittedly easier said than done. Contrary to a generally accepted belief, higher long-term interest rates will probably not induce much additional bond purchasing by the general public. High-powered advertising and "fancy-wrapping" devices are needed to do the trick.

4. The probable return flow of currency out of circulation and similarly probable inflow of gold should not be permitted to build up excess bank reserves. Instead, the authorities should take action to reduce excess reserves.

In conclusion, monetary controls alone will not do the job of curbing price inflation. Along with increased production, fiscal action, and price and wage ceilings, however, they can play a very important role in staving off inflation.

New York Stock Exchange Weekly Firm Changes

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

Privilege of Adrian A. Bendix to act as alternate on the floor of the Exchange for Harold Eliasberg of Ralph E. Samuel & Co. was withdrawn March 14th.

Application of Scheffmeyer & Co. to admit Edwin S. McKinney, Eva M. McKinney and Louise T. McKinney as limited partners has been withdrawn.

Irving Blumenthal, member of the Exchange, died on March 13th.

John S. Jenks Dead

John Story Jenks died at his home in Chestnut Hill, Pennsylvania, after a brief illness. He was sixty-nine.

Mr. Jenks began his business career with the Girard Trust Company, resigning in 1899 to become a partner in Edward B. Smith & Co., where he remained until 1908. He then became a partner in Bertron, Griscom & Jenks. Mr. Jenks was a director of many insurance and industrial companies.

Thomas In Rochester

ROCHESTER, N. Y.—Sherman A. Thomas is dealing in securities from offices in the Powers Building.

Securities Salesman's Corner

By JOHN DUTTON

Lessons are no always learned from books or from columns like this. Some of the best ideas are obtained as the result of plain old-fashioned trial and error. We learn best by doing. Here's an interesting viewpoint on security merchandising we discovered last week while "doing."

We were calling upon another dealer, trying to interest him in looking into a certain seasoned, over-the-counter stock which we now like. During the course of our conversation he remarked, "I think you're right, at least this stock looks more attractive to me than same of these new issues that are coming out today. Here at least you've got a company, with a pretty fair record of earnings, plus a management that seems to have had experience in weathering some bad years and holding its own against competition; and besides there seems to be enough brick, mortar, machines, net quick, and orders on hand to justify the present capitalization and the current market valuation of the stock." Our dealer friend then went into a dissertation upon what he thought of some of the present day crop of new issues and ended his remarks with the observation "that as far as he was concerned it was his opinion that many of the recent common stock underwritings were far too speculative for his conservative clientele and that he didn't want any part of them."

Then he gave us his method of procedure when it comes to new issues. This dealer, like many others, has made a practice of carefully selecting the securities which he submits to his customers. During the past two decades he has kept his clientele satisfied. That's been a big order—to successfully maintain principal, and provide income, for a group of very different individuals, all with particular investment needs and problems; and during years of depression, regulation, and war.

Each week he checks up on the new issues that have been announced in the "Chronicle," or the various services. His first consideration in looking them over is not whether or not they are likely to be oversubscribed (most of them are), but whether or not these offerings represent intrinsic values. **Will they be suitable for his clients, is the major test?** If not he doesn't give a rap if the issue looks like it will be oversbscribed a hundred times over. He said he wasn't interested in EDUCATING HIS CUSTOMERS TO BECOME SHORT-TERM SPECULATORS BY OFFERING THEM SOME OPPORTUNITIES AT FREE RIDING, WHEN ALL HIS LIFE HE HAD BEEN TRYING TO OPEN THEIR EYES, SO THAT THEY WOULD BE ABLE TO APPRECIATE THE DIFFERENCE BETWEEN INVESTMENT AND CRAP SHOOTING.

Of course, he explained, this meant that often times he could not pick and choose the issues that he liked, since he refused to allow his firm to become a dumping ground for all the trash, as well as the good stuff, that certain underwriting firms and groups have been pouring out during the past six months. But here was an advantage that he gained by so doing. He said, if he liked an issue he went out in the open market and bought it (if the price was not too high) and then he sold it to his customers as a value that was worth the money and suitable to their needs, and he didn't give a rap as to whether or not they bought it a point or two higher than the original offering price—and they didn't care either. As far as the free rides were concerned, he laughed and said, "sure we've taken plenty of them ourselves, with our own money and with our eyes wide open; and we've given some of the boys on the sales force a whack at a few of them. Of course, we all dump the junk just as soon as it looks like the ride is over." "Did you ever stop to realize," said he, "that the real good stuff is so much in demand that the little of it that you get, is hardly enough for your customers anyway, and the other stuff—well, let anybody that wants to fill up their customer's lock boxes with it do so, and at their customer's own risk."

Seems to us this dealer knows what he is talking about. There is only one way to protect your customers—and that's protect them. They can't do it themselves through reading a prospectus—they don't even understand why you have to send them one in the first place—and besides who wants to read all that junk—surely not an investor. But those of us who are selling securities SHOULD READ THEM, and after we finish with some of them we should raise our eyes to heaven and pray—someday we may be in need of those prayers.

New York Proposals for Preferred Stock Protection

(Continued from page 1499)

essarily complicated or if the voting power is unnecessarily or inequitably distributed.

VI. Finally, an Act (S. I. 1759-Pt. 1945) amending Section 37 of the Stock Corporation Law in conformity with the provisions of the foregoing bills.

Amendments Long Required

An act to amend Section 11 has been long required. Curiously enough, some years ago, a legislative attempt was made to amend this section of the Stock Corporation Law from which springs the authority to issue preferred and common corporate shares in the State of New York, to provide that no stock should be designated as "preferred" unless it was accorded a prior preference as to dividends and assets. By the time the suggested amendment came out of the Legislature it had been emasculated to read "no shares which are entitled preference on the distribution of dividends or of assets shall be designated as common stock or shares." Obviously, this provision afforded the preferred stockholder no protection as against the corporate promoter.

Just what has been needed in the New York statute for many years is some regulation and some restriction that would insure that the purchaser of preferred stock was getting a stock that had a real preference and that the term "preferred" was not a mere euphemism designed to mislead the investor. For these many years, no such provision has found its way into the New York State statutes and the present Hammer Bill is an attempt to define a preferred stock and to incorporate that definition into the law. It is an attempt to make the law accord with the present legitimate investment practice. As is the case generally with purchasers of stock, they do not need protection against the honest investment banker. They and the honest investment banker need protection, one from fraudulent sales and the other from fraudulent competition, against the dishonest stock promoter.

Ratio of Preferred Stock

The proposed statutory provision that a preferred stock shall really be a preferred stock is furnished by the provision that such stock shall have asset coverage of 200% immediately after such issuance. That means that not more than one-half of the capital of a newly organized corporation can be represented by preferred stock. In other words, a corporation that starts business with a capital of $100,000 may issue $50,000 of preferred and $50,000 of common stock. The preferred then has an asset coverage of 200%. This is in line with prevailing legitimate investment banker practice—a practice that has been formulated and put into effect by those in Wall Street who know that the stability of their own future business and good will lies in the protection of the investor, for the future advantage not only of the investment house, the seller, or the preferred stockholder as purchaser, but of the sponsored corporation itself. An analysis of sound preferred stock offerings by legitimate Wall Street investment houses indicates that investment bankers' voluntary preference limits preferred stock below the 50% permitted by the above statute.

It might be noted that presently in Florida and in Montana there are legislative provisions that the total amount of outstanding preferred stock of a corporation shall not exceed two-thirds of the actual capital paid in, in cash or property.

The Hammer Bill proposes that this initial ratio or coverage shall not be dissipated subsequent to organization by the declaration of common stock dividends except that 50% of net current earnings may be so employed, provided that after the payment of such dividends, a coverage of not less than 150% may remain. Obviously if initial coverage protection should be afforded a preferred stock, that protection should not be vitiated by permitting subsequent common stock dividends.

Requirement of Cumulative Dividends

The Hammer Bill provides that dividends on preferred stock shall be cumulative. This is hardly subject to cavil. If the use of the term "preferred" is justified, it can be only by a real preference in dividends and distribution of earnings on dissolution. A non-cumulative dividend vitiates the use of the term "preferred" as does any qualification of the requirement.

The final provision in this bill is that in the event of failure to pay one year's preferred dividends, that preferred stock shall have voting power; that the voting power shall be equitably and proportionately distributed and election of directors shall be by cumulative voting. These provisions tie in with the amendment to Section 55 of the Stock Corporation Law which provides that directors elected shall not have any interest or affiliation adverse to the interests of the preferred shareholders, and in the event of disqualification shall be removable. Here again the Hammer Bill makes an effort to bring the law into line with sound prevailing security practice.

An analysis of outstanding preferred shares of sound companies indicates that a number of them grant the preferred stockholder a vote regardless of default. However, the general practice of which the following are examples: Allis Chalmers Mfg. Co., A. M. Byers Co., Consolidated Cigar Company, Diamond Match Co., Endicott Johnson Corp., Flintkote Co., Hershey Chocolate Co., Jewel Tea Co., Allegheny Corp., United Dyewood Corp., grant a vote to the preferred stockholder once there is a default for a specified period, generally four quarterly periods.

Consequently, the provisions of the Hammer Bill providing for a vote of the preferred proportionate to the amount of capital contributed by the preferred, once there have been four quarterly defaults, is neither radical nor new.

However, there are examples to be found of provision for the preferred vote being nullified by common stock management control and it is for the proper purpose of preventing the right of preferred vote from becoming a gesture that the Hammer bills include the provisions for cumulative voting of a director who is not disqualified by common stock or other interests from representing the preferred. It should be difficult to find fault with such a provision either from a standpoint of principle or of practice.

Patterned After Federal Laws

It is to be noted that none of these provisions are novel; that none of them are untried, since these provisions of the Hammer bill have been modeled on similar provisions in the Federal statutes.

Chapter X of the National Bankruptcy Act requires reorganized corporations to include in their charters provisions against issuing non-voting stock and providing for the fair and equitable distribution of voting power. The Federal Investment Company Act of 1940 makes it unlawful for a closed-end investment company to to issue a senior stock unless it has an asset coverage of at least 200%; restricts the payment of subordinate stock dividends unless such coverage is maintained; requires cumulative dividends, a vote for preferred stock and requires that the preferred stock be permitted to elect at least two directors at all times and in the event of two years' default in dividends, to elect a majority of the directors. The Public Utility Holding Company Act likewise requires a fair and equitable distribution of the vote and in this respect follows the pattern set in the Anti-Trust Law.

American Bar Association Proposals

The new proposed Federal Corporation Act drafted by the Committee on Corporations, Bankruptcy and Mercantile Law Section, of the American Bar Association, and which is intended as a model in lieu of the outmoded uniform corporation act, provides for voting privilege for all stock, regardless of class, and for cumulative voting, and the report of the majority recommending that act suggests that preferred shares be given the right to elect a majority of the board of directors in the event that preferred dividends are in arrears.

Consequently, in the respects above stated, the Hammer bill has ample substantiation and respectable authority and should find support from the reputable investment houses in Wall Street that without requirement or sanction of law conform to its provisions when putting out new securities, and which should welcome the aid of the Legislature in policing the investment business.

Preferred Stock and Change of Capital Structure

The second important reform designed to be accomplished by this series of bills is to be found in the acts which propose amendments to Section 61 and 62 of the General Corporation Law. By the proposed new subdivision (c) in present Section 61 of the General Corporation Law it is provided that where preferred dividends are in default and the corporation seeks to effect capital structure changes which affect such past due dividends without making provision for full payment thereof, the Supreme Court shall have jurisdiction to determine the fairness, feasibility and equitableness of such proposed changes and of any amendments thereto proposed by the corporation or by not less than 1% of the preferred stockholders or by any preferred stockholder who shall have owned his stock for not less than six months.

By the new Section 62-a, it is provided that when preferred stock has been in default for a period of not less than five years or for a period of not less than three years when the corporate structure is unduly or unnecessarily complicated or if the voting power is unnecessarily or inequitably distributed, the Supreme Court shall have jurisdiction to receive from not less than 1% of the preferred shareholders a plan for the recapitalization, reorganization, dissolution or liquidation of said corporation and that after hearing, the court shall have power to require the corporation to take such steps as may be necessary to eliminate the unnecessary complications in the corporate structure, to distribute the voting power fairly and equitably among the security holders and to compel corporate action to give effect thereto.

Here again we find a crying need for remedy which the bill is designed to supply. Lawyers and stockholders are familiar with existing situations where preferred stock was issued either in bad faith (as in the case of numerous utility companies during the '20s, where the preferred shareholders' investment constituted the entire investment and the common stock represented mere water) or where the preferred stock was issued in better faith but with over-optimism that constituted an invitation to equally dire results.

In both of these contingencies, it has become common to find situations where, by reason of business losses, the preferred stock has come to represent the entire equity capital of the corporation while, with the sole vote residing in the common stock, the latter, representing no financial equity, is vested with sole management and entire control.

Under these circumstances, experience has demonstrated that the preferred stockholders are and have been helpless—so helpless that an intolerable continuance of default without remedy compels them to accept whatever plan of readjustment the common stock is prepared to offer.

Buying in of Preferred Stock

These situations have put a premium on the corporate practice of buying in preferred stock at depreciated prices without notice to the main body of preferred stockholders and to the further abuse of such surreptitious purchases by officers and directors of the corporation. To meet this abuse, Senator Hammer has introduced the amendment to Section 69 of the Stock Corporation Law providing that no corporation shall repurchase any shares of defaulted preferred stock except after 30 days notice of intention shall have been given by mail to all preferred stockholders of record and public advertisement in at least one daily newspaper, the notice to state the amount available for such purchase or purchases and requiring that such purchases are not made in a manner or on a basis which unfairly discriminates against any preferred stockholders but that the same be made pursuant to tenders after reasonable opportunity to submit tenders given to all preferred stockholders and likewise providing that no officer or director shall purchase any shares of preferred stock after such default except upon 30 days' notice so given by mail, and in the event of violation, the corporation should be entitled to repurchase such stock at the price paid by such officer or director thereof.

Reclassification of Preferred Stock

The last half-dozen years have witnessed frequent corporate efforts to cancel past-due cumulative dividends on preferred stock by legal means. These corporate expedients have found a tortuous way through the courts. In New York the Court of Appeals found statutory authority lacking for the cancellation of this type of indebtedness and the New York Legislature amended Section 36 of the Stock Corporation Law to permit two-thirds of the preferred shareholders to consent to reclassification of shares in such a way as to eliminate unpaid cumulative preferred dividends. The New York Supreme Court held the statute constitutional but pointed out that it was not passing upon the wisdom or fairness of the legislation and that short of unfairness tantamount to fraud, the courts could do nothing to protect the vested right of the preferred shareholder. To meet this situation in one of this series of bills, Senator Hammer undertakes to vest in the Supreme Court jurisdiction to determine the fairness, feasibility and equitableness of any proposed recapitalization affecting past-due cumulative preferred stock dividends. In the companion bill he vests in the Supreme Court power, at the instance of the stockholder himself, to compel a fair, feasible and equitable reorganization plan in the event the preferred dividends have been in default for not less than five years or in the event of a lesser period of three years, provided the vote is unfairly distributed, considering the financial investment remaining in the company of the respective classes of stock.

Here again, precedent is found in Federal statutes for reliance upon our courts for supervision and control of reorganization plans, and we find ample precedent for concluding that such judicial supervision breeds salutory consequences. Investors have witnessed a radical increase of values of utility securities largely due to the authority vested in the SEC to compel fair plans of reorganization of utility companies with preferred dividends in default and SEC enforcement of its authority in the courts. They have witnessed many examples of healthy reorganization springing from the Federal courts' exercising their powers to require fair, feasible and equitable plans of reorganization under Chapter X of the Bankruptcy Act.

Advantages of Amendments

Wall Street has come to recognize not alone the effectiveness of such legislative provisions and their administration but the financial advantage to the corporation itself, to the investors and their brokers and bankers springing from judicially supervised reorganizations and recapitalizations. In these respects, the Hammer bills seek to give the investor in securities of companies engaged in intrastate business some measure of the control and protection that has been assured to them by Federal statutes.

In his endeavor to strengthen the New York corporation law in these respects, Senator Hammer makes a substantial bid, in the only way that can properly be effective, of increasing state control and decreasing the necessity of Federal control. He recognizes that New York is today the financial center of the world; that the New York Legislature should lead the way in assuring investors protection when purchasing and holding the preferred stocks of New York corporations.

Dangers of Governmental Concentration

(Continued from page 1501)

extravagant, wasteful, inefficient, and by its nature the instrumentality of favoritism, tyranny, oppression and corruption and the destroyer of the self-reliance and self-respect and governmental capacity of the people, qualities without which no people can remain free. The people are coming to realize what has happened, Republicans and Democrats; peoples of all stations and political faiths. But they are yet too much depending upon the Congress.

The powers of the Congress are not what they used to be. Largely because of this concentration, even the policy-fixing and legislative power, the most basic of the essential powers of the Congress, have largely been shifted to the executive agencies and organized minorities. The time of the Congressman is now taken up largely as go-between for his constituents and these agencies, writing innumerable letters about their matters, with little time left for attending to even the most important legislative matters, and almost no time for the duties of statesmanship at a time when our circumstances require of us the highest type of statemanship ever required, perhaps, of any people. There is practically no opportunity for the Member of Congress to be home and explain legislation and defend his position. Clearly this is the people's job.

The most important basic thing that we now need is to be rid of mythological tales as to the origin of our Constitution, and bring it within the comprehension of the average citizen. That can be done but not by that sort of book writer whose claim for genius rests upon his ability to unsimplify things.

Effective at the expiration of the present Congress, I tender my services to the States for whatever they may be worth, should they be willing to make an effort to regain their sovereignty and reestablish their power, strip the Federal Government down to Federal business so that it may be operated under laws enacted by the Congress instead of largely by directives emanating from an appointed, unsupervised, personnel, and the unnecessary expense of the Federal and State Governments working at the same job be eliminiated; and also tender my services to organizations and groups of private citizens who are willing to lay aside class consciousness, personal and party considerations, and instead of pointing the finger of accusation at each other, admit each to the other a common responsibility for our condition, recognize a common danger and a common duty to bring to bear our united strength in a determined effort to save our Democracy from destruction by ourselves.

Jos. Minetree With Steiner, Rouse & Co.

NEW ORLEANS, LA.—Joseph P. Minetree has become associated with Steiner, Rouse & Co., 205 Carondelet Street, as Manager of the bond department.

Mr. Minetree has been in the investment securities business since 1926. He has been in the trading department of the local office of Merrill Lynch, Pierce, Fenner & Beane for many years. Prior thereto he was with Dillon, Read & Company, Riter & Company, and the First Boston Corporation in New York City. He is Vice-President of the New Orleans Security Traders Association and a member of the Bond Club of New Orleans.

Boys Outnumber Girls at Birth

Will It Be a Boy or a Girl? More Likely, a Boy

Male births outnumbered female births in the United States in each year since national birth tabulations have been available, Director J. C. Capt of the Bureau of the Census, Department of Commerce, announced last month.

Of 2,794,800 live births registered in the United States in 1944, Director Capt said that males numbered 1,435,301 and females 1,359,499. The sex ratio at birth for 1944 was 1,056 males per 1,000 females.

The highest male sex ratio at birth—1,060 males per 1,000 females—was for 1925. It was down to 1,052 males per 1,000 females in 1936 and 1938.

The estimated white population of the continental United States, including armed forces overseas, as of July 1, 1945, shows an almost equal division of the sexes—with 62,539,673 males and 62,513,464 females. However, the estimated nonwhite population comprises 7,155,308 males and 7,412,986 females. For total population, the division is 69,694,981 males and 69,926,450 females.

Wm. Eppel Treas. of Harriman Ripley Co.

The board of directors of Harriman Ripley & Co., Incorporated, 63 Wall Street, New York City, announce that William R. Eppel has been elected Treasurer of the Company, and that Oliver E. Seibert has been elected Assistant Treasurer, succeeding Mr. Eppel in that position.

Mr. Eppel entered the investment banking business in 1915. He became associated with the National City Company of New York in 1917, and joined the staff of Harriman Ripley & Co., Incorporated at its organization in 1934. He was appointed Assistant Treasurer in 1935 and Assistant Secretary and Assistant Treasurer in 1938.

Willet C. Roper, who has previously been Secretary and Treasurer, is continuing as Secretary of the Company.

Reynolds & Co. Adds Thos. Cherry to Staff

Reynolds & Co., 120 Broadway, New York City, members of the New York Stock Exchange, announce that Thomas C. Cherry, Jr., is now associated with them. In the past he was with Lazard Freres.

Canadian Securities

By BRUCE WILLIAMS

Sound credit standing is hard to establish and even more difficult to restore. Nevertheless by the grace of the firm, constructive assistance of the Dominion Department of Finance, the general downward course of interest rates, and the opportune wisdom of Premier Manning, the credit of the Province of Alberta has been triumphantly restored.

Now, however, yielding to political pressure from the extremist wing of the Social Credit party, Premier Manning has just introduced in the Alberta Legislature a bill, now in its first reading, which would give effect to the weird and wonderful monetary theories of Social Credit. It is idle to attempt to enter into any intelligent analysis of the impractical details of the proposed scheme.

Happily, it is announced, that before the bill is translated into law and proclaimed, it will be submitted to the Supreme Court of the province. Consequently it is inconceivable that the plan will ever get beyond this stage, but even in the event of the unexpected happening, the Dominion Government will effectively block any attempt on the part of a province to resort to monetary manipulation.

Despite the inevitable failure of any provincial attempt to tamper with the currency laws it is nevertheless regrettable that the Alberta Government lightly jeopardize its current fortunate position so recently and precariously attained. In the dark days of the depression there was every excuse to clutch at straws, but in these days of prosperity and high prospects the specious schemes of the past can be resolutely abandoned.

Social Credit has given the Province of Alberta good government in the past few years largely through failure to adopt social credit. Thus this belated and inopportune endeavor to associate the sane and practical electorate of Alberta with this almost amusingly impractical scheme can cause political repercussions of a far-reaching nature.

Prosperity in this province with its wealth of undeveloped resources has convinced its business-minded population of the necessity of financial orthodoxy. The experience of having to forego logical development for the sake of an unworkable poltical doctrine is too recent to have failed to register a deep impression on the people of Alberta.

As long as the Social Credit government has eschewed unorthodox procedure it has been tolerated and supported. Now that it appears that the present party leaders wish to live up to their name it will be regretted that a stalwart advocate of financial orthodoxy such as former Provincial Treasurer Solon Low has been elevatedly retired to the position of titular head of the Social Credit party.

During the past week the market remained almost at a standstill. Direct Dominions and Nationals strengthened slightly but Albertas were inclined to ease. There was some activity in internal bonds but prices changes were negligible and free funds were motionless at $9\frac{1}{4}$%.

As a result of considerable discussion concerning the merits of registered and unregistered internal bonds there was a growing realization that in the event of any large scale liquidation the registered bond could readily establish itself at a considerable premium over the unrecorded security.

With regard to future prospects there is little likelihood of any early departure from the present state of quiet inactivity. Experienced observers of the Alberta situation are not unduly perturbed and forsee no important market repercussions.

Where is Organized Labor Going?

(Continued from page 1501)

over which he presides, the A. F. of L. has ceased to be a constructive force. In its persistent opposition to any reformation of the labor movement or any program to advance the public interest as against the special interests of labor partisans, the Federation has moved steadily into a position comparable with that of the National Association of Manufacturers on the side of industrial management.

William Green, still clinging to the Gompers policies, but engaging in competition with the CIO anti-Gompers policies, presents the interesting spectacle of a man trying to ride one horse in two directions, which he accomplishes by sitting sideways and pulling back on the bridle whenever he says "Giddyap!"

Philip Murray is one of the tragic figures of the labor movement. By birth and breeding and by all his instincts, he is a conservative, sane unionist. But ever since John Lewis took him into the C. I. O. and then deserted him, he has been a captive of the underground. John Lewis thought he could purge his C. I. O. of communists, fellow travelers, and a lunatic left fringe. But the job that was too big for John has been much too big for Phil.

The Communist Fringe

Probably only a small percentage of C. I. O. members and officials are full-fledged communists. But this small percentage is an active and virulent minority which spends its time capturing key positions when the normal American wage earner is enjoying the comforts of home, the saloon or the baseball bleachers! This treacherous revolutionary group is supported by a much larger number of unconscious fellow travelers who, though they would reject communist philosophy, will swallow communist doctrine and follow communist programs under cunning appeals to self-interest and class prejudices.

There is no doubt that the captive miner, Philip Murray, is greatly distressed by his predicament. But whenever he blows off, as frequently, in violent and fraudulent attacks which are foreign to his nature, it is evident that he is being made the stooge of the most unscrupulous foes of our own household. Phil Murray in his right mind would never accuse the President of the United States of "abject cowardice" and of yielding to the "arrogance" of industrial leaders.

Phil Murray in his right mind would not remain the leader of organizations in which internal and external campaigns are conducted with lying, fraud, and treachery, as approved tactics.

John L. Lewis is a survival from past ages—an old-fashioned buccaneer or, if you like the term better, the last of the Vikings! He is a swashbuckling exploiter of other men, whether members of his organization or the hard-hearted employers against whom he hurls his magnificent vocabulary. He is a past master of invective and vituperation and uses them freely because he thinks of them not as personal insults, but as necesary lines in the enjoyable drama in which he always struts the stage as the heroic champion of the poor and downtrodden, before whom cower their oppressors!

Despite the fact that he does very well personally in this business, he is completely sincere in playing the role in which he has cast himself and for which he has written such beautiful speeches. He reminds me of the famous lines of Cowper:

"He blamed and protested, but joined in the plan
"He shared in the plunder, but pitied the man"!

John Lewis will never try to change the economic or political system because to him individual freedom and free enterprise provide opportunities for strong, ruthless men to fight their way up and to gain power and wealth not available under any other system. He loves power much more than wealth. He doesn't want any government to restrict him in gaining or using power. That's why, when John stands up before a group of business autocrats and expounds his philosophy, their eyes glisten with sympathetic affection, they turn to each other and say, "Really, after all, John Lewis talks our language. We ought to be able to get along with him."

They are right. They can get along with him. All he wants is to work with men who will pursue their self-interest with unblushing disregard for other interests, with men who won't try to hog all the plunder, but will divide fairly with their fellow buccaneers and deal generously with the crews! The Vikings, and the buccaneers who later roamed the Spanish Main, were great men in their day, and many were likeable companions when not working at their trade! In this day, there are men who raid the stock markets, men who go out to capture business enterprises and loot them, and labor leaders, who play the same game—often with ability that might be better directed.

But the world today is at the cross road. After the greatest war in history to exterminate the dictators, the civilized nations are either going to end the rule of domestic dictators and foreign dictators and keep men free for at least another century, or else the spirit that we fought against will conquer us despite its material defeat, and domestic dictators and foreign dictators will ride the wave of the future. I think the day of labor dictators is passing. But if I am wrong, and it is just dawning, I will recommend John Lewis as a dandy candidate for Dictator No. 1.

Trends of the Labor Organizations

Now, where are the labor organizations going? Let us survey them briefly.

The A. F. of L. is reactionary, clinging to worn-out slogans and methods—a gang of labor politicians maintaining a labor machine as clumsy and outdated as the old guard Republican machine. Lewis will rejuvenate it into more violent, ruthless exploitation of the public for the benefit of a class. He will get some real gains for the workers, but lead them more and more away from the road of good citizenship and the Golden Rule. The last thing John wants is to have anyone do unto him what he does unto them!

But let us be under no illusion. The man who could seize the nation by the throat with a national strike in wartime in an essential industry is no one to appease with gentle words. As previously suggested, the A. F. of L. will become more militant under his influence, or else!

The C. I. O. is an organized mob created largely out of the workers neglected by the A. F. of L. and exploited by both organized labor and employers. But it is a mob of such size that it must have political objectives and methods. It must either help run the Government or be the Government. The Murrays and the great majority of the rank and file think of themselves as good Americans, exercising their sovereign right to run the Government as much as they can by electing, browbeating, and cajoling public officials. But the underground which calls the tune knows that the only way for a minority to run a government effectively is to take over the Government.

The trouble is that when labor organizations got so large, they had to become political. Their very power would be weakened by political opponents unless they were able to defeat them. Over twenty years ago, I used to argue with Sam Gompers against his theory that labor should not be a political organization. My point was that his theory of rewarding friends and punishing enemies and constantly raising the wages of favored groups by economic force would only work so long as labor could remain a privileged class, such as craft labor profiting at the expense of other labor. But when all labor is organized, its interest becomes identical with the common interest. Then, wage increases are of no advantage except to iron out inequities. Wage and price increases for all accomplish practically nothing except to improve the game for speculators.

The Unions in Politics

This means that a labor organization, taking in all grades of workers and organizing millions, must choose to be either a political organization run by statesmen, playing its part in democratic government but not trying to run the government, or it must become a revolutionary organization seeking to capture and rule the government. The rank and file of labor still live in the thinking of the early labor movement, still live in the delusion that all labor can gain by higher and higher wages, still boo the scientific statement that over 80% of all costs are labor costs. But it is true, and it means that horizontal wage increases do not improve the conditions of the workers.

The rank and file of labor still suffer from the delusion that labor can gain by more pay for less work, which must mean less production, less wealth, and less actual pay for everyone. But the underground in the C.I.O., the harebrained radicals everywhere, make impossible demands and carry on futile strikes that cost the workers more than any other class.

The underground does this because they know that free enterprise and a capitalist system depend upon voluntary cooperation and harmony between employers and employees. They know that the way to break down the system is to foment discontent, to incite conflict, and make willing cooperation impossible. The surest way to make trouble is to induce one man to demand from another more than the other man can possibly give.

The Price of Strikes

The question today is whether the brazenly vicious leadership of labor that denounces every effort to bring industrial peace, and foments widening labor warfare, can continue to deceive the millions of American wage earners who have to pay the costly price of such leadership. The General Motors strike has cost the automobile workers far more than a hundred million dollars in lost wages. The union is seeking to settle the strike for an increase of 19½c. per hour. A statistician figured out the other day that if the strikers went back tomorrow, they would have to work for a year and a half, five days a week and eight hours a day, in order simply to get back in the wage increase what they have already lost.

A labor leadership that insists upon using costly, destructive strikes as the principal means of advancing the interests of the wage earners, a labor leadership which not only fails to propose the use of peaceful means, but which fights any effort to establish by law fair and peaceful means for the just settlement of labor disputes, is not only the enemy of democratic government, but the worst enemy of the hard-working men and women of the United States.

Liberal Leadership Needed

What labor needs and what the country needs is a liberal leadership, not an antique, outmoded leadership, such as that of Green and Lewis, nor a leadership of stooges of the underground, such as the leadership of the C.I.O. What labor needs is a leadership that will cease trying to gain special privileges and special immunities for a majority of the people—which is a logical absurdity—but will seek to advance the general welfare by equal opportunities for all. This liberal leadership will have to fight the revolutionaries who want to surrender individual freedom for the theoretical security of a labor tyranny. It will have to make it clear that no dictatorship can advance class interests when the class is in fact the mass of the people. Such dictators only substitute their unjust autocratic judgment for the just and automatic regulation of wages and prices by competition in a free economy.

If organized labor follows the pied pipers of communism, it is going to lead workers and the country into the hell of a new tyranny. If it follows the wobbly self-serving leadership of the old guard, it will lead the workers nowhere.

Where is organized labor going? The hope that it may go in the right direction lies today not with its conservative or radical leaders but with the young men, with the liberal leadership that is yet to be developed out of the rank and file—the leadership that will have to fight the entrenched labor politicians just as it is necessary in the political field, from time to time, for a new and progressive leadership to overthrow the old guard. My faith in human nature has been often severely strained. But I still have faith!

Original Cost Techniques Threaten Utility Equities

(Continued from page 1497)

will find that his dividends will buy only half as much food, or half the amount of clothes or half the living quarters. On the other hand, the consumer, whose earnings are adjusted to the depreciated dollar, can purchase the same amount of utility service with a smaller portion of his income. Take the case of two identical companies with equal capacity, the same transmission and distribution lines and the same number of customers but one built at a cost of $1,000,000 and the other more recently at an inflated cost of $2,000,000. Under the original cost theory, rates of one company would be predicated on permissible earnings of $60,000, while those of the other company would be sufficiently high to afford earnings of $120,000. Obviously, rates of the first company do not reflect the full cost of the service rendered as they do not provide a return on the actual value of the plant as illustrated by the construction costs of the second company. Insofar as the customer of the first company obtains service below the rates charged by the second company, he is not paying for the full cost of the service rendered and the stockholder is deprived of his legitimate income measured in purchasing power.

Original cost as a rate base also affects depreciation accounting to the detriment of stockholders. The function of depreciation is to recover from the consumer an amount sufficient to replace that part of the company's plant which is worn out in providing service. It is as much a part of operating costs as wages and materials and, to perform its duty, should reflect the actual cost of rebuilding that part of the plant which is consumed in rendering service rather than a meaningless original cost. If depreciation were predicated on original cost during a period when replacement costs were 50% to 100% higher, the company would not collect enough revenues to provide for depreciation and its plant would be gradually given to the consumer through insufficient rates.

In an attempt to justify depreciation based on original cost, the Committee on Depreciation of the National Association of Railroad and Utility Commissioners says sarcastically on page 55 of its report:

"Should coal purchased at $4 a ton be charged to operations at $6 a ton because prices increase? Should gas purchased for resale under a long-term contract at 15 cents per m.c.f. be charged to expense at 25 cents per m.c.f. because price levels increase? Or should gasoline purchased at 15 cents a gallon and held in storage tanks for future use be charged to operations at 10 cents a gallon because prices fall to that level? If the answer to these questions is 'no,' then by the same reasoning depreciation should not be based on fair value, for it is a cost of operation just as surely as are labor or supplies and it should be determined on the basis of the actualities of cost rather than on hypothetical estimates of fair value."

Since it is difficult to visualize conditions under which one could agree with the implication that the answers to these questions should be "no," it is impossible to concur in the conclusion that depreciation "should be determined on the basis of the actualities of cost rather than on hypothetical estimates of fair value." If there is either a profit or a loss on inventories, it should redound to the benefit or detriment of the owner whose money was either wisely or foolishly spent. No manufacturer or retailer could expect to pass on to his customers a loss arising from a decline in raw material or inventory costs. Neither does the monopolistic character of the utility industry carry this right, nor should it require a company to pass on to customers the profits of a foresighted purchasing policy or an increase in the value of its plant.

Sponsors of the original cost doctrine claim that there is no need for utility earnings or equities to fluctuate with the purchasing power of the dollar as a pure investor is interested only in obtaining a return on his dollars and a dollar-for-dollar repayment of his investment. Stockholders, however, are not pure investors; and, as any security salesman knows, there is a wide gulf between purchasers of fixed income securities and common stocks. Institutions, with fixed dollar liabilities, are avid buyers of bonds which are cushioned with a sufficient equity to assure continuity of income and repayment of principal, but they shun common stocks which are on the bottom of the capitalization pile and entail business risks they can ill afford. Purchasers of common stocks, however, are individuals who are willing to take these additional risks but in return expect and deserve that their dividend income will have a stable purchasing power. With earnings increasing under the impetus of a growing industry and stockholders unaware of the successful attacks being made to deprive them of their property without due process of law in subtle and devious contravention of the Constitution of the United States, it is still possible to sell common stocks to an unsophisticated and unsuspecting public; but, when the effects of the current trend of regulatory policies is more fully recognized, public utility companies will be unable to raise the equity capital necessary to construct the plants which will be required to meet the growing demand for utility service.

Some commissions have attempted to infer that original cost assures a sound capital structure and a continuity of earnings which would make common stocks suitable for institutional investors. In 1944, the New York Public Service Commission refused to permit the merger of the various subsidiaries of the Niagara Hudson Power Corporation due, in part, to the fact that the new capitalization would be predicated on values in excess of original cost and, therefore, that it would be "greatly over-capitalized; the securities issued would not be based upon sound values." In support of this contention, the Commission said, "This is the sort of thing that was quite common in the 20's and many laws have since been enacted to prevent the recurrence of over-capitalized companies and the issuance to innocent investors of securities which were not based on property values. We do not believe that we should revert to conditions prevailing in the 20's and bring into being a new company with securities unsupported by property and the unfortunate attending results with which we are all familiar."

No one can disregard the high motive of opposing the issuance of securities which are "unsupported by property" or "not based upon sound values." However, the sound value has no more relation to the original cost than the 1932 price of gold has to that metal's current international exchange value. Furthermore, the premise that original cost represents sound value cannot be substantiated and gives no assurance against over-capitalization. If the economic table were reversed and replacement cost or economic value were below original cost, adherence to the Commission's theory would obviously permit issuance of securities which are "not based on sound values." That is what happened to the railroads. Their capitalizations were amply conservative on the basis of original cost but the decline in the economic value of their properties unbalanced their capitalizations. There is little doubt that receiverships and near receiverships with "the unfortunate attending results" were increased among the railroads by the false security obtained from relying on historical cost rather than actual value. If a similar situation reduced the replacement cost of utilities below original cost either because of a reversal in the general price level or a change in technological developments, the original cost theory now held as the guardian of sound capitalization would encourage issuance of securities which are "not based on sound values."

The trend toward original cost, combined with fears of an inflationary price level which has already been reflected in sharply higher costs of utility construction, should cause alarm among utility stockholders. Opposition to this growing danger can come only from them or from those who operate the country's utilities. Stockholders, however, find it far easier to dispose of their investments rather than assert their rights, while utility managements in the past have been reluctant to oppose regulatory policies. This complacency is due either to inertia stemming from a desire to maintain cordial relations with regulatory authorities — an appeasement policy—or fears that opposition might result in even more detrimental restrictions which would lead to eventual public ownership. Although recent trends which have received court sanction give support to these fears, there appears to be little hope that the industry will reverse its position in an attempt to prevent a slow and unnoticed defeat by actively combating the forces which are undermining its safety.

C. F. Childs & Company Announces Promotions

After the annual corporate meeting of C. F. Childs and Company in Chicago this week, the following promotions were announced:

In the Chicago office, 141 West Jackson Boulevard, George E. Tuerk and Richard E. Kelliher, Assistant Secretaries, to be Assistant Vice Presidents. Also, Samuel Yates, of the Municipal Department, to be an Assistant Vice President.

In the New York office, 1 Wall Street, Raymond H. Heiskell, Assistant Secretary, Municipal Department, to be an Assistant Vice President. Newly named as Assistant Vice Presidents were J. A. Latimer, late Lieutenant, U.S.N.R., and Robert A. Bachle, late Captain, A.U.S.

Smith & Freedman Form Investment Firm

Ernest Smith and Max Freedman have formed Ernest Smith & Co. with offices at 61 Broadway, New York City, to engage in a securities business. Mr. Smith was formerly with Birnbaum & Co. and in the past was manager of the unlisted department for Faroll Bros. Mr. Freedman was a partner in J. L. Schiffman & Co.

The Economics of Collective Bargaining

(Continued from page 1496)
and the life of the job-seeker easier and more pleasant.

The Purchasing Power Theory Enthroned

During this period the Government of the United States for the first time in our history adopted the purchasing power theory of prosperity. It is this theory which, at bottom, is the cause of most of our trouble. A broad sweep of labor legislation was passed, designed to strengthen the hand of labor and to tie the hand of management. The Administration and the Government bureaus came to be heavily peopled by persons who for political or other reasons came to believe that by raising nominal wage rates and shortening hours, the lot of labor could be improved. Less work and higher pay became the slogan. Unionism was fostered by Government and others to help implement this new ideology. When recovery was slow, the medicine was more of the same. The mature economy and over-savings dogmas, invented during the depression, were used to rationalize still further the Administration policies. The true inwardness of this shift in thought has not yet been adequately appraised by the American people.

Collapse At War's End?

During the war, the Administration and union leaders seemed to vie with each other to see who could predict the largest unemployment at war's end when Government withdrew its demand for war materiel and services. The figures from Government officials were 4, 6, 8, 10 and 20 million unemployed, depending upon the day and mood. One CIO union predicted 30 million unemployed at war's end.

We all know that since V-J Day in every month we have had more than "full employment" as usually defined, except for the influence of the strikes. This unrelieved pessimism, however, fostered a new drive for wage increases, for maintaining take-home pay which was erroneously calculated as requiring a 30% increase in basic wage rates. Virtually the entire group of vocal Government economsits (with a number of individuals silent) predicted collapse at war's end and developed wage and price policies designed to hold prices and to push up wage rates with vigor and power. "Purchasing power," it was said, must be maintained, as though marking up wage rates could maintain purchasing power. If this were the case, we should urge the Chinese Government to double or triple wage rates. We should not keep these secrets to ourselves.

If the underlying theory of our labor policies is wrong, as there is reason to believe, it is not likely that we will solve the problems of industrial disputes until we develop correct theories.

Collective Bargaining

It is fashionable nowadays to say, "I believe in collective bargaining," as though this were a matter of faith or creed. Why do people "believe in" collective bargaining in the case of the labor contract but deny its relevance in virtually all other transactions? If all the landlords, for example, united and tried to bargain over rentals with tenants as a group, some people would go without a roof over their heads. If all the farmers and the buyers of their products united into two single respective groups to bargain over farm prices some people would go hungry and prices would be fixed according to the power which each of these groups could muster. If all the savers and investors united into a combine to fix the interest rates at which lending could take place it may be doubted that much lending would occur. Our anti-trust laws soon would put an end to such price, rental, or interest fixing. We deny collective bargaining in every field except in the field of labor. Why?

What is the purpose of collective bargaining? A purpose, among others, is to destroy competition for jobs, to fix wages by pressure, to unite all the workers in a given plant, industry or occupation and then to withdraw or threaten to withdraw all the labor to enforce demands. Such withdrawal is made more rigorous and portentous by means of mass picketing, intimidation, and coercion. Labor unions are devices for creating monopolies in the field of labor. Perhaps the people want these monopolies to continue, perhaps not.

Harnessing Selfishness in the Public Interest

Monopolists tend to behave as monopolists. Lord Acton said, "All power corrupts and absolute power corrupts absolutely."

The profit motive is under a cloud in some circles, but it is difficult to see any difference between the profit motive and the wage motive—each is for personal gain. Each is laudable and expresses a traditional American ambition to get ahead. But we induce the profit motive to work in the public interest through competition and the prevention of monopoly. Of our 1,500 breweries, for example, each is operated for profit. But each may invade the other's fields; each tries to improve its product. Good quality at reasonable prices is still the best assurance of increased volume and maximum profits. The free market, with equal access and open opportunity—these are the protectors of the public interest. These force the profit motive to function in the public interest. Sometimes the market becomes unfree, or rigged and even closed—but, by and large, we do a fairly good job of keeping the market for goods free and open in the public interest.

How can we induce the wage motive under collective bargaining to operate in the public interest? Individual bargaining is condemned. The closed shop is sponsored, collective wage demands on a "take it or leave it" basis are urged and made legal. Mass picketing and other devices to enforce collective demands are countenanced and even welcomed. In case after case, labor unions have demonstrated themselves to be more powerful than the Government itself. Can labor leaders and their followers be expected to develop any restraint in their demands? Do monopolists normally develop self-restraint? Function in the public interest? Assume a social responsibility? Perhaps one or two could be named. In Great Britain and Sweden the heavy reliance on the competitive export market helps to moderate wage demands; we do not have any such natural disciplinary pressure.

Labor Union Politics

A labor union, furthermore, is a political organizaiton in terms of its own internal operations. The intra-union rivalry to hold office and control the union is strong; a labor leader who preached moderation in demands may be quickly accused of having sold out to the "bosses." A failure to keep the pot boiling and to keep management on the spot, may be used by would-be office holders to displace the present leadership at the next election. Many of the older unions have developed considerable internal discipline. But intra-union politics is now broadened to include inter-union politics where two or more unions are striving to organize the same workers. Does the whole business make sense?

Government Interventions

Does government intervention in labor disputes help or hinder? There is argument on both sides. The record certainly is not good—in the public interest. Sir William Beveridge in his full employment program states:

"If trade unions under full employment press wage claims unreasonably, maintenance of a stable price level will become impossible; wage determination will perforce become a function of the state."[1]

Again he says, ". . . wages ought to be determined by reason . . . and not simply by the bargaining power of particular groups of men."

Many other "intellectuals" are already re-examining their positions. Thus, a columnist, Eleanor Roosevelt, who formerly said every worker should belong to a union and no one should ever cross a picket line, stated after the New York elevator strike: "The strike, which is a weapon of force, should be renounced."[2] The American Civil Liberties Union, generally more interested in unionism than in liberty, in a letter to several labor leaders states:

"The only limitations by public authorities on picketing supported by the union are those to keep traffic open for pedestrians and vehicles, to insure access to places picketed, to prevent the use of fraudulent signs, and to maintain order. The union has supported mass picketing where these conditions are met. . . . But no claims of the rights to picket justify the use of force to prevent access to plants on strike by those who are willing to cross picket lines."[3]

All of these pronouncements by erstwhile "liberals" are straws in the wind. They are evidence of a change of heart, a realization that now that powerful monopolistic unions have been built up, society must do something to protect the public's right not to be struck against and to be put in jeopardy, to keep open the job opportunities and to restore a wage - making process which would conform more nearly to what the natural forces of the market would indicate.

But, even if it is granted that this new insight is valid, it raises an important problem for a democracy. While labor never votes as a unit, the tendency to do so has increased. Certainly in most elections labor holds the balance of power and politicians act on this assumption. If the state must discipline labor as is implied by all three spokesmen referred to above, just how does the state, short of totalitarianism, discipline labor when labor holds a majority of the votes, or at least a balance of power. The pussillanimity and the poltroonery with which the Government has handled labor disputes since V-J Day is a good indication that we must reach a supreme crisis stage before the public interest is given priority. A number of the European dictatorships grew out of the inability of the democratic state to handle the labor question. It is a favorite indoor sport to accuse the German industrialists of bringing Hitler into power.[4] But why did the industrialists support Hitler? Were they inherently bad men, or were they driven into finding a solution and then got a cure even worse than the disease? We have the testimony of people from all walks of life as to why they supported Hitler; he was to bring order out of chaos. In Italy a former Socialist, Mussolini, lead the march to what he thought was order out of chaos. It is worth noting that many Socialists and so-called liberals in Europe became ardent totalitarianists when their "Fuehrer" came into power. The line between Socialism and Nazism is narrow. If labor leaders do not voluntarily limit their demands within reason, question arises as to whether society functioning as a democracy can do so. This is the problem that is bothering many people now.

1 "Can Government Guarantee Full Employment?", Chamber of Commerce of the U. S. A., 1945.

2 New York "Herald Tribune," Sept. 27, 1945.

3 New York "Times," Jan. 21, 1946.

4 Actually there is no evidence that the industrialists as a group supported Hitler prior to January, 1933, in any larger proportion than other groups in the German economy. See especially: **Writings and analyses of Leopold Schwartzschild.**

Under Government Intervention What Do We Get?

Shortly after V-J Day, for example, the Office of War Mobilization and Reconversion prepared a document entitled "Facts Relating to Wage - Price Policy" (OWMR - 502, mimeographed) which was designed to show that wages could be lifted under various assumptions by 24% without price effects. This document is said to have "leaked out" and is widely quoted by unions to support the 20% to 30% wage increases demanded.[5] The document was so fallacious and vulnerable that it was never published and is now a collector's item. But the damage had been done.

Again, the Department of Commerce, which is supposed to provide business with authentic and accurate data, prepared a similar document entitled "Domestic Economic Developments" (Oct. 25, 1945 — mimeographed) designed to show that wages in the automobile industry could be lifted by 25% without price effects. This document also was "inadvertently" released but to this day has not been officially published. Again, the damage was done and the labor leaders quote it widely. Both these documents were designed to prove that wages could be raised by about one-quarter without price effects.[6]

The subsequent innumerable price increases in steel, meats and other industries, allowed by the same Government which prepared these documents, under wage increases which fell substantially short of 25%, is full proof of the fallability of the Government diagnosis.

In the minds of many people this raises the question whether the Government today is impartial, honest and scientific even in its statistical work, and the further question whether the Government can serve a useful rôle in preventing labor disputes, or settling them after they break out. Actually the Government itself is fundamentally responsible for the impossible wage demands made by the union leaders since V-J Day. We are told in no uncertain terms that as soon as this current round of wage increases is complete a new round will start. Walter Reuther of the auto workers union labeled the current demand (March, 1946) of 19.5 cents per hour merely a first instalment.

It would be interesting to know how many of the Government employees who worked out these documents are members of labor unions and how many of those who advised the General Motors and other fact-finding boards are unionists. Is this Government for all the people? Can the Government be impartial? Is this in the American tradition? There are no easy answers to these questions.

Today the great Government of the United States stands in Washington simultaneously promoting wage increases through one department and price increases through another department — a new kind of economic buffoonery, not in keeping with the dignity of a great government of a great country. At the top, both types of increases are being approved by the stabilization (?) office, while the people's savings and other fixed monetary claims are having their value greatly reduced. It is somewhat shocking to note that the defense bonds which we bought in the early part of the war have already lost one-third of their purchasing power. Question: Is the Government competent to intervene in the economic process?

5 The Road to Freedom—CIO, p. 10.

6 The misdiagnosis of postwar conditions was irresponsible. For a view that our problem would be excessive and inflationary purchasing power see: "Maintaining Purchasing Power in the Transition," Chamber of Commerce of the U. S. A., published before V-J Day, July, 1945.

Labor Union Literature

The labor literature has taken full advantage of these Government reports and economic buffoonery. Any judicially-minded person familiar with the contents of some of the labor newspapers and pamphlets, cannot help but wonder what will be the end result of this outpouring. Guesses are reported as facts; statistical data are subjected to malpractice; events and facts are distorted out of perspective, and any opinion or wish expressed by some wishful thinking becomes an immediate objective alleged to be imminently attainable.

Two illustrations may be cited: (1) In a labor organization pamphlet, entitled "The Road to Freedom," it is stated "According to the War Production Board, four workers can now produce the same amount of goods that required the labor of five before the war" (p. 12). A check with the War Production Board and the international secretary of the union produced no substantiation of this statement. The War Production Board states, by correspondence, that it never made this assertion. But the implication is drawn by the union that hours must be shortened and wages raised by a similar amount in order to maintain purchasing power and avoid depression. (2) The same labor organization issued a pamphlet on "Full Employment" which reports (p. 8): "The President stated that we must improve our standard of living so that all our people may live 50% better than before the war. This means that the basic wage rates must be raised to buy '50% better' living." It has not been possible to verify that the President ever made this statement and, in any case, it refers to an announcement of an entirely different character by the Office of War Mobilization and Reconversion which stated that in order to absorb the prewar unemployed, to absorb the net increase in the labor supply and to allow for some estimated efficiency gains during the war, we would be in the happy position of having to raise our total output by 50% over the prewar to attain full employment. Yet the union used this statement to scare its readers into thinking that unless basic wage rates were raised 50%, we would head for depression. This also explains why the current round of 15% to 20% wage increases is regarded as only the first installment. Ideas are important.

These two illustrations could be multiplied hundreds of times. One shudders to think of the effect on the minds and emotions of millions of our people as this literature is poured out every week, every day and every hour. It is required reading in many of our schools!

Again it may be repeated, until this crude purchasing power theory of sustained prosperity is dethroned, both in Washington and in the minds of the writers and speakers in the union movement, we cannot expect to resolve our industrial relations problems. If this particular brand of labor literature is correct then we need more strikes, more mass picketing and more industrial turmoil to help implement this ideology.

It should be said that a number of unions are much more scrupulous in their literature and never willfully distort the facts.[7]

It should not be implied that collective bargaining need be an unmitigated evil. Collective bargaining may perform a useful role in improving the channels of communication between employees and management. Unquestionably without unions or the threat of unions, management at times would take advantage of the workers. Some machinery is required for preventing and settling grievances. It is when collective bargaining creates an independent private power system, more powerful than management and even than the Government itself, that it becomes a danger to the democratic state and the people.

Wage Increases Without Unions

From 1840 to 1930, a period when we had little unionism, the hourly earnings of non-agricultural workers rose seven-fold and the index of wholesale prices rose 20%.[8] This rapid rise in wages indicates that the adjustment of the wage-price structure to the growing productivity of industry was accomplished mainly by advances in wages rather than decreases in prices. The competition of employers for labor seems to have affected wages more than competition of employers to sell goods affected prices. As Slichter states, "Now that one out of three non-agricultural employees is a union member and that unions are stronger than ever, the upward pressure on wages will probably be far greater than ever before. The upward pressure on wages has been particularly strong since 1933. Between 1929 and 1939 hourly earnings of non-agricultural workers rose 17% while the prices of finished goods dropped nearly 20%. Real wages rose faster than in any decade since the seventies. The advance in wages was apparently too rapid for the demand, because private payrolls in 1939 were nearly $8,000,000,000 less than in 1929.[9]

During the catching up period the demand for goods is intense and the stored up "savings" are great, so that the present wage lifting will probably not kill off temporary prosperity and employment to any substantial extent; after that, however, employers will again be blamed for 'not finding jobs for the unemployed' by the same people who are now artificially promoting the rise in the cost of labor. Considering the long rise in both nominal and real wages, why do we suddenly need unions and the Government to assume the role of wage boosters?

Can Collective Bargaining Improve Labor's Income?

The notion that labor unions can increase the share of the national income which accrues to labor is difficult to support.

Perhaps even more striking is the almost stationary percentage of our national income which labor gets each year, in spite of more collective bargaining, substantially higher hourly wage rates, and more labor legislation, as indicated by the accompanying tabulation:

STABILITY OF PROPORTIONATE SHARE OF NATIONAL INCOME RECEIVED BY WORKERS

(Millions of Dollars)

Year	Total National Income	Total Compensation of Employees	Employee Income as a Percentage of Total Income
1933	$42,439	$29,578	69.60%
1937	71.436	47,829	66.95
1938	64.418	44,948	69.78
1939	70 674	48,128	68.10
1940	76.035	51,816	68.15

Source: U. S. Department of Commerce, Washington, D. C. Of the remaining 31.85% in 1940, incorporated businesses received 6.2%, unincorporated businesses including farmers received 16.4%, interest payments absorbed 6.5% and less than 3% went to net rents and royalties. The bulk of the savings for new plant, equipment, etc., came from these groups.

Thus it may be seen that in 1938 or 1939 the share of the national income going to salary and wage labor was almost the same as in 1933; in 1939 there was "more to share" than in 1933, but the proportionate share going to labor remained the same. Beginning in 1933 a vigorous effort was made by labor organizations, the National Government and many individuals to lift wage income; wage rates were greatly increased and overtime payments were required. In spite of this prodigious effort, the share going to labor has remained almost stationary. Thus it should be clear that artificial forces to raise wages do not assure labor a bigger slice of the national income nor do they guarantee jobs or full employment. It would appear that capital and labor go up and down together. For these reasons, some labor leaders are more and more recognizing that the welfare of labor rests on a prosperous industry.[10]

In adopting his guaranteed 52-pay checks per year for his employees, these checks based upon 20% of the gross receipts of production, Henry Nunn, President of Nunn-Bush Shoe Company, said that in his business there seems to be some unknown economic law which dictated that labor should get just about 20 cents out of each sales dollar regardless of business conditions.[11] Over a decade or more, in prosperity or depression labor had been receiving 19.46% of the sales dollar, the deviation from this average being only about one cent up or down in several years.[12] This independent discovery by Mr. Nunn merely bears out the above figures on national income and again suggests that collective wage determination operates within definite confines and suggests that perhaps the only way of increasing real wages is through greater national production.

Similarly in the case of the railroads, the percentage of gross receipts going to wages has remained quite constant in spite of repeated wage increases as indicated by the accompanying schedule:

Railroad Wages as a Percentage of Gross Receipts

1923	44.3%
1929	42.6
1933	43.2
1937	44.8
1938	46.5
1939	44.1
1940	43.2
1941	41.1

Again we are driven to the conclusion that only as we enlarge our national pie can the various groups secure a larger piece.

Lower Prices and Improved Quality

The relative *un*importance of hourly money wage rates in the standard of living is further demonstrated by taking a look at what has actually happened in the rubber tire industry.[13]

The average employee of one of the largest tire producers was receiving 40 cents an hour in 1908. In 1908 this tire costing $35 would run an average of 2,000 miles in its lifetime, resulting in a cost of 1¾ cents per mile or 7 cents for the wear and tear on the four tires alone. Calculation indicates that an hour's labor would pay for only 23 miles of use of one tire.

Thus to run the car with four tires a distance of 23 miles and merely pay for the wear and tear on the tires, the worker had to work for four hours or half of a day. Obviously workers did not operate cars!

In 1936 the average wage for all employees of this plant was 88 cents an hour, a gain of 120%. Had this been the only gain which took place, the laborer would still have had to work one hour to secure 50 miles (23 miles plus 120%) of use from a tire, or one hour's work would have yielded enough income to pay for the wear and tear on the four tires over a 12.5 mile stretch; still the worker could not have afforded to run a car, even if someone gave him one.

However, two other things happened. In 1936, instead of a tire costing $35, it cost $8. Instead of running only 2,000 miles, it would run on the average about 20,000, as shown in the accompanying tabulation. Calculation indicates that in 1936 an hour's work would pay for not 23 miles of use, but for 2,200, a 95 fold improvement. Thus under the stress of competition the price was greatly reduced, and the life of the tire was increased by 900%, much to the benefit of consumers. The data is summarized as follows:

	1908	1936
Average Hourly Wages	40c	88c
Cost of Small Tire	$35	$8
Lifetime Mileage of Tire	2,000	20,000
Mileage Yield for Hour's Work	23	2,200

A careful study of this actual experience will show the relative unimportance of money wage increases in making it possible for the American workman to enjoy his own means of transportation. Many other illustrations could be given. Electricity selling in 1900 for 20 or 25 cents per kilowatt hour, now sells for a figure about 80 to 90% less and the quality of the energy is greatly improved in terms of service and reliability. Higher quality at lower prices, under the impact of competition, must always be far more important in the standard of living of the American people than the number of counters (dollars) they get.

Higher productivity, larger output with higher real wages for all workers should be the objectives of a dynamic society. Until we cease to try to formulate wage policy exclusively in terms of money wages and recognize that real wages and real income constitute our standard of living, we will not solve the industrial relations and unemployment problems. The 1936 eight dollar tire may cost $14 to $16 this year.

The Hourly Wage System Questioned

Question must be raised whether we do not need a fundamental re-examination of our entire system of hiring people by the hour or even by the piece. Certainly when a man is put on the payroll what the employer is buying is not *time*. He is buying the services of the worker which, converted into a saleable product, gives the employer wage-paying capacity. So long as people think of their income as so many cents or dollars *per hour*, the emphasis is wrong.

Perhaps there is no better way of expressing this idea than to quote from a statesman-like pronouncement of Mr. Jay C. Hormel, President, Geo. A. Hormel & Company, at the time of the inauguration of the Joint Earnings Plan. This is what Mr. Hormel said:

"The one thing we have never figured out is, who gets how much.

"This company has felt its management would never be quite right until we hit upon some sort of formula for determining who gets what. The way we have decided such questions in the past certainly is not satisfactory.

"Heretofore, when management was in extra demand, management got its dipper in the pail. When capital was scarce, it got its dipper in the pail. And then when labor was scarce, labor got its dipper in the pail. That's where the idea of unions came from. Workingmen decided they couldn't wait for labor to be scarce, so they got their heads together and, by refusing to work themselves, and by preventing other people from working, they created an artificial shortage of labor as a means of raising wages. It really wasn't a sound idea. . . . There must be some better way of getting wages up, and this company has set out to find that way.

"First, let's see why the wage system doesn't work right even where we have collective bargaining.

"To make it easy to think about, let's get down to just two people—one employer and one packing house worker—and we'll see how the present system works out. For the sake of the story, we'll call the one 'Boss' and the other 'Butch.'

"Butch comes along to Boss and says: 'Boss, I'm not doing anything right now. I'm a good butcher by trade but I haven't any money. I understand you own a scalding tub and a kettle and everything we need to slaughter a hog. I was wondering if we couldn't go in together—you buy the hog—I'll slaughter it. We'll sell the meat and split the profits.'

"Boss says: 'O.K. I'll do that. I'll split with you 50/50.'

"Butch gets out his pencil and does a little figuring. A hog costs $15. The hog meat would sell for $20. That would leave $5. Half of that would be $2.50.

"Butch says: 'No, that wouldn't be fair wages.'

"Boss says: 'All right, what do you think your time is worth?'

"'Well,' says Butch, 'I ought to get $4 for killing a hog.'

"The boss figures it out. $1 a hog for his share won't be so bad, so he says: 'O.K., Butch, let's start. I'll pay you $4 a hog.'

"Now, that's the way business always has been run and, what with collective bargaining and everything, it seems it ought to be fair enough. But let's see what happens.

"Butch and Boss go along all right for a while. Butch gets his $4 for killing the hog and Boss gets his $1 for his end of the deal. Everything is fine until the price of hog meat happens to go down. One day Boss wakes up that Butch is still getting $4 as they originally planned but he, himself, is only getting 50c instead of $1.

"For a while Boss doesn't seem to mind. After all, he thinks, Butch is doing his work every day and Boss only put up the money, and maybe there will be better times later on.

"Everything might still be all right if the price of hog meat didn't keep going down. Pretty soon Boss finds that Butch is still making his $4 and Boss is actually losing money. He has so much invested in the business that he can't quit. He can't afford to take losses forever. He gets panicky. There is only one thing to do—cut wages.

"It never occurred to Butch to come around and tell Boss he understood they were losing money. Boss has really been worrying. He hasn't been sleeping well nights. It keeps going through his head: 'That fellow Butch is drawing full pay all this time—I'm losing my shirt.' Boss begins to wonder whether Butch *really* cares much about him. The more he thinks about it, the more he begins to wonder whether he cares much about Butch. One fine morning Boss can't stand the pressure any more, so he walks in and says: 'Listen, Butch, from now on killing hogs is $3, not $4—take it or leave it.'

"About that time the price of hog meat starts to go up. It goes back to $20. It just barely comes into Boss's mind—that is where they started—$20 for hog meat—

(Continued on page 1524)

7 See for example, "National City Bank Letter," March, 1946, p. 27.

8 S. H. Slichter, "Wage-Price Policy and Employment," "Commercial and Financial Chronicle," Feb. 7, 1946.

9 Ibid.

10 Clinton S. Golden and H. J. Ruttenberg, "Dynamics of Industrial Democracy," Harper & Brothers, 1942.

11 Annual Wage and Income-Security Plans, Emerson P. Schmidt, Journal of Business of the University of Chicago, April, 1941.

12 Obviously, major technological changes would upset this stability. If a shoe-making invention should displace 50 to 70% of the direct labor now required in making shoes, the 20% figure would decline to 10% or less.

13 "The Interest of Labor in Competition," in "American Federationist," American Federation of Labor, December, 1938, p. 1325.

The Economics of Collective Bargaining

(Continued from page 1523)

$15 for the hog—$5 to split between them. Butch used to get $4. Boss thinks he might call Butch in and put him back on the $4 basis. Still, Boss doesn't know. There was a long time when he operated at a loss. Of course, Butch has his pay cut $1 but that was only 25%. Boss's share had been cut in half. What if Boss is making twice as much now as he did on the original deal? It probably won't last long. Maybe Butch isn't being done so badly by, at that. Anyhow, who knows? This $20 meat may not go on forever. Boss decides he will go along just as is.

"Butch is getting only $3 per hog now. Boss is getting $2. Butch feels that one of those two dollars is really his. He starts feeling that *everything* Boss gets comes out of Butch's pocket.

"At that point they have truly begun to misunderstand each other.

"Boss really begins to feel he ought to do something about that, so when Christmas comes he gives Butch a $5 gold-piece. That burns Butch up plenty, because with Butch doing all the work and getting only $3, and Boss getting $2 for just putting up the money, Butch knows Boss is a robber.

"On the other hand, Boss is afraid to do anything about it, because he knows the price is bound to go down any day.

"Maybe some day somebody else offers Butch another job at $4, so the Boss puts him back on a $4 basis rather than lose him. Maybe Butch gets his dander up and goes on strike, or threatens to, and gets his $4 back that way. Maybe prices stay up so long that Boss finally dares to raise wages without being pressed by anybody.

"Still nothing is settled. Although Butch and Boss are again on an agreeable basis for the moment, they are no better off than they were in the beginning. The margin between hogs and hog meat continues to go up and down. It can't be long until once more Boss thinks Butch is getting too much, or Butch thinks Boss is getting too much. Personally, I have come to the conclusion that the whole system for determining 'who gets what' has been wrong."

This kind of analysis gets down to the root of our civil war which goes by the name of collective bargaining with its concerted withdrawal from production of labor power, its boycotts, its picketing, its lockouts and misunderstandings. It is not probable that labor-management conferences and government conciliation schemes will ever bring order into our industrial relations until we have a better educational foundation for determining "who gets what." A few employers are doing some pioneering work in trying to establish an enduring foundation for industrial peace and for determining "who gets what."[14]

Under the Nunn-Bush system, the workers in the plant are paid 20% of the sales value of production. Management gets 1%. The office force gets about 2%, and there are several other variants. Every year, Mr. Nunn says, the workers come to him and say they want more money. And Mr. Nunn always says, "I think you ought to have more. Where shall we get it? Management gets 1%. Shall we whittle a little off there?"

"No, we don't want to do that."

"Can we cut that raw material price down?"

"No, the raw material price is determined in the free market."

Finally the workers come to the conclusion that the 20% is right; they have never upset that figure. All agree that the only answer is more production.

Henry Nunn said shortly after he adopted this plan that the scheme was not simply a device for regularizing paychecks; it had also "converted employees into partners in the enterprise." It was hard to understand what he meant by this until an experience with another employer, the president of a Canadian shoe company, who had adopted the Nunn-Bush 52-week paycheck system illuminated Mr. Nunn's statement.

The Canadian president and a worker were discussing the annual wage plan, and the worker said that Mr. So-and-so, who was the business agent of the union, had "changed his habits."

The president said, "What do you mean?"

"Well, he used to come in the mornings, punch the time clock, then he would go off and spend the day doing union business all over town. At five o'clock at night he would come back and punch the clock again, and then go home."

The employer, shocked at this, said, "Did he do that?"

"Yes."

"How many times a week?"

"Oh, three or four times a week."

The employer stated that he was speechless to think that that kind of theft—for that is what it was—was going on. Industrial relations within his plant had been very good; he could not understand why no one had ever reported the matter to him.

The worker noticed how shocked the president was, and added, "But he never does it any more."

The president, of course, figured that the worker was just pulling his leg, so he said to him, "What do you mean, he never does it any more? Why doesn't he do it any more?"

The worker said, "*We* won't let him."

Then, and only then, was it clear what Henry Nunn had meant a month or two before when he said that his annual wage plan had converted his employees into partners in the enterprise. Obviously, if that worker draws his weekly paycheck of, let us say, $50, but produces no shoes, then the $50 comes out of the paychecks of the other workers. The plan serves to discipline the entire enterprise and to coordinate the workers in terms of company objectives: to produce a large volume of quality merchandise at the right price. It goes to the heart of industrial relations.

Industrial Relations Involve More Than Economics

Industrial relations, of course, involve more than economics. Living and working together requires tolerance, understanding and recognition of the mutuality of interests. The human aspects of industrial relations are of importance equal with economic issues; therefore, the economic emphasis in this discussion should not be interpreted as justification for neglecting the human side of industrial relations. Unquestionably many employers have much to learn in this latter respect.

Criteria for Settling Disputes

In a free society rights are never absolute; even the right of free speech is limited by the law of slander and libel. Similarly the right to strike, to mass picket, to promote unionism, will in time also be recognized as a limited right, to be judged in the light of the right of the people not to be struck against, not to be picketed and not to be coerced by others. Given the facts the American people can be expected to resolve this conflict after a time, providing action is taken before even more drastic steps are precipitated.

The ideal society is one in which each person recognizes the rights and interests of others, and compulsion and coercion are at a minimum. It should be possible to evolve workable criteria for determining the rights of workers, of employers and of the public. Let us look at three such criteria. (1) For example, in the case of public utilities and other indispensable services would it be unreasonable to hire workers under a contract under which they would agree not to abandon work until adequate substitute workers had been found? (2) Or would it be unreasonable to require workers as a condition of employment in these industries to agree not to strike, with effective penalties for violation, so long as their wages and working conditions were equal to the average of other workers of similar skill and experience in the community? Individual workers could quit at will, but organized withdrawals of labor power could be barred under some such criteria as suggested above. No worker would be forced to enter these industries; but having entered he would accept the view that his right to strike was not an absolute right, but was conditioned by the rights of others. But such criteria should never become substitutes for humane, reasonable management-labor relations. Anticipating and preventing grievances is of the highest importance.

(3) Or would it be unreasonable to require that all labor demands, not subject to satisfactory negotiation, be submitted to a three man arbitration board, under which management would select one arbitrator, labor select one and the two parties or the two selectees mutually agree upon the third party to the board? This appears to be the only way in which an impartial arbitration board can be established. This method of resolving disputes has had better than average results in avoiding strikes and wage losses in the urban transportation industry. The international union and its officers thoroughly oriented in our American traditions of equality and fairness have not chafed under this self-imposed rule.[15] By making decisions retroactive to the time of the dispute, all strikes and other coercive tactics would be eliminated.

Such arbitration boards voluntarily established by management and employees, will in the long run operate more nearly in the public interest than the so-called public boards or even "public" members on these boards. Public boards and public members frequently are a travesty on the name "public" and would be defrocked or deprofessionalized, for the most part, in any scientific society, for their masquerading as fact finders.

It may be argued that labor unions will never accept these criteria. This may be true so long as a large portion of publicly vocal teachers, university professors, preachers, radio commentators, and other thought-leaders in and out of the government, are the victims of the naive purchasing power theory of prosperity. The "intellectuals" play an enormous role in shaping American affairs. To a considerable extent the new-intellectuals in America have the same blemishes of intellect as the new-rich have of manners. See the works of Sinclair Lewis in the latter field; we need a similar debunking of pseudo intellectuals.[16]

If it is true that labor as a whole can profit only by baking a bigger pie rather than by getting a larger slice of an existing one, the general validity of the foregoing suggestions will in time be publicly acceptable and then will be accepted by labor, although grudgingly and not without occasional backsliding.

The Role of Ideas

If the foregoing analysis has any validity at all, it indicates the power of ideas. Ideas are weapons. Ideas can destroy or can make a civilization. Hitler had an idea; it made him and then broke him and his entire order. Seventy million Germans and generations to come will suffer for Hitler's ideas.

The American economy appears to have become the victim of fallacious ideas as to what causes prosperity. Until erroneous ideas are displaced with correct theories and sound ideas, we are not likely to solve our industrial relations problems. Domestic civil war and international anarchy are not attractive heritages to pass on to the next generation. National security is at stake.

Our free enterprise system, given a healthy economic and political climate, could convert our natural and human resources into higher and higher standards of living for all. If wages are too low, why not encourage more people to become job-makers and thereby bid up the price of labor? This happened before the 1930's and could be made to happen again.

Our social fabric is severely damaged and has become tenuous. Unless our teachers, legislators, businessmen and other leaders can discover the authentic public interest and suppress short-sighted class interests we may be driven into some form of authoritarianism, even though no significant group willed it that way.

Education: Our Salvation

Daily we hear the nauseating platitude that the world has become smaller; but in things more important than bombing planes, radar and television its distances are vaster than for a thousand years.

We judge whether a country is really free by the amount of security enjoyed by minorities. It is bad to be oppressed by a minority but it is worse to be oppressed by a majority.

A very few policemen can usually "keep order" when there is common agreement on values, objectives and means, because it is really the community that keeps itself in order. When a community splits into factions, the police may be quickly overpowered; any one who has seen this occur knows how fragile civilization proves when the divisive forces become overpowering.

The solution to our industrial relations problems must be the expression of the general community sense of what is right. Then the amount of coercion actually required will stay at a minimum. Education in both economic matters and in matters of human relations must bring the solution.

14 Allen W. Rucker, "Labor's Road to Plenty," L. C. Page & Co., Boston, Mass., 1937, $2.50. Proposes a new technique for determining the distribution of the shares of production which merits careful study by both labor leaders and business managers.

15 "Industrial Relations in Urban Transportation," by Emerson P. Schmidt, Universitv of Minnesota Press, 1937.

16 For a good beginning see: "An Appraisal of the Fatalistic View of Capitalism," Machinery and Allied Products Institute, Chicago, Ill.

Our Reporter's Report

Undoubtedly the banking group which bid in Union Pacific Railroad's $81,602,000 of new mortgage bonds last week on a basis setting an unprecedented low cost for railroad financing, were fully aware that the operation would not be one of those "out-the-window" undertakings.

On the contrary it must have been realized, as events since have proven, that merchandising of this issue to the ultimate investor would require time and considerable effort.

Bidding for that issue, it will be recalled, forced the investment market through another yield layer on the downside and accordingly developed no little resistance on the part of institutional investors who must finally absorb by far the bulk of such a large issue.

Bankers paid the company a price of 101.27 for the new 2½s, or the equivalent of a 2.453% basis, and proceeded to reoffer the bonds at 102.19 to yield the buyer just about 2.42%, which is only 22 yield points above the basis of 2.20% realized by the Treasury on its Victory Loan 2½s, sold near the close of last year.

But the bid of the competing banking group, which offered the road a price of 101.1899 for the same coupon rate, reveals that the underwriting fraternity was thinking pretty much along the same lines, indicating that investors must prime themselves for a further whittling of yields unless something now unforeseeable should develop to bring a change in the basic situation.

New So. Pacific's Settle

A quick settling movement developed in the new Southern Pacific 2¾s when the syndicate agreement was dissolved early this week. The bonds, brought out at par, in a total of $50,000,000 late last month, dropped back to 98½ bid and 98¾ offered.

Meanwhile the road is slated to open bids next week on another issue of $25,000,000 of new first mortgage bonds, series G, due Jan. 1, 1961. Bidders will name the price and fix the interest rate on the new loan.

Proceeds will be used to provide for the retirement of an equal amount of outstanding series A 2⅞s of similar maturity.

Central N. Y. Power Preferred

Inquiry indicated brisk investor interest in the 200,000 share offering of Central New York Power Corp.'s new preferred stock, due out today at a price of 101.50.

Sold to bankers in competitive bidding on Thursday the successful group fixed a 3.40% dividend for the stock and paid the company a price of 100.15. A second group offered a price of 100.086 for the same dividend rate.

Funds from the offering together with company cash and funds to be received from the sale of additional common stock to Niagara Hudson Power Corp., will be applied to retirement of the outstanding 251,584 shares of 5% preferred.

Consol. Edison Refinancing

The way was cleared at a recent stockholders' meeting for complete refinancing of the debt structure of Consolidated Edison Co. of New York system.

The proposal of the directors to authorize a new mortgage on the properties was approved by an overwhelming majority the vote disclosed, marking the first step in the program calling for refinancing of $304,200,000 of callable debentures and bonds.

Current debt involves an average annual interest charge of 3.37%. Officials of the company believe it is possible, under prevailing market conditions, to refund a large part of the debt at a sizeable reduction in carrying costs.

Higgins, Inc. Offering

Current discussion indicates that public offering of the capital stock of the new Higgins, Inc., could reach market toward the end of this week or early next week.

This operation undertaken some weeks ago ran into a snag when the Securities and Exchange Commission charged the bankers who originally headed the group with infractions of the Securities Act and imposed a mild suspension.

The operation involves the projected sale of 900,000 shares of capital stock of the new company to the public and the payment of 300,000 shares additional to Higgins Industries, now in liquidation, in return for certain assets.

More Heard at Savannah

(Continued from page 1495)

respect to my country was the accumulation of gold and dollar balances by our central bank. This situation resulted from favorable trade balances during the war years: we sold more abroad than we were able to purchase. It should be recalled that our monetary reserves increased, not because of higher prices obtained for those products abroad but rather because of a larger volume of exports.

"Although our monetary reserves are more than ample to maintain stable the present peso-dollar rate of exchange, it is likely that in the near future we shall again be confronted with adverse balances of payments. Before the war Mexico's exports normally exceeded her imports by some $80 million a year. However, during 1946 we had an unfavorable trade balance of approximately $90 million. Notwithstanding this situation, our holdings of gold and foreign exchange not only remained the same but were slightly increased. The deficiency in our visible items was compensated by the 'invisibles' in our balance of payments, namely, the dollar remittances made by the many thousands of Mexican laborers who came to relieve the labor shortages in the United States during the war.

"Now that a labor shortage no longer exists in this country, and as our laborers are returning home, Mexico will no longer have this source of dollar exchange. It is very likely then that our unfavorable trade balances will have to be compensated by drawing on our gold and foreign-exchange holdings accumulated during the war period. Our monetary authorities are well aware of the situation and are prepared to take such measures as may be necessary to safeguard our balance of payments. Among these, influence may be exerted on Mexican consumers to discourage them from purchasing superfluous luxury goods and also to enhance by all possible means the imports of machinery and equipment which will increase the output of goods, raise the productivity of our labor, and result in more permanent benefits to the people by raising their standards of living.

"The policy outlined above is indeed sound and reasonable and will further the efforts of Mexico to industrialize. It is mainly by increased production that the necessary purchasing power can be created to stimulate consumption. It is no longer necessary to dwell on the generally accepted principle of the high degree of correlation which exists between industrialization and the volume of foreign trade. What will benefit Mexico will also benefit other countries, among these the United States as well as others engaged in exporting industries.

"It is a matter of direct concern for an exporting country to have prosperous friends and customers in other nations. For this reason the proper and enlightened policy should be to give more facilities to the exporters of those goods from which foreign customers will derive permanent benefits, rather than to those who sell superfluous luxury articles which only result in the permanent exhaustion of monetary reserves, and may even cause serious exchange instability.

"Should an adverse climate for Mexico's development be created by a short-sighted trade policy and should we fail in averting the sterile use of our monetary reserves, then Mexico would be placed against a wall. For evidently the International Monetary Fund was not intended to remedy such a 'fundamental disequilibrium.' The Fund can only offer temporary relief but not a permanent solution. Consequently our country might well be forced to take, in consultation with the Fund, such measures as would insure the fundamental stability of our national economy."

Czechoslovakians Interviewed

The "Chronicle" representative discussed with several members of the Czechoslovakian delegation the efforts being made in that country to recuperate from the war. In the course of these interviews the writer asked for information on several questions, which are listed below, together with the replies. The first, fourth and fifth questions were answered by Mr. Jan Viktor Mladek and the second and third questions by Prof. Alois Kral of the National Bank of Czechoslovakia.

Jan Viktor Mladek

What Interest Has Czechoslovakia in the Fund and the Bank?

Answer: "As an industrial and exporting state, the Czechoslovak Republic has an interest in the stability of exchanges which facilitates the greatest and broadest volume of international trade.

"Central and Eastern Europe suffered greatly by the war and faces the problem of profound economic reconversion to a peacetime economy. Czechoslovakia, always closely tied commercially with all the countries of this area, has a deep interest in a speedy reconstruction of these countries. This could be achieved by appropriate loans to those of them which suffered so much by the war. Here the International Bank for Reconstruction and Development has an opportunity to play a great and constructive role."

Will Czechoslovakia Orient Herself Towards East or West?

Answer: "In the American press opinions can often be found stating that Czechoslovakia eliminated itself or was eliminated from economic relations with the western countries. This opinion is entirely unfounded. Czechoslovakia exported one-fourth of its national product to the whole world from which it purchased needed raw materials and partly also food. **Cooperation with the Soviet Union is a political necessity; it is a defense not only of Czechoslovakia but also of the entire western world against an eventual attempt by Germany to renew her aggressive policy.** The political alliance with the Soviet Union and the intensification of economic intercourse with her does not exclude but, on the contrary, supports the efforts of Czechoslovakia for the broadening of economic relations with all the countries, be they the countries of central and eastern Europe or of the West, where the skill of the Czechoslovak worker and his products always enjoyed a good name. This good name we not only intend to maintain but also increase its popularity in the coming years. Czechoslovakia cannot do without raw materials and some food supplies from overseas if it wants to maintain and increase—as it does—the standard of living of its population, whose tastes in the past have been greatly influenced by close cultural and economic ties with the West."

What About the Nationalization of Industry? What Does It Mean?

Answer: "As other European states, Czechoslovakia also was confronted after the war with the problems of economic and social reconstruction made imperative by the profound changes caused by the war in economic structure of the country. During the occupation, Czechoslovak industry was Germanized and its structure completely rebuilt so as to serve the military needs of the German Reich. This structure, from the peacetime point of view, could not be maintained nor could it assure sound economy of the country. Moreover, the German war machine caused a great deal of damage to the industrial equipment of those frontier provinces of Bohemia and Moravia which were highly industrialized. The Germans scrapped a lot of such machinery, partly because they were unable to supply the necessary raw materials. **As it was, the end of the war left Czechoslovakia with very substantial losses. Some factories were badly damaged through fighting and bombing, some were looted and practically all had substantial claims against German banks and the Reich for goods which they were forced to deliver to the Germans.** Losses were higher than could be borne by private entrepreneurs. Many enterprises, owned by Germans who did not return from the war or who fled the country, remained without masters. The Government could not act otherwise than to take over the charge of such property. Besides that, the organized labor asked for such changes which would assure appropriate wages, steady employment and a higher degree of social security.

"As a matter of fact, nationalization in Czechoslovakia does not mean fundamental change which it might have caused in other countries, because so many enterprises in Czechoslovakia were in public hands all the time. Railroads, many banks, all of the public utilities, and especially armament factories, were either completely or to a great proportion in the hands of the Government, communities, or semi-public bodies. This has been so for generations, and it means, therefore, that not the principle of Government engaging in business but the scope of its application has changed.

"Another important factor in the economic life of the country was cooperatives, which formed a large chain with a tendency to grow and expand. It goes without saying that the individual entrepreneur continues to be important in lines of production and distribution not affected by nationalization. Not all of the production and transportation has fallen under the nationalization decrees. Many undertakings of quite an important size will go on working without change in their legal or personal standing.

"Where the Government took over important industries, one thing must be said: men appointed by the Government to run the variuos lines of production are specialists and not politicians. This is sufficient proof that nationalized factories have to be run on a sound commercial basis.

"Concerning foreign investments and interest in enterprises which fell under the nationalization decree, Czechoslovakia has interest to solve these questions in agreement with the foreign interested parties without discrimination, being guided by the desire not to stop work and that these enterprises should keep on producing to the satisfaction of foreign interested parties as well as of the entire economy."

Can You Tell Us Something About the Monetary Reform in Czechoslovakia?

Answer: "At the end of last year Czechoslovakia began to realize its plans for a monetary reform of the country which were already prepared during the war. First, all the means of payment issued under the German occupation were withdrawn from circulation and appropriate measures were taken to put the new currency on a sound basis. This measure proved to be successful. People began to appreciate the new currency, recognize its value, and accept the transitory difficulties with great understanding.

"The second phase of the monetary reform was the raising of the price and wage level by about 200% as compared with prewar prices. The aim was to bring closer the official ceiling prices and the prices on the black market. This measure also enabled to bring into harmony the various price levels arbitrarily set by the German occupation in the different provinces of the country. At the

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Feb. Cotton Consumption

The Census Bureau at Washington on March 18 issued its report showing cotton consumed in the United States, cotton on hand, and active cotton spindles in the month of February.

In the month of February, 1946, cotton consumed amounted to 746,994 bales of lint and 91,296 bales of linters, as compared with 811,368 bales of lint and 96,242 bales of linters in January and 781,149 bales of lint and 120,350 bales of linters in February, 1945.

In the seven months ending Feb. 28 cotton consumption was 5,154,213 bales of lint and 604,679 bales of linters, which compares with 5,651,960 bales of lint and 868,521 bales of linters in the corresponding period a year ago.

There were 2,373,930 bales of lint and 353,579 bales of linters on hand in consuming establishments on Feb. 28, 1946, which compares with 2,366,336 bales of lint and 328,268 bales of linters on Jan. 31, 1946, and 2,227,851 bales of lint and 317,378 bales of linters on Feb. 28, 1945.

On hand in public storage and at compresses on Feb. 28, 1946, there were 9,418,209 bales of lint and 53,557 bales of linters, which compares with 9,964,513 bales of lint and 48,271 bales of linters on Jan. 31 and 12,401,385 bales of lint and 33,014 bales of linters on Feb. 28, 1945.

There were 21,628,796 cotton spindles active during February, which compares with 21,629,832 cotton spindles active during January, 1946, and with 22,219,-696 active cotton spindles during February, 1945.

Thralls & Co. Formed In New York City

Thralls & Co., Inc., has been formed with offices at 37 Wall Street, New York City to engage in the investment business. Officers of the firm are Jerome Thralls, Jr., President; Marvin A. Thralls, Vice-President and Treasurer, and Jack T. Thralls, Secretary. Jerome Thralls was manager of the U. S. Government bond department at Kidder, Peabody & Co., prior to serving in the armed forces.

J. Raymond Smith Joins Staff of Weeden & Co.

Weeden & Co., Incorporated, 14 Wall Street, New York City, announces that J. Raymond Smith, formerly Lt. Commander, USNR, has become associated with the firm.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Major position indicates higher prices. However, a minor reaction a possibility before any real advance is likely. Trading range upper barrier is 198-202. Downside support should hold at 189.

Since the previous column was written the market has gone down about six points, from approximately 196 to 188, and then turned around again. This turn-around, not important in itself, has accomplished something a little more important than surface indications show. It isn't what the market has done, that is significant, but rather what it hasn't done.

* * *

Last week the action of the tape pointed to a reaction. How far it would go was something else. Extent or duration of reactions or rallies are seldom indicated by market performance. To determine that, an entirely different set of rules, or behaviorisms, have to be taken into account. In any case when last week's column was typed, a reaction was in the wind. Using the yardstick that movements once started carry on until they have reached support points, the level for a stopping place seemed to be about 180. There isn't any point in explaining how I arrived at such a figure. First of all I don't think I can explain it. Secondly, when I try to put the explanation into understandable English, it just looks silly.

Any way the 180 figure looked like where the averages were going. You know what actually happened. Stocks got down to about the 188 level, hemmed and hawed and by Saturday of last week started up again. An important signal was seen by the method of advance. Between 192 and 194 there was a lot of stock offered. If logic were applicable to the stock market, it would seem highly plausible that between 192 and 194 the market would run into a stone wall and turn around again. For on four previous occasions the market has shown inability to get through that barrier. But at the end of the Monday trading day stocks were through the level.

* * *

So far so good. It looks as if the sun is beginning to shine through again, and I have little doubt but that given a few more days of pleasant market weather, a great many people who have gotten wet in the recent storm will pop out and again start thinking of what to buy. When that occurs the chances are that another squall will be upon us. Maybe not right away, but signs of it will almost certainly appear on the horizon.

The tune which will probably usher it in will be the one about poor earnings, dangerous international outlooks and many other things. You don't have to worry about excuses. They are always easy to find. What you have to do is to remember that excuses seldom pay off. And reasons are seldom known till after the fact. Stick to market performance. It will pay better in the long run.

* * *

You still are long of half positions in the following stocks: Air Reduction about 52, American Car and Foundry, about 60, American Locomotive about 36½, American Steel Founders about 42, Bethlehem about 99, Chrysler about 120, Electric Auto-Lite about 71, Superheater about 30, U. S. Steel about 82 and U. S. Rubber about 65½. The remaining half was sold last week with some profits.

* * *

The question now arises what to do with the positions you still hold. The answer is that you now have some room in which to maneuver and even if they go down a little more than generally expected, the cashing in of previous profits permits you to hold on. Broadly speaking, however, stocks should not be held if the averages break the 190 level. Permit an extra point and make it 189. If the market gets under the latter figure the possibility of another reaction will become intensified. On the up-side the 198-202 range looks like a tough one to negotiate. There is no cause to worry about that one yet. I merely point it out as a signal to watch out for.

More next Thursday.

—Walter Whyte

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

Business Failures in Feb.

Business failures in February were higher in number but lower in amount of liabilities involved than in January. When compared with a year ago, failures were higher in both number and amount of liabilities involved. Business failures in February, according to Dun & Bradstreet, Inc., totaled 92 and involved $2,983,000 liabilities as compared with 80 in January, involving $4,372,000 and 66 involving $1,557,000 in February last year.

All groups into which this report is divided, with the exception of the manufacturing group, show more failures in February than in January. When the amount of liabilities is considered, only the manufacturing and commercial service groups had less liabilities involved than in January.

Manufacturing failures in February were down to 29 from 35 in January, and liabilities were also down to $874,000 in February, from $1,677,000 in January. Wholesale failures numbered 9 with liabilities of $888,000, as against 3 with liabilities of $16,000 in January. Retail failures numbered 27, with liabilities of $258,000, as compared with 22 with $245,000 liabilities in January. Construction insolvencies in February were up to 14 from 8 in January, and liabilities rose to $215,000 in February from $155,000 in January. Commercial Service failures in February were up to 13 from 12 in January, but liabilities were down to $748,000 in February from $2,279,000 in January.

When the country is divided into Federal Reserve Districts it is found that the Boston, Cleveland, Atlanta, Chicago, and San Francisco Reserve Districts had more failures in February than in January, while the Kansas City Reserve District had the same number and the Dallas Reserve District did not have any. When the amount of liabilities involved is considered it is seen that the Philadelphia, Richmond, Chicago, St. Louis, and Minneapolis Reserve Districts had less liabilities involved in February than in January, while the remaining districts, with the exception of the Dallas Reserve District which did not have any, had more liabilities involved in February than in January.

N. C. Kampf Resumes

NEWARK, N. J.—Nathaniel C. Kampf has resumed his investment business under the name of Kampf & Co., 730 High Street. Mr. Kampf conducted his own investment business in Newark prior to 1941.

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same time it was endeavored to bring about an equilibrium between costs of production and prices so as to make it profitable for agriculture as well as industry to resume production at full speed. These measures, too, at least until now, have proved correct. **The black market was eliminated to such a great extent that today Czechoslovakia belongs among those states where the black market does not present a dangerous threat.** The difference between the official prices and the black market prices was narrowed to a small margin."

What Will Be the Economic Consequences in Czechoslovakia of the Transfer of Germans to Germany?

Answer: "For Czechoslovakia the transfer of Germans from the border region is a question of fundamental political importance. The state could not leave within its borders a group of people with strong German nationalistic feelings who of their own volition declared themselves to be citizens of the German Reich and refused loyalty to a state which gave them opportunities for a normal development. Because of this, it presented a dangerous and disintegrating element within the country which sooner or later could again endanger the peace not only of Czechoslovakia but of all Europe. For these reasons all Czechoslovak political parties, and indeed the whole nation, demanded the transfer as an absolute necessity; as a question of the existence of our state. It cannot be denied that with the transfer of German labor power certain difficulties in our economy will be felt. Czechoslovakia consciously assumes these sacrifices because the political peace which will be achieved by this measure is so important that for its sake it is necessary to suffer certain, even if painful, losses. They will be borne not only by the Germans—as many contend—but also by Czechoslovakia which will not, as mentioned above, be able to utilize all the human and material resources it commanded before the war. **These difficulties, however, will be only of a transitory nature and will be overcome in a short time by hard work and organizational effort which the Czechoslovak people within the framework of their democracy are developing very promisingly."**

Belgium's Central Bank Governor Speaks

Among the many able financiers attending the Savannah meeting of the Fund and Bank is Maurice Frere, Alternate Governor of the Bank and Fund and governor of the National Bank of Belgium. At Savannah your correspondent asked M. Frere to discuss some of Belgium's financial problems. His remarks are reported in full below. M. Frere emphasized the improvement which has been taking place in Belgium in recent months, saying:

"Marked improvements have taken place in Belgium since the liberation of the country, in the way of financial restoration. The improvements are due mostly to measures taken to combat a threatening inflation.

"By the end of the German occupation in October 1944, the note issue of the National Bank of Belgium amounted to 2,320 million dollars, as against one thousand million in May 1940.

"On a proposal by the Minister of Finance, Mr. Camille Gutt, all banknotes in circulation at the time of the liberation of the country were withdrawn, and their counterpart, except a maximum amount of 45 dollars per head, was deposited in blocked accounts. Deposits in current account, which had also increased considerably since 1940, were blocked as well, with the exception of those amounts which were held at the time of the invasion of the country by Germany.

"The amounts thus blocked have since then been transformed, up to 60%, into long term Government bonds bearing 3½% interest. The remaining 40% have been progressively released in concurrence with the economic revival of the country. Such releases are now being continued.

"The necessity for the Belgian Government to provide since the liberation for the upkeep of Allied Armies on Belgian territory, and its desire to contribute in all possible ways to the war effort have to a certain extent compensated the energetic deflation which was practised in 1944. In fact the Treasury had to borrow from the central bank the enormous amounts that this effort required at a time when the capital market had ceased to function and when savings were reduced to a minimum.

"Today the note circulation has been brought back to 1,700 million dollars, approximately three quarters of what it was at the time of the liberation. It is covered by approximately 45% in gold and about 5% in foreign exchange. These holdings in gold or foreign exchange have increased by 10% since the liberation.

"The price level, which owing to the absence of foreign imports had risen continuously during the occupation, since has been lowered, thanks to the large imports which have taken place; and this tendency continues.

"These imports we were able to pay partly because of our own exports of goods, but also thanks to the refund in their own currency, by the United States, Great Britain and Canada, of the advances made by the Belgian Government for the upkeep of their armies. The country received also deliveries in kind within the frame of Lend-Lease and Mutual Aid Agreements.

"Belgium received also a loan of 100 million dollars from the Export-Import Bank, and another of 25 million dollars from the Canadian Government.

"The budget situation is well on the road to recovery. The ordinary budget of 1946 shows an important surplus, and the rapid increase of tax receipts gives hope that an important part of the exceptional expenses resulting from the war will be covered by current income.

"Exceptional taxes on war profits and a 5% capital levy were approved by Parliament in October 1945. The purpose of these taxes is to redeem the bonds remitted in exchange of 60% of the funds frozen in 1944.

"Owing to this very hard fiscal effort and to the economies realized in the establishment of the budget, the Government hopes to limit its new borrowings in 1946 to a strict minimum. As regards foreign currencies needed to pay for the imports, they hope that the revival of exports which is rapidly taking place, will soon yield an important part of what is required.

"The reparation of war losses and the reorganization of industry will certainly necessitate important calls on the savings of the country. We are of opinion that the internal market will furnish an important part of what will be required and that the country will resort to foreign loans only for definite purposes and up to strictly limited amounts."

Statement by Wm. McChesney Martin, Jr.

Mr. William McChesney Martin, Jr., Chairman of the Export-Import Bank, who arrived in Savannah the latter part of last week for the closing sessions of the Inaugural Meeting of the World Fund and Bank, expressed in an interview for the "Chronicle" his confidence that the two institutions would soon be on an operating basis. "The rapid progress made at the Inaugural Meeting," he said, "makes this result certain." Mr. Martin is a member of the National Advisory Council on International Monetary and Financial Problems created by the Bretton Woods legislation and in this capacity participated in the preparations for the Savannah conference.

Wm. McC. Martin, Jr.

In response to a question about the relationship between the Export-Import Bank and the World Fund and Bank, Mr. Martin emphasized that the institution of which he is head is "playing an interim role with respect to reconstruction loans. **That is, the Export-Import Bank is making dollar credits available to liberated and war-devastated countries to enable them to make urgent purchases of supplies and equipment in the United States until such time as the International Bank can begin to operate."** Mr. Martin described the World Fund and Bank, the enlarged role of the Export-Import Bank, and the British loan now under consideration by Congress as "indispensable elements of a financial program designed to assist in the restoration of the economies of war-torn countries. The essential purpose of the program," he added, "is to put foreign countries in a position to exchange goods and services with the United States on an expanding scale."

The lending authority of the Export-Import Bank was increased by Congress last July from $700 million to $3,500,000,000 for making reconstruction loans and other purposes. Approximately half of the Bank's resources have been loaned or committed, thus leaving about $1,750,000,000 available for new credits. Mr. Martin said that a further increase of $1,250,000,000 in the lending authority of the Bank would be requested of Congress in accordance with a recent recommendation of the National Advisory Council. **He said that the Bank was engaged at present in negotiations for long-term reconstruction credits to a number of countries, including China, Czechoslovakia, Italy and Poland, and that negotiations with the French financial mission, headed by Leon Blum, were expected to begin late in March.**

Yugoslavia Wants to Cooperate With United Nations

In expressing Yugoslavia's intention to cooperate with the United Nations, Mr. Lavoslav Dolinsek, his country's Governor on the Fund and Bank and First Vice-Governor of the National Bank of Yugoslavia, gave the following statement to your correspondent. In this statement is a suggestion that Yugoslavia hopes to benefit from the Fund and Bank, particularly the latter. Mr. Dolinsek sketches the history of the measures Yugoslavia took to fight the inflated currency left after the German occupation. Mr. Dolinsek said:

"Yugoslavia was liberated partly in the fall of 1944 and partly in April and May of 1945. The liberation came at a time when Yugoslavia was in a very difficult situation. **During the war she lost about 1,700,000 human lives and her material losses were among the greatest suffered by any of the peoples of Europe in the battle against the enemy.**

"Some of the greatest problems facing the Yugoslav authorities immediately after the liberation of the eastern part of Yugoslavia in the fall of 1944 were connected with the unusually difficult currency and financial conditions. Namely, after the occupation of Yugoslavia in 1941 the enemy, at the same time that he was smashing the national unity of Yugoslavia, was also breaking up her economic unity. In place of the unified Yugoslav currency which was in circulation at that time—the Yugoslav dinar—the enemies introduced into the country seven different kinds of currencies which were to serve as legal tender on occupied territory.

"Of course all these currencies were not covered and their buying power was directly dependent on the amount of money in circulation and the amount of goods for disposal on the market. The enemy financed their troops of occupation and their administrative apparatus by increasing the amount of money in circulation. In addition the occupiers used this money to pay—in those rare instances when they paid—for the goods which they exported to their countries in enormous quantities. The enormous proportions of the exploitation and devastation also caused catastrophic reactions so that the amount of goods on the market was sharply decreased. In that way, toward the end of the occupation, there were great amounts of money in the country while at the same time there was a very small amount of goods.

"We think that one of the rarest instances in currency history occurred when we, in the middle of 1945, re-established our money system and with it the economic unity of Yugoslavia. We created one money area from seven different ones and in that way solved two important and practical problems. First, we decreased our circulation from an amount that ran into the hundreds of billions to a circulation near the prewar level. Second, we firmly established the rates of exchange from those which existed during the occupation to the new Yugoslav currency with the purpose of replacing the occupation currencies with our new money.

"Both these problems were solved in the least possible time and with them the re-establishment of the monetary unity of Yugoslavia, which led to the renewal of her economic and financial unity, was achieved. Economic barriers established by the occupiers between the various parts of Yugoslavia were done away with, and the collection of state revenues was made possible. In this way the financial policy was unified and that was as always one of the most urgent problems in the general organization of national life.

"The currency reforms meant only the first step in the new economic policy of Yugoslavia. Maintaining the buying power of the Yugoslav dinar within the country and maintaining its parity with foreign exchanges were made possible not only by very strict curtainment of state expenses and by the increase of state revenues to their maximum; but also, primarily, by the self-sacrificing efforts of our citizens. Yugoslavia finances its tremendous tasks of reconstruction almost exclusively from its own resources and mainly by the voluntary work of her citizens.

"Certain measures in our financial policy succeeded in preventing any great increase in prices. Full control of wholesale and retail prices, control of wages, salaries and interest rates presented a further step in the economic and financial stabilization of our situation. During recent months a small drop in prices has been noted in our country and we hope that we shall have further satisfactory results in this direction. **As far as our money circulation is concerned, today it is lower than it was in Yugoslavia before the war.**

"With its help of food and other necessary consumers and producers goods, UNRRA has done a great deal toward helping us maintain prices and of course toward helping us to save our people from starvation in especially hard hit parts of the country.

"We are aware of the difficulties before us in the financial and economic re-establishment of our devastated country, but we are at the same time prepared to fight against these difficulties and to overcome them.

"Our signing of the Bretton Woods agreements and our participation in this conference represent a further step in the establishment of economic ties with the rest of the world. **We shall attempt, by our participation in these organizations, the Fund and Bank, to further economic cooperation with the United Nations as much as possible, hoping that at the same time we shall find in these organizations a full understanding of the hardships we face after four years of devastating occupation and warfare."**

Peruvian Stresses Latin Interest in Bank Loans

In the following statement for the "Chronicle," Mr. Jose Barreda Moller, Peru's Alternate Governor of the Bank, gives a representative Latin American view of the meaning of the Bank to that part of the world.

"From the very beginning Peru understood the importance that the Fund and the Bank had for world economy, as well as for its own, but its main interest rests on the Bank.

"Like most Latin American countries Peru has not an acute exchange problem arising from a passive balance of international payments because during the last years the favorable balance of trade has permitted an increase in its reserves though not to the extent that other American countries have reached. Nevertheless Peru, as a staple producer country, knows perfectly well that should a decrease in world trade happen, or should prices of commodities and raw materials go down, its economy would be greatly damaged. **In this case the Fund could be of great importance to meet payments for imports while we find a solution to the problem of our exports.**

"The problem of currency stabilization for the Latin American countries, and particularly for Peru, lies nowadays on their fiscal policy more than on their international trade and balance of payments. Almost all countries have a form of exchange control and have fixed the parity of their currencies to a certain rate with the American dollar but, as long as they follow an inflationary fiscal policy, the internal purchasing power of their currencies decreases continuously, as it is measured by the price indexes, while the external or foreign purchasing power remains the same on account of the fixed rate of exchange and the small rise in prices in those countries where the Latin American republics do most of their purchasing, namely the United States, Canada and the United Kingdom. This loss of balance between the internal and the external value of money creates a great demand for foreign exchange and, therefore, is a force against the stabilization of their currencies. The fixed parity or rate of exchange in this case can be preserved only through the exchange control.

"Most Latin American countries have conserved during the war years their exchange controls only to fight the effects on their currency of an inflationary fiscal policy and Peru, which for many years was one of the few countries in the world without exchange control, in January 1945 had to take this defense measure only as a consequence of its fiscal policy from 1940 to 1945.

"This inflationary fiscal policy followed by many of the Latin American countries in the last few years and the maintenance of severe exchange restrictions are inconsistent with the purposes of the Fund and will bring up in the future many conflicts because most of those countries are now interested in a policy of economic expansion and development by public works which will require great

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Maxson Food System Pfd. Stock on Market

The public offering of 475,000 shares of $.50 convertible preferred stock of Maxson Food Systems, Inc., at $10 per share has been oversubscribed and the books closed by the underwriter, F. Eberstadt & Co., Inc., it was announced March 19. Stockholders of the W. L. Maxson Corp., who were accorded subscription privileges, took a substantial part of the issue.

Maxson Food Systems, Inc., processors and distributors of pre-cooked frozen foods, expect to apply the proceeds of the financing for general corporate purposes including working capital, new plant and equipment, research and development work, and the extension of its sales program covering airlines, other transportation companies, large institutional and commercial customers, and individual users through establishing wholesale and retail trade channels.

Paper Exporters Elect

Adalbert Greiner, President of China American Paper & Pulp Co. Inc. was elected to the Presidency of the United States Paper Exporters Council, Inc. at its annual meeting held Mar. 7 at the Uptown Club in New York City. Mr. Greiner succeeds Frank W. Smith, Vice-President of National Paper & Type Company, who, in reviewing the Council's progress emphasized the need for breaking down the indifferent export attitude of American paper mills and promoting this country's position in the export of paper and paper products to a level as high as that attained for its industrial products. It was reported that the past year had witnessed an increase of over 25% in the Council's membership.

The Council also elected J. Francis Strub, Vice-President of Parsons & Whittemore, Inc., as its Vice-President, and Kenneth W. Lathan of Moller & Rothe, Inc. as its Secretary-Treasurer. In addition to the officers, the new Board of Directors will include the retiring President, Frank W. Smith, Paul Harving, President of Harving Paper Co., Eli de Vries, President of E. deVries Co. and Olaf Nielsen of Elof Hansson Co. Javits & Javits, 165 Broadway, New York City, will continue as legal advisers for the Council.

Morgan Stanley Offers Central N. Y. Power 3.40% Series Pfd. Stk.

Morgan Stanley & Co. heads an investment banking syndicate that is making public offering today, March 21, of 200,000 shares of $100 par value cumulative preferred stock, 3.40% series, of Central New York Power Corp. at $101.50 a share and accrued dividends. The group was awarded the stock at competitive bidding on March 19 with a bid of $100.15 a share and accrued dividends.

Proceeds of the sale of the stock, together with other funds to be obtained from cash resources of the company and from a capital contribution of $4,000,000 from the parent company, Niagara Hudson Power Corp., will be applied to the redemption, on or about April 25, 1946, of the presently outstanding 251,584 shares of the Company's preferred stock, 5% series, at the redemption price of $105 a share plus accrued dividends.

Organized in 1937, Central New York Power Corporation renders electric and gas service to the public in the central and northern portions of New York State. The Company intends to substitute straight natural gas service for its mixed gas and manufactured gas services within the next two years. Total population of the area in which the Company renders service is around 800,000.

Total operating revenues for the year ended December 31, 1945 amounted to $31,988,639, compared with $31,618,819 in 1944. Net income amounted to $3,064,435 in 1945, compared with $2,718,436 in 1944.

During 1944 and 1945 the company reduced its outstanding funded debt by $14,875,400 and at the end of the latter year total long term debt amounted to $52,001,702. After the present financing, outstanding capital stock will consist of $20,000,000 par value of the new 3.40% preferred stock and 1,331,358 no par common shares.

Associated with Morgan Stanley & Co. in the offering are: Blyth & Co., Inc.; The First Boston Corporation; Glore, Forgan & Co.; Goldman, Sachs & Co.; Kidder, Peabody & Co.; Kuhn, Loeb & Co.; Lehman Brothers; Mellon Securities Corporation; Smith, Barney & Co.; Clark, Dodge & Co.; Coffin & Burr, Incorporated; Drexel & Co.; W. E. Hutton & Co.; Lee Higginson Corporation; Merrill Lynch, Pierce, Fenner & Beane; F. S. Moseley & Co.; Schoellkopf, Hutton & Pomeroy, Inc.; Spencer Trask & Co.; Tucker, Anthony & Co.; White, Weld & Co.; Central Republic Company; Equitable Securities Corporation; Harris, Hall & Company (Incorporated); The Wisconsin Company; and Vietor, Common, Dann & Co.

Thornton & Co. Offers Appleton Mfg. Co. Stk.

Thornton & Co. on March 18 offered a new issue of 125,000 shares of common stock (par $1) of Appleton Manufacturing Co. at a price of $2.375 a share.

Proceeds from the sale of this issue will be added to working capital and used for increasing production, purchase of additional machinery and tooling, and the installation of an assembly line conveyor system.

The company is engaged in the manufacture and sale of farm machinery, primarily automatic corn huskers and shredders. The company's manufacturing activities are conducted at Batavia, Ill. The company is successor to a business originally founded at Appleton, Wis., in 1872.

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expenses, which cannot be provided only by regular revenues and public borrowing.

"This program of economic development that the Latin American countries have been considering in the last few years causes them to give a great importance to the International Bank for Reconstruction and Development.

"Peru, for instance, has a great potential wealth which can be developed by the use of foreign capital and technical advice that the Bank may help to provide. We are planning the formation of special corporations for the development of our natural resources and two of them have already been working for the last four years. **One, the Corporacion Peruana del Santa, is a small application of the principles that lie under the Tennessee Valley Authority and is carrying on a similar work on the Santa Valley, where it has almost finished the installation of an electric plant which will provide 120,000 kw produced at one of the lowest costs in the world.** This power will be used to produce fertilizers for agriculture, different chemical products, cement, etc.

"This same corporation has completed the preliminary studies for the erection of a steel plant whose economic possibilities have been accepted by the American experts, Brassert and Morfit, who have informed that that project has the most sound basis of all similar projects in Latin America.

"Another program of economic development that we have in Peru and in which we expect to obtain help from the International Bank is irrigation to increase the output of agricultural products, mainly foodstuffs, badly needed in Peru as well as in all America.

"Many are the projects of economic development that we have in Peru and in all Latin America, and a great part of them can be done by our own effort, but most of them require the help of foreign technical advice and the import of machinery and other capital goods, which can be paid for only through the loans that the World Bank may provide."

Norway's Situation Explained

Among those prominent in financial affairs attending as Governor of both the Bank and the Fund for Norway is Gunnar Jahn. Mr. Jahn is a member of the Liberal party and served as Minister of Finance in Norway's present government. He is an old hand at international conferences, having been a member of various experts committees of the League of Nations, including the ILO. For 25 years Mr. Jahn headed Norway's Central Statistical Office. He is a lawyer and an economist by training, his specialty being Statistics. In 1923 Mr. Jahn represented Norway at the Geneva Conference, and in 1933 at the London Economic Conference. In talking with the "Chronicle's" correspondent Mr. Jahn touched on Norway's monetary and financial interests and the economic situation, as follows:

"The Norwegian Government is greatly interested in the monetary conference, the purpose of which is to set the Fund and the Bank machinery into operation. As a small country, we are dependent upon an international trade system, functioning without discrimination and unfettered as far as possible by nationalistic regulations. Without stable exchange rates, multilateral practices in international economic relations do not appear to be feasible. We hope that the machinery now set up will prove effective and helpful for all countries to recover from the consequences of the war.

"I arrived from Norway just a fortnight ago, and when I left, the economic position of my country had improved very much. The improvement has been particularly noteworthy during the last few months. Our economy suffered, of course, severely during the occupation. **According to our calculations the national wealth in real value declined during the years of occupation by about 18% of the 1939 figure.**

"At the close of the war, the food situation was quite bad. There was a lack of raw materials and an abundance of money in the hands of our people and readily available to them in their bank accounts. I might mention that at the time of the German offensive against Norway, the circulation was about 600 million kroner. At the time of the liberation, it had reached a figure slightly above 3 billion kroner. Simultaneously bank deposits increased from 2,900 million to 5,900 million. The cost of living index, if one can refer to such a thing, considering that the necessities of life during this period were rapidly disappearing, did not advance to such an extent that we could call it a troublesome price inflation—it reached 150% in 1943 on the basis of 100% for 1938 and was at the time of the liberation about 156%. Since then it has not advanced at all.

"A remarkable development in the monetary picture was that in the first 6 months immediately following the liberation, the currency circulation—without any steps on the part of the Norwegian Government authorities—declined from the above mentioned figure of some 3 billion kroner to about 1.5 billion kroner, because people deposited in the banks the funds that they had been holding at home. As a result of the exchange of the currency and partial freezing regulations put into effect in September 1945, the circulation declined to slightly under 1 billion kroner. It has now risen to about 1,450 million kroner,—a natural consequence of the abnormally heavy import of foodstuffs and raw materials effected, at first, through Government agencies and latterly through private channels and principals, of course attributable to the general rise of activities.

"During the first months after the liberation, some of us were pessimistic as to the pace with which the production would start rolling again. It did turn slowly at first, but during the last few months of 1945 activity increased greatly and fortunately enough we have not suffered from strikes or any other labor disputes. Basing myself on a figure of 100 for the year 1938, our industrial production at the time of liberation was about 60%. It declined to about 45% in the immediate period following, but by January this year it reached 84%, i.e., only 16% below the 1938 average. The production of export industries was about 37% at the time of liberation and recovered to 55% in January 1946. We expect the export industries figures to improve even more rapidly during the next few months as the imported raw material is being processed.

"Shipping, as you know, plays a prominent role for Norway. We had about 5 million gross tons before the war and lost roughly half of the fleet in carrying on transportation services jointly with our allies. Replacements during the war were practically nil, but with ships completed principally in Swedish yards about the time of the liberation, I should estimate the fleet now to comprise about 3 million gross tons. Additional shipping has been and is being contracted for on a large scale. For this purpose as well as for the development of our industries we need import of capital, i.e., raw materials and industrial equipment in the years to come.

"Our trade balance since May 1945 has been heavily negative. However, as a result of our intensive efforts to export, it has now greatly improved. For January 1946 we showed an import figure of about 20 million dollars and an export figure of about 13 million dollars, and this difference is probably offset by net earnings of shipping, or nearly so.

"We all fully realize that we shall have to work hard to regain our prewar high standard of living as is evidenced by the fact that output per man hour in our industries on a percentage basis has increased very considerably during the last 3 months.

"As already intimated, we have no labor troubles and hardly any unemployment. With continued peace, we shall strive to help ourselves and with the reestablishment of reasonably unrestricted international economic relations, we firmly believe we shall succeed.

"This is my first visit to the United States and I am very much impressed in several directions. **I am particularly impressed with the general interest shown by the man in the street in world recovery as a fundamental requisite to peaceful developments, cultural and economic, between all nations."**

Brazilian States Views

An interview of the "Chronicle" with Brazil's Governor of Fund and Bank, Mr. Francisco Alves dos Santos-Filho, in the form of the reporter's questions and the Governor's answers is given below:

Are the Fund and Bank to Brazil's advantage, and if so, how?

Answer: "Yes, the Fund offers the advantage of guaranty of monetary stability, and the Bank in general helps reconstruction and progress. This means to all protection."

Does Brazil expect to use the Bank? If so, for what purposes and—if it can be stated approximately—when?

Answer: "We have no present intention, but we acknowledge that possibility. As I said, there is no present intention."

Are the interests of Latin America generally served by the Bretton Woods institutions?

Answer: "Yes, as to all countries in general."

Has the Savannah meeting been profitable from the standpoint of meeting with representatives of other countries and the exchange of views with them?

Answer: "Yes, the result was completely favorable."

Are there some lessons to be learned from the Savannah meeting which might be profitably applied to future meetings of the Boards of Governors of the Fund and Bank?

Answer: "Yes, in general form the delegates exchanged ideas, establishing a criterion to be followed."

Is there anything you would like to say specifically about Brazilian-American questions, having in mind financial and economic matters, investments, trade and the like?

Answer: "Well, in consideration of these circumstances, we have made certain the organization and the success of these two institutions."

Statement of Uruguayan Governor of Fund and Bank

Senor Hugo Garcia, of Uruguay made the following statement:

"The establishment of the enduring peace we all eagerly desire, requires not only a political organization to check and frustrate aggression, but the creation also of the indispensable economic conditions suitable to make such peace possible.

"The economic connections—which are the more intimate and constant among nations—are closely related to the political connections. It is essential, in the interest of peace, that both contribute to the welfare of all countries.

"The international and peaceful living of nations will only be possible if the different countries work and progress together. If we are to expect any effective action from them, the political organizations of an international character should inevitably rest in the economic cooperation of all.

"The International Monetary Fund, the International Bank of Reconstruction and Development, as well as other international bodies created by the United Nations — UNRRA, Agriculture and Food Administration, etc.—are complementary in their work and represent a new way of facing international problems.

"These organizations have been established on the basis that the security of the world, in all its different aspects, will be reached through international cooperation, both in the political and economic fields.

"The two institutions we are putting into motion are international in their purposes, and today more than ever we must have absolute faith in the positive results of their future action. They will, nevertheless, need and demand in the years to come the same frank and constant cooperation among nations that has been up to now, and will continue to be, we hope, patrimony of our friendly relations throughout the meetings of this Conference.

"Because of these reasons, and because we believe that these two institutions will tend to abolish the monetary excesses and the destructive action of unilateral decisions as a factor of the economic fight in international exchanges, and will be used to put at the disposal of the member countries substantial reserves in gold and currency accumulated by the joint contributions of all—reserves which will be used to correct maladjustments in the balance of payments and finance their long-range development—the Government of Uruguay, faithful to its international policy of cooperation with all nations of the world, has adhered to the Monetary Fund and to the Bank of Reconstruction and Development. **There is no doubt that the economic expansion of the world in a regime of peace is a task both arduous and difficult, a task in which very highly capable men have already failed; but in spite of that, we feel that there is some certainty that it can be done."**

New Zealand and the Fund and Bank

With Mr. Edward C. Fussell, Deputy Governor of the Reserve Bank of New Zealand and one of that country's observers at Savannah, the "Chronicle" discussed the reason for the fact that New Zealand has not considered the question of ratifying the Bretton

Woods Agreements yet. This, Mr. Fussell explained, is due to the fact that so many of the major ratifications were effected only late in December, 1945, and since the New Zealand Government had promised not to enter the Fund and Bank prior to full discussion in the New Zealand Parliament, there was no opportunity to take the necesary action before the Dec. 31 deadline. The New Zealand Parliament will not again be in session until June, at which time the Bretton Woods program will be discussed. The six months' extension of the time during which countries with observers at Savannah might join the Fund was regarded by New Zealand's observers as quite sufficient. **However, the time has now been extended until the end of 1946, during which New Zealand most likely will become a member, with all the privileges of an original member.**

Mr. Fussell emphasized that as an official of New Zealand's central bank he could say nothing which might suggest what the New Zealander government's decision would be before the matter had been submitted to Parliament for that body's decision.

However, the fact that New Zealand has sent an observer 10,000 miles on this occasion may be interpreted as an indication of a positive interest in the new institutions and as warranting the prediction that New Zealand will later this year see its way clear to becoming a member.

Australian Refuses Comment

The Australian observer approached by the "Chonicle" politely refused an interview. The subject of Bretton Woods appears to be an extremely delicate one in that Commonwealth. Australia, it will be recalled, recorded at Bretton Woods a number of objections to the Fund. **As various Australian officials who have visited the USA have indicated, the gold standard or anything assumed to be the equivalent of the gold standard is looked upon askance in that country.** This is somewhat surprising, in view of the fact that gold mining is an important source of foreign income to the Australians. Coming by way of London, Australia's chief observer at Savannah travelled no less than 16,000 miles to attend the Savannah sessions. Yet it is not to be assumed from this fact that Australian doubts about the Fund have been dispelled. Perhaps the matter will be decided on the basis of the report Mr. Leslie G. Melville takes home with him from the inaugural meetings of the Fund and Bank.

The Fund and the Bank as New Institutions

(Continued from page 1495)

international concern; second, that the peace and prosperity of all will be served by countries agreeing to avoid not only competitive devaluations of their currencies, but also exchange restrictions on their current international transactions and bilateralist currency practices of a discriminatory nature; third, that means must be found to increase the international liquidity of all countries, to give them assurance that temporary deficits in their balances of payments can be met without resorting either to deflationary measures which reduce real income and employment at home, or to internationally antisocial measures, such as excessive tariffs and other import restrictions.

Australian Objections

The only delegation which made a written reserve regarding these points of principle was the Australian delegation, which issued the following statement: "In the opinion of the Australian delegation the purposes of the Fund, which provide criteria for its management, place too little emphasis on the promotion and maintenance of high levels of employment, and too much emphasis on the promotion of exchange stability and on shortening the duration and lessening the degree of disequilibrium in international balances of payments." The New Zealand delegation shared the viewpoint of the Australian delegation. The governments of both countries are among the nine governments who, for various reasons, failed to ratify the Bretton Woods Agreements before the deadline of Dec. 31, 1945. This deadline has been extended another year by the Savannah Conference.

Soviet Attitude

It is interesting to note that the Soviet Union, whose delegation had acted at Bretton Woods in full cooperation, expressed no disagreement with the points of principle underlying the Monetary Fund. There is only one sentence in the Bretton Woods Agreements which may be construed as alluding to the difference in social and political policies of the Soviet Union, but which applies also to other countries; this sentence states that the Fund shall not object to a proposed change in the par value of a currency because of the domestic social or political policies of the member country proposing the change. The only paragraph in the written statement made by the Soviet Union delegation which refers to the difference in economic policies is the following: "Because of the centralization in the Union of Soviet Socialist Republics of banking operations concerned with international transactions, as a rule, in the Central Bank — the State Bank of the Union of Soviet Socialist Republics — which is performing the functions of financing foreign trade, the Fund in calculating the net foreign exchange holdings of the Union of Soviet Socialist Republics, shall take into account the necessity for the State Bank to maintain working exchange balance abroad."

Form of Credit

In order to give effect to the accepted points of principle, each member country subscribes to the Fund an amount called "quota" which entitles each country to proportionate credits from the Fund. These credits take a form which is technically new: instead of establishing between the Fund and the member countries creditor-debtor relations, they enable each member country to buy from the Fund, under various safeguards, the currencies of other countries against its own currency.

This new departure has been criticized in certain quarters, but there are strong points in favor of this method, which seems to afford better safeguards, for stabilization purposes, than the usual method of loans granted to a debtor country and redeemable in the currency of a creditor country. The reason is that if the Fund received from a member country a promise to pay back to the Fund the currency of another member country, such payment would depend on the ability of the debtor country to obtain foreign currencies. If the Fund, instead, holds the currency of a member country, it retains a purchasing power in that country. A member country will be less inclined to break the solemn promise not to block its own currency held by the Fund than to put forward its inability to effect a payment in a foreign currency which it does not hold. In other words, when a debtor country has promised to pay in some foreign currency, the creditor may get nothing, but when a debtor country has paid out its own currency, the creditor presumably can always buy something.

This new method is not entirely untried: it was used in the Franco-British financial agreements of December, 1939; it has been used since by various countries in bilateral monetary agreements. The Fund makes the first attempt to use this method for mulilateral transactions.

A valid objection against a generalized use of this method is that it might have inflationary effects. No direct reference to a protection against such inflationary effects appears in the text of the Bretton Woods Agreements, but proper protection could no doubt be devised in cooperation with the monetary authorities of member countries.

Critical Observations Regarding the Fund

Of course, several criticisms of the International Monetary Fund could be made, from a purely objective standpoint. Like any human work, it has weak points. For instance, while the Fund has the right to sell, under various safeguards, member currencies to a member country, it has not ordinarily the right to buy foreign currencies held by a member country. This is not the place to explain the reasons of what might appear at first sight a strange anomaly for an international body whose purpose is to restore orderly monetary relations, but as a consequence it was necessary to devise a clause called "convertibility of foreign balances" compelling each member country to buy directly, under certain conditions, balances of its currency held by another member country. This does not appear to be quite satisfactory from the standpoint of a multilateral monetary system.

There is not enough space to discuss here other clauses open to criticism, but there is one point concerning the general setup of the International Fund where I think I should mention a personal opinion. The document has been prepared by experts of great talent, of exceptional technical or legal ability; each paragraph has been drafted and redrafted after considerable thought and discussion. However, when reading over carefully the whole text, I cannot help feeling that the general setup would be of greater practical value if the drafters had not attempted to prescribe in advance, with extreme precision, what action should be taken under each foreseeable circumstance. It so happens, when we look back at the past, that fate has devious ways of acting in some unpredictable fashion. It might have been wiser to draw a document of a somewhat different nature, along broader lines, and to rely more on the ability of the future Governors and Directors to adapt, within certain limits, the rules of the Fund to changing circumstances.

These observations do not detract from the great value of the institution. All human things worthwhile usually progress by trial and error. . . .

Guiding Principles of the Bank

As regards the International Bank, the general conception is that, as a result of its long-term loans, capital which is now concentrated in certain countries will again be put to more productive use in devastated countries or inadequately developed areas and will find its reward not only in the rate of interest on investments, but also, indirectly, in the promotion of world prosperity which all countries need in order to maintain and develop their own well-being.

To this end each member country subscribes to a certain proportion of the capital of the Bank, which for most countries amounts to the same figure as their quota in the Fund. Two forms of long-term loans are contemplated, to the extent of the unimpaired capital, reserves and surplus of the Bank: (a) Those made with the paid-up capital of the Bank, which is only one-fifth of the subscribed capital; in this instance, the Bank acts as an auxiliary investment institution with its own funds. (b) Those made with borrowed funds and those guaranteed by the Bank. In this instance, the Bank acts in fact as a guarantor.

The latter function is by far the most useful, not only because the amounts involved are much larger, but because it meets a more essential requirement. For the world, at present, does not lack capital, it lacks security; it is therefore more important to provide security than to provide capital.

Critical Observations Regarding the Bank

The question thus arises whether the general setup of the International Bank could not have been improved and simplified by reducing the paid-up capital to, say, 10% and limiting the Bank's activities to loans made with borrowed funds and to loans guaranteed by the Bank. In fact, as matters now stand, loans made with the paid-up capital of the Bank will amount to comparatively small figures — probably less than one billion dollars—and raise certain difficulties, for the following reasons:

(a) Out of the paid-up capital of the Bank, amounting to 20% of the subscribed capital, only 2% shall be payable in gold and the remaining 18% in the currency of the member. It is probable that, with a few exceptions, such as the United States, the currencies thus received will, for quite a while, be useless to the Bank. They will have neither local use because of lack of goods, nor international use because of lack of transfer facilities for capital transactions.

(b) The Bank agreement specifies, among the conditions of a loan, that the Bank should be "satisfied that in the prevailing market conditions the borrower would be unable otherwise to obtain the loan under conditions which in the opinion of the Bank are reasonable for the borrower." There is much to be said in favor of the general conception underlying this sentence; but the precision of the wording may cause undue hardship in borderline cases, may act as a deterrent against desirable business and might even, by saddling the Bank with frozen assets, affect its credit. The reason why such a wording appeared necessary may have been the desire to protect private banking and investment interests against the competition of loans made by the International Bank with its paid-up capital. This might appear no longer necessary if the Bank limited its operations to guarantees and loans made with borrowed money. . . .

Voting Methods Compared With UNO

For the Fund as well as for the Bank, the general conception was that the subscription of each country — also the voting power, closely linked to the subscription —should be computed according to the importance of that country.

Like the United Nations, the Bretton Woods institutions have an assembly (Board of Governors) and a council (Executive Directors). The San Francisco Conference, by virtue of the theoretical principle of equality of sovereign nations, has granted all nations, great or small, equal voting rights in the assembly. As a consequence, in order to be realistic, the San Franc sco Conference was compelled to remove practically all decisions from the assembly and to concentrate them with the Council dominated by the great powers. On the contrary, the principle accepted at Bretton Woods has made it possible to grant all powers to the Board of Governors which may delegate some of them to the Executive Directors.

The Bretton Woods conception of voting power thus appears more realistic than the San Francisco conception. True, it may seem easier to define the importance of a country by economic standards in an economic conference than by political standards in a political conference. But as a matter of fact, any determination of such a nature is very difficult, as was again demonstrated during the Savannah meeting by Paraguay's request for a greatly increased quota. At Bretton Woods, it was first attempted to define certain standards for measuring the importance of each country, such as its external trade, its national income, etc. . . . Such an attempt had to be given up and the proportions were finally determined, thanks to the able diplomacy of the American delegation, by general agreement. . . .

The Role of Gold

While the Bretton Woods Agreements do not attempt to restore the traditional gold standard, gold plays a large part in their setup: the currencies of member countries are defined in relation to gold; subscriptions to the Fund and to the Bank must be partly paid in gold; each country guarantees to maintain the gold value of the balance of its subscription; countries owning a sufficient amount of gold must effect certain gold payments against their purchases of currencies from the Fund.

The general conception of the function of gold in the Bretton Woods Agreements is that the yellow metal should continue in use as a common monetary denominator and as means of settlement of balances of accounts; but not, as under the rules of the traditional gold standard, as the means to regulate national economies.

* * *

Let us hope that the Fund and the Bank will contribute, among other steps of international cooperation, to prevent situations such as arose between the two wars, when overproduction was blamed for depressions, while at the same time consumers lacked essential goods; when labor was unemployed, while so much necessary work was left undone; when capital was idle, while several countries could obtain no capital to finance their development. Let us hope that after having solved technical problems of production and overcome so many natural obstacles, nations will find a way of solving a problem of organization which involves none but human obstacles.

Mende President of Brooklyn Bankers Club

Christian Mende, Assistant Secretary of the Green Point Savings Bank, of Brooklyn, N. Y., has been chosen President of the Bankers' Club of Brooklyn, succeeding the late George P. Kennedy, it was announced recently, following a meeting of the Executive Committee of the Club. Everett M. Clark, Assistant Vice-President of the Brooklyn Trust Company, was chosen Vice-President, and will continue to serve as Secretary of the club. William J. Plant, Assistant Secretary of the Bank of the Manhattan Company, will continue as Treasurer.

Bricks Without Straw

(Continued from first page)

identify the taskmasters and their officers with the bureaucrats who, with the aid of their underlings, enforce the policy which is set forth in the overwhelming tide of conflicting and inconsistent regulations, orders, and ruling about how bricks are to be made, straw or no straw.

Bricks With Neither Clay Nor Straw

For quite some time we have been subjected to propaganda and pressure aimed at persuading us that bricks can be made without straw. In modern terms this means that production can and will go forward satisfactorily without adequate recognition of its driving incentives. Some good people have preached, and have voted resolutions, about production for use rather than profit. This is more than a matter of brickmaking without straw. It is the making of bricks with neither clay nor straw.

The bureaucrats, who are the modern taskmasters of the people, are not activated by an imperial decree, although there is an uncomfortably close resemblance between the language of the present-day administrative law—i.e., the rulings and regulations which say that the issuing agency will permit this and will not permit that—and the terms of the ancient royal edicts. In each case the effect is to impede the flow of capital and hog-tie the production incentives. The modern taskmasters, or administrative lawgivers, still have one problem which did not trouble the henchmen of a Pharaoh or a Caesar. They find themselves in a fix of their own making, and they must extricate themselves, if possible, without causing undue alarm—or injury—to the voters. Hence the edicts which so seriously restrict production.

The predicament of our modern taskmasters is complex, but it can be outlined briefly. It begins, as nearly all of our domestic troubles do, with inflation. But there was the period, after V-J Day, when the government planners were forecasting a great decline of employment and incomes. So the administration leaders were much perplexed at first to decide whether the menace of the short-run future was inflation or deflation. Even at the time the message accompanying the budget for the fiscal year 1947 was written, its author appeared to be in some doubt as to which of these tendencies was to be ascendant. The support of the demands for wage increases indicates a decision that deflation was the more likely. But wage increases logically lead to price increases. And here comes the embarrassing rub. Price increases look, taste, and feel, like inflation. So, having embarked on a policy of supporting wage increases because of the impending deflation, the next step was to curb the inflation by preventing, or severely limiting, price advances in face of the higher wage costs. It follows that if costs are to be allowed to rise, while prices are controlled, the only way of balancing the account is to take the increase of cost out of profits. This the price control program proposes to do.

Credit Inflation Produced by Fiscal Policy

The most important of these factors is the credit inflation that has been produced by our fiscal policies. During the pre-war depression and the war financing it seemed such a stroke of good business to take full advantage of the forces and tendencies making for cheap money that the other consequences of this policy were neglected or forgotten.

Let us go back, however, to the legend from old Egypt. The people went out and gathered stubble as a substitute for straw. Brickmaking had to go on, both because it was ordered and because the people had to live. Lacking the most suitable materials for efficient production, they were obliged to resort to a notoriously inferior substitute for these first-class materials.

This is an excellent parallel to what has been happening to us here. Instead of relying on the normal forces and factors which inhere in the enterprise system to supply the desired goods and services, we have been using the cheap, shoddy stubble of inflation.

All of the squirming and finagling that has been going on has been directed at preventing the emergence of the full consequences of the credit inflation into the open as a price inflation. The flood of rules and regulations, together with sharp enforcement procedures, has limited somewhat the upward movement of prices, but it has also effectively impeded the production—and sale—of quantities of goods that the people want and that industry is equipped to make.

It is possible that sale in the home market has been more seriously interfered with than production. There have been rumors of an active export market in cotton textiles, in lumber, and other products. A member of the House recently suggested a ban on exports, with a view to forcing goods into the domestic market. The ban if applied, might have stopped production or diverted goods into warehouses rather than into the price-controlled domestic market.

No Supply and Demand Equations Without Price Factors

One defense of the price policy has been that the various controls on prices, priorities, etc., should not be removed until the supply of goods had caught up with the demand for them. Just what supply does, or is supposed to do, in order to catch up with demand, is never explained, but some of the discussion suggests that the commentator had in mind a footrace in which supply, by running faster, would overtake demand.

It is useless to talk about supply and demand without reference to price. When the quantity of an article is limited and the demand for it is strong, each unit will sell for a relatively high price. For example, suppose that the stock of men's shirts were so limited that each shirt would sell for $10.00. If sales were made at this price it would indicate that some buyers were ready to pay that much. Supply and demand would be in equilibrium at the $10.00 price. In other words, the supply of shirts would have caught up with the demand for shirts at $10.00 each.

But this is not what the amateur value and price theorists have in mind when they talk about supply catching up with demand. They mean that there should be a sufficient quantity or supply of shirts available to bring about an equilibrium between the supply of and the demand for shirts at a price of, say, $2.00.

Our situation with respect to virtually all kinds of consumer goods is that the supply is short, or non-existent, because of the war. There is a large pent-up demand for these goods, and among all of those who have substantial current income or accumulated liquid savings there are some who would pay prices above the levels that have ordinarily prevailed in normal times. In fact, they are doing so in black markets.

Urges Removal of Price Controls

The problem is to secure a volume of output great enough to shift the equilibrium prices of consumer goods from their black market levels down to levels more consistent with our previous experience and with the incomes of the great majority. The practical question is—what is the quickest way to secure that increase of supply which will establish the desired equilibrium prices?

The correct answer is that the removal of the price controls is the quickest way. This is true, not only because it would restore the normal incentives to produce, but also because it would mean a return to the determination of relative prices through the operation of free market forces. The manufacture of almost any article, even the smallest and simplest sort of gadget, involves extensive ramifications of market forces and influences. Price or wage rulings at one point in this vast nexus lead to situations which require adjustment at other points. These adjustments are made automatically in a free market. If production is to go on under price controls, business firms must stand by and wait for the OPA to do its successive jobs of price jerry-building, as a wage or price change at one point throws a whole series of other prices out of line.

To this writer's knowledge, the OPA has never denied that removal of controls is the correct answer to the question of getting volume production most quickly. Yet OPA clings desperately to its powers in order to keep on trying to get production stepped up in some other way. In part the motive is that which leads every government agency, once established, to fight against its extinction. This is the customary and familiar fight to retain jobs, prestige, power over others, patronage, and the possibilities of political advancement. In part, also, it may be that the OPA feels that it has a mission, namely to protect the people against the consequences of an ill-advised fiscal policy, for this is what protecting them against inflation really means.

Threat of Indefinite Extension of Controls

It is one thing to accept the sincerity of belief in a mission, and quite another to accept the soundness of the methods employed. These methods should be examined critically, for there is danger that their principal result may be to establish a case for indefinite extension of the controls on the ground that the mission is not yet fulfilled.

The OPA virtually admits that it intends to play "by ear" in the following, which is taken from a series of questions and answers on the new wage-price policy, issued by Mr. Bowles on March 11, 1946:

Q. In view of the number of cases likely to arise under the net wage price policy, how will OPA assure speedy action in applying its standards governing price relief?

A. In addition to giving priority to industry-wide hardship cases, OPA is developing a number of short-cuts in procedure, such as:

1. Analysis and adjustment of most recently available data to determine current earnings position in preference to a new accounting survey.
2. Where a new survey is unavoidable, using a streamlined sample and survey form, requesting answers by telegram where possible.
3. Where the complexity or major importance of an industry makes more extended study necessary, a rough-cut interim action may be taken on a conservative basis to afford relief, pending further study.
4. Where the size of company, type of product and relative unimportance in relation to the total economy permit automatic pricing by a simple formula, provision will be made for self-computation and filing of new prices in the Regional Offices.

The naivete of the OPA conception of the modern business organization is revealed by the suggestion, found in the above and in many other passages in the document referred to, that each individual business concern can be neatly catalogued and pigeonholed in a particular industry. Under the late, unlamented NIRA, thousands of business concerns found themselves subject to three, four, or more industry codes, among which there was confusion and inconsistency galore. In each major industry classification used in reporting statistics of corporation income, the asset classes range from less than $1,000 to more than $10,000,000. In each classification there are some corporations which report no net income. Under this wide diversity of conditions it would be virtually impossible for the ordinary person to identify an industry-wide price problem, yet the OPA announces that such cases are to be given priority in its relief procedure.

Then it turns out that short-cuts are to be used, and surely they will be necessary. Instead of referring to the accounts, the only dependable source of information about a business, there is to be "analysis and adjustment of available data," a prospect which should be enough to make any competent manager's blood congeal. If reference to the accounts is unavoidable, it is to be "streamlined," with particular emphasis upon such information and comments as the rules of the Western Union Telegraph Company permit to be accepted for transmission. Then there is the rough-cut, or rough-hewn action to be taken in still tougher cases, pending further study. And finally, any company which, because of its size or type of product is relatively unimportant for the total economy may make and file its own new price schedule. The document in question does not say whether the company managers or the OPA are to decide just which companies and which products are of this degree of unimportance to the total economy. In any case it reads like a lordly gesture to those who sit below the salt.

Production Not a Complete Remedy

A grave error of general administration policy is the belief that production, by itself, is the complete remedy. The President's statement on February 14, 1946, contained these words:

> I call upon both management and labor to proceed with production. Production is our salvation. Production is the basis of high wages and profits and high standards of living for us all. Production will do away with necessity for government controls.
>
> I call upon the American people to close ranks in the face of a common enemy—the enemy which after the last war turned our military victory into economic defeat. I call upon citizens of this great Nation to join in a united effort to consolidate our military victories this time by winning through to final victory over inflation.

This is an appeal to patriotism. It gives no indication as to how production is to be induced under the controls that are still effective. It contains no recognition of the fact that even if production could be induced, it would not be an adequate remedy while the fiscal policies that produce further credit inflation remain in effect. There must be an end of the inflationary practices of government financing as well as an end of the interference with the effective functioning of the productive mechanism.

Here enters another bogey which has been worked overtime. It is that the removal of controls, in advance of the resumption of production on a substantial scale, would result in abnormal profits being reaped by those who were able to get into production first. OPA therefore proposes to prevent these profits from being realized by maintaining price ceilings, while at the same time hoping that production will expand without the operation of the normal and usual incentives.

Suppose, however, that there were price increases as a result of lifting the controls. Just how serious and prolonged would be the damage? The implication is that everybody would be affected from now on. This could not be true if the result of freeing the market were to be a prompt expansion of production on a large scale. Price revisions downward would very shortly ensue, unless they were to be prevented by further labor demands for additional substantial wage increases. In the meantime, and assuming that the labor demands could be resisted, the situation would not be greatly different from what it now is. Supplies are short, so most people cannot get what they want, or all they want, except by dealing with the black market, an institution that continues to flourish despite the policing by OPA and the Bureau of Internal Revenue. With removal of price controls, the legitimate prices would rise. Those who are now paying black market prices might continue buying, but those who do not now patronize black markets would continue, for a time, to do without just as they are now doing. The most effective remedy for high prices is high prices, when they are established in a free and open market.

Profit Absorption

The OPA price control policy, and its theory as to how production can be induced to expand under it, rest on the doctrine that the rising costs caused by wage and other cost increases can be largely absorbed by profits. This suggests a belief that profits are an unessential aspect of the enterprise system, which is like saying that straw is not necessary to brickmaking. In the series of questions and answers on the new policy, mentioned above, the following occurs:

Q. Does the fact that an employer has made an approved wage increase assure him that he will secure a price increase?

A. No. Many employers will require no price increase whatever. OPA has always expected manufacturers, wholesalers, and retailers to absorb cost increases to the extent of their capacity to do so without assuming an unreasonable burden. Without such cost absorption, effective price control would be impossible, since every price increase would lead to a succession of further increases, thereby setting the inflationary cost-price spiral in motion.

The pay-off in the above statement is in the last sentence, where it is said that the higher costs resulting from wage increases must be absorbed somewhere if they are not to be reflected in price increases. It should be noted here that OPA has nothing to do with wage increases. These are handled by other agencies in our sprawling Federal bureaucracy. OPA's job has been to see that the wage increases approved by the agencies dealing with this matter do not lead to price increases. This absence of coordination is characteristic of Federal procedure everywhere. Under the new policy, employers who make wage increases on their own initiative and without approval by one of the agencies designated to authorize such action, are out of order in using these increases as the basis for securing price increases, unless they shall have filed statements with the OPA within 30 days of the time of granting the increases, that they have no present intention of using them as a basis of subsequent price increase. Only Alice in Wonderland could have thought up this one. For instance, how long must a "present" intention last? It is small wonder that there is playing by ear, jerry-built short-cuts, and a failure to advance toward the main objective of more goods at lower prices.

OPA Policy a Marxian Dogma

Nevertheless, there is nothing in the law which requires OPA to regulate prices on the theory that production can and will continue regardless of the profit margins that those engaged in production, from the original processor to the retailer, must obtain in order to remain in business. This theory fits perfectly with the Marxian dogma that profits are, first of all, swollen inordinately, and secondly, entirely unjustifiable. The OPA policy is a perfect statement of the Marxian thesis of the labor theory of value, and of the exploitation of the workers by the capitalist groups. But it is also a modern version of the proposition that bricks can be made without straw.

The foregoing OPA statement indicates that producers are not to be required to absorb an unreasonable burden. The test of an unreasonable burden is evidently to be a historical one. Higher ceiling prices for an industry are to be allowed whenever the prices of all its products will not enable the industry to earn the same rate of return, before income taxes, on its present net worth which it averaged in a representative peacetime period, usually 1936-1939. Here is another of the blind spots that are characteristic of many Washington agencies. It is the use of earnings before taxes as a basis of comparison between two periods in which the rates of corporation tax were very different. For example: this rate was 16½% in 1936, and it was advanced to 19% in 1939. During this period there was a special tax on undistributed profits, but it applied only in the event that some portion of the earnings, after payment of the ordinary tax, was not distributed. Under the Revenue Act of 1945 applicable to income earned in 1946 and later years, the tax rate is 38% for all corporations earning in excess of $50,000. Obviously, the rate of return in which investors and managers are most interested, whether computed on net worth, or invested capital, or on any other base selected for measurement, is that shown after taxes. Were this not so, then it should follow that both the managers and the investors would be entirely happy over a report of large earnings, even if the corporation tax were to confiscate 90% of them. The test of reasonableness of burden which the OPA says it has always applied is one which fails to meet the first and most elementary requirement for getting large and steady production.

The Commerce Department's Statistical Hoax

The OPA doctrine regarding capacity of profits to absorb wage increases received strong support last autumn in a document made public under the auspices of the Department of Commerce. While it dealt only with the automobile industry, its line of argument and conclusions were no doubt strongly influential with labor groups and fact-finding boards in other industries as well as with those in the automobile industry. It seemed then like an answer to prayer, for it emanated from the Government department which is responsible for compiling all manner of business data including the estimates of national income, and which would no doubt be largely responsible in developing the information on which the President and the Congress would base any program called for under the full employment legislation. An aura of indubitable authority surrounded it. Wide distribution was given with no caution or reservation as to the position of the Department of Commerce regarding its conclusions. Naturally it had great influence.

Now it turns out that the department has been completely misunderstood. All persons are put on notice that there is no connection whatever between the department's views on prices, profits, and wages in any industry and those expressed in this document. Its author was not even in the employ of the department when it was submitted. It is almost too good to be true to find that he was in the employ of the OPA at that time. The manuscript was submitted for publication in the department's monthly "Survey of Current Business" but was not accepted. We are now told that it was never intended as an authoritative answer to the question of how much the automobile industry could afford to raise wages without raising prices. It merely "reflected an initial effort in the development of statistical methods and techniques to determine and project cost, price and profit relationships under varying assumptions as to volume of production and sales."* The announcement of this hoax coincides with the news of the settlement of the automobile strike in which wage increases without price increases were secured.

Subsidies

The last resort of those who seek to control prices is a subsidy. The device is an old and familiar one. It has been used extensively in recent years, both before and during the war. It is a case of using stubble instead of straw, for the funds are ordinarily provided by public borrowing. Such, at any rate, has been the source of all subsidies paid out since 1930. The technique may be inconsistent with OPA's policy of regulating profits, for the subsidy in aid of production or construction is designed to enlarge entrepreneurial receipts without raising prices. It is thus supposed to provide an incentive to produce or to build houses. Since an important reason for the diminishing margin between costs and controlled prices is the Government-approved wage advance, the subsidy becomes, in the main, a procedure for financing these wage increases through further credit inflation.

Our choice as to the methods of increasing production, jobs, and income is between the combination of inflation and regimentation, on one hand, and a return to sound finance and a free market economy on the other. The first alternative tends to perpetuate itself, since it can never bring about a condition in which the controls can be relaxed. The second will bring a quick end to our difficulties. If we can make more and better bricks by using straw, why not use straw instead of stubble?

*The New York "Times," March 15, 1946.

N.Y. Banks to Close Sat. During Summer Months

Gov. Dewey of New York signed on March 14 a bill, passed by the Legislature permitting all banking institutions in the State to close Saturdays during June, July, August and September. Sponsored by Senator Frederic R. Coudert Jr., New York Republican, the Bill amends the general construction law which previously permitted Saturday closings between June 1 and Labor Day. The Bill said Associated Press advices from Albany March 14 changes the definition of a banking institution to include all persons or organizations engaged in banking, whether or not they are incorporated.

Substitute for Loan to Britain

(Continued from page 1499)

A considerable body of opinion in England, including particularly retailers whose shelves are empty, read into the Anglo-American credit agreement a possibility that England would use her funds for the purchases of shoes, clothing, and household furnishings, of which England is in desperate need.

Such wishful thinking was quickly dashed by a spokesman for the British Board of Trade, who informed inquirers that the money would not be made available for the purchase of such consumer goods. He asserted that there will be no squandering of these funds for such luxuries and added: "The credits which Britain has established in the United States will be made available for the purchase of foodstuffs and for raw materials which can be manufactured into goods for export and for capital goods which can be used to increase the productivity of our factories."

This clearly indicates that the controls are not going to be eliminated in the near future, either in the United Kingdom or elsewhere within the sterling bloc. It makes equally clear that England, despite the loan, will continue her system of internal controls.

Remember, though, that Great Britain is in the hands of the Labor Party. According to the Socialist theory, you cannot have controls internally if you leave your citizens free to trade and invest externally without restraint. Therefore, the 100% Socialists in the government are opposed to the American loan and to all that the loan implies. They want to regiment the British and to develop the sterling area as a closed bloc. This was recently pointed out in the Atlantic Report of the "Atlantic Monthly" for January. Foreign Minister Bevin was talked out of this Socialist external and internal control by Lord Keynes. It was said that after a conversation with Lord Keynes, Bevin said: "You have convinced me but I regret you have." Bevin's subsequent behavior conveys the impression that he is only half-convinced. How long will he remain even half-convinced?

However, with or without controls, Britain needs shoes, clothing, housefurnishings, food, refrigerators, washing machines, textiles, and many other items of consumer and capital goods. Let us furnish her with them. The mechanics for so doing should be fairly simple. The British importers could buy directly from American producers and exporters as in the prewar period. The American exporter would quote in dollars and receive dollars when negotiating his drafts on the British buyer. In England, the buyer would pay to his bank the equivalent in pounds, which would be placed to the credit of the United States Treasury. The Treasury would reimburse an American bank in dollars for the benefit of the American exporter. Credits of all types could be opened with suitable modifications, as in the past. The pounds which we accumulate in Britain would be convertible, upon request, into any other sterling bloc area currency. This would entail double-column bookkeeping in the United Kingdom—one column to show dollars and another to show pounds sterling. In the agreement to be made, the British would undertake to increase the pound total in exact ratio to any devaluation in the value of the pound in relation to dollars. This would not mean reappraisal in the event of only slight fluctuations.

As to other sovereign governments, including the British Dominions and countries such as India and Egypt, we would deal with them directly after concluding an agreement with each one of them. Each agrement would stipulate that we will accept local currency in much the same manner as outlined above. These countries would likewise agree to double-column bookkeeping and freedom to exchange our accumulations for the currency of any other sterling bloc country. Furthermore, we should be entitled to most favorable nation treatment in regard to customs duties by these countries. This would give us, as well as the individual buyers throughout the sterling bloc, entire freedom of selection. It would eliminate entirely government or state trading and, finally, it would put the burden of using foreign currencies on us, where it belongs.

If we insist on loaning dollars, the burden of repayment rests on the borrowing nation. The borrower can repay only by shipping goods, rendering services, or paying in gold. In the case of the loan to Great Britain, it seems clear that she could not discharge this obligation with sufficient shipments of goods, or services, or payments in gold.

By assuming the burden ourselves—we could probably stipulate that our future tariff policy would tend toward reduction rather than increase in rates so as to facilitate the free movement of goods throughout the world.

The local currencies which we accumulate in sterling bloc countries would be used primarily in buying foreign products for shipment to the United States but in many countries, considerable sums should be used immediately to house our embassies, ministries, and consulates in suitable quarters. The manner in which the representatives of the wealthiest nation on earth are presently housed is a disgrace. This applies not only to the quarters for official business but to the official residences of our ambassadors, ministers, and consuls as well.

In addition, American entrepreneurs might be inclined to go abroad to help establish new industries, hydroelectric schemes, irrigation, housing, and construction projects. With millions of pounds lying to our credit in the United Kingdom, it is conceivable that an American syndicate might undertake the construction of the English Channel tunnel at long last. American construction companies might wish to help in the reconstruction of bombed-out areas in England and elsewhere.

By accepting local currency in sterling bloc countries, we are not loaning money; therefore, these countries are not assuming a debt in dollars which they might find it exceedingly difficult to repay. India and Egypt now have large sterling balances in London and would, therefore, be reluctant to take on another debt in a foreign currency but would certainly welcome the chance of buying our goods and paying in their own local currencies.

In making the loan to Britain, we profess a desire to aid in this very difficult postwar transition period, but present help in dollars is most certainly going to pile up grief in the future when Britain may be unable to pay. We are putting all our eggs in one basket instead of innumerable baskets.

By granting a loan to Britain for the entire British Empire, we invite the Russians, the Dutch, the French, and the Belgians to do likewise, in spite of the fact that we have gone on record as desiring native peoples to become progressively more independent. The riots in Indo-China and Java show a spirit of independence, and it should not be part of our foreign policy to refrain from active participation in quelling such riots and, at the same time, negotiate loans with the so-called mother countries, which funds would be in part, undoubtedly, used in these areas to smother independence movements.

At the present time and under the conditions of the pending loan agreement, despite Great Britain's protestations to the contrary, we agree to allow London to dictate what we shall sell to Australia, New Zealand, South Africa, India, Egypt, Iraq, and so forth. Sovereign peoples should be permitted full freedom of choice in a world of free enterprise. We stand firmly on that platform. Under the present loan agreement, there is no definite commitment on the part of Great Britain to dissipate the sterling area bloc pool. There is only a promise to try and break it up. Furthermore, the restrictions against us, by virtue of the system of imperial preferences, are not even mentioned in the agreement.

Finally, the international situation is not nearly so well settled as one would have a right to expect. More than six months have passed since V-J day. The statements of Russian leaders point to a huge military program. We are planning the largest Navy in our peacetime history. In view of the deterioration of international cooperation, the method of taking foreign currencies in exchange for our goods might be extended to include the purchase of strategic materials for stock-piling purposes. Such materials might well include jute, quinine, manganese, wool, chrome, rubber, vegetable oils, copper, tin, and so forth.

This stock piling would tend to support foreign markets and would eliminate the probabilities of large foreign currency accumulations. We would get tangible assets in goods for our dollars rather than mere promises to pay. Valuable good will would be created for us in each country.

Resume FHA Liberal Terms for Vets

In a move designed to provide additional living accommodations for returning veterans, Federal Housing Commissioner Raymond M. Foley recently announced a resumption of more liberal terms under the FHA property improvement and rehabilitation program. "With millions of returning veterans seeking housing accommodations, it is my belief," Mr. Foley said, "that material additions can be made at once to the housing inventory by properly planned conversion or rehabilitation of existing structures." As one means of meeting the problem, he said FHA would resume insuring Title I loans up to $5,000 for a term of up to seven years under the following conditions:

"1. The property must be in a 'war housing area' which has been designated by the President.

"2. The improvements must provide additional living accommodations.

"3. Occupancy priority must be given to veterans of World War II."

Local FHA field offices, he said, can advise lending institutions regarding eligible areas which are those named by the President during the war.

It is pointed out that the usual Title I maximum terms are loans up to $2,500 for periods to three years, repayable monthly. During the war these terms were liberalized to the $5,000, seven year maximum provided additional accommodations for immigrant war workers were provided. In a letter to the approximate 5,000 lending institutions participating in the Title I program, Commissioner Foley said:

"You are urged to survey the conditions and possibilities in your community and consult with property owners, dealers, contractors and interested commercial and civic organizations to the end that Title I loans may be fully utilized to create additional housing accommodations for returning veterans."

What Does Dow Theory Say Now?

(Continued from page 1494)

as an iron dealer finds prices uncertain and bills receivable becoming somewhat doubtful in quality, is not quickened thereby to trade on the long side of stocks. He is much more likely to sell stocks that he may have and generally to set about strengthening his own financial position."

Strictly speaking, the Dow theory is a method of determining what the trend of the market has been. It depends for its practical value on the fact that a trend once determined usually, though not always, persists long enough to be worth following. Because investors, like generals, tend to prepare to win the last war, they become most interested in the Dow theory following a prolonged movement in one direction (such as the current four-year-old bull market) when in the bright light of hindsight they can see how advantageous it would have been to recognize the trend early and stay with it throughout the rise.

The Dow Method

The following is Mr. Dow's own description of his method:

"A person watching the tide coming in and who wishes to know the spot which marks the high tide, sets a stick in the sand at the points reached by the incoming waves until the stick reaches a position where the waves do not come up to it, and finally recede enough to show that the tide has turned. This method holds good in watching and determining the flood tide of the stock market." The averages are the pegs which mark the height of the waves.

Unfortunately, while the explanation is easy, the application is not. Attempts to show the limitations of a mechanical application of the Dow theory prove nothing except that the Dow theory is *not* a mechanical system for beating the stock market. As a tool used in conjunction with all other available data, it is sometimes helpful. That is all.

What the Dow theory is *not* is just as important as what it *is*. It is not a religion. It makes not the slightest difference to a Dow theorist whether anyone else "believes" or not—unless he has a Dow theory letter to sell. It is not a substitute for financial information and statistical analysis. Dow, who originated the method, and William Peter Hamilton, who was its leading exponent for more than a quarter of a century, both were editors of the "Wall Street Journal." To contend that the Dow theory obviates the need for financial news is to contend that Dow and Hamilton spent the best years of their lives trying to ruin their own business. Dow specifically said:

"The one way to forecast the market is to comprehend the tendency of events both as applied to general business and as they bear upon any stock in which dealings are contemplated." Again he declared that, "We believe that the stock market, as a whole, should be regarded always as an effect of general conditions, and that the way to study the stock market, as a whole, is to study general business conditions."

Actually, the Dow theory is not a theory at all, but applied common sense. The mother who advises her daughter not to marry a worthless man to reform him is using Dow theory. In effect she is saying that if the man's trend has been bad up to the time he proposes, the chances are that it will continue bad after the wedding. The employer who asks the prospective employee what he earned in his last job is using Dow theory. So is the bonding company which wagers that the man who never has been in trouble is less likely to go wrong than one who already has experienced crime and punishment.

The Dow Theory Based on the Persistence of Trend

Call it what you will, everyone uses Dow theory in the sense that everyone banks on persistence of trend, if only to the extent of assuming that the boss will not be in until ten minutes after nine tomorrow morning because he has been ten minutes late every day for the last two weeks. A wise merchant never buys in a falling market. Why? Because he finds it more profitable to operate with the trend than against it.

Dangers in Analyzing Economic Factors

The fact that the Dow theory still is used, consciously or otherwise, by so many stock market students after half a century of efforts to develop better methods reflects not only the fundamental soundness of the idea of persistence of trend, but also the complex and highly competitive nature of the stock market. Dean Donham of the Harvard Business School once observed that the human brain could cope with three variables at once, while most business decisions involved scores of variables. In the stock market, the myriad facts as to assets, earnings, sales, etc., are at most only half the problem. The other half is the extent to which those facts have been discounted, marketwise.

Suppose earnings are going to be higher in the coming year. The market does not capitalize a hen at 24 eggs a day just because she has been observed to lay one egg in the hour between 11 and 12. It may decide that earnings in the coming year should not be capitalized at prewar ratios.

Suppose stock yields next year do promise to be twice present bond yields. Stock yields presumably include something for income, and something to compensate for the risks of partnership. If stock yields are 6% when bond yields are 3%, should stock yields drop to 2% when bond yields go down to 1%, or does the risk factor remain more or less constant while the rental-of-money factor drops?

The answers to such questions depend on how investors view the future. Too much of our so-called statistical work on the stock market amounts to taking the ratio of an estimate to an approximation, and carrying it out to the third decimal. Attempts to guess what corporations will earn, and what dividends they will pay in the coming year, are helpful in surveying market prospects because they give us another angle from which to view the problem. They are no more conclusive than attempts to guess directly the level at which the Dow-Jones industrial average will be selling a year from now. The test of the usefulness of any new approach to determining stock values is whether, as in surveying, it contributes to our mental triangulation of the problem. Too often it merely involves us in new, unrelated guesses, as did the geologist's home-made scale. The geologist, so the story goes, had to weigh a heavy piece of machinery. Having no scales, he erected a crude balance, with the machinery at one end of a beam, and a great boulder at the other end. Then all he had to do was to guess the weight of the boulder.

Recognition of the Obvious

As a supplement to other studies the Dow theory provides another angle from which to view the market. It has the great advantage, moreover, that it never ignores the obvious. Perhaps the continued prominence of the Dow theory after so many years of debunking by its critics and deprecation even by its followers is because the "theory" is simple enough to be understood when other evidence is so complex and so contradictory as to make any rational decision impossible. A man does not have to be brilliant to get off the railroad track when he sees a train coming, and the Dow theory focuses his attention on the fact that a train is coming, notwithstanding time-tables, guide books and the testimony of the local half-wit that the line has been abandoned.

An outstanding commentary on the practical value of the Dow theory is the following from the brochure entitled, "Stock Market Forecasting," published in 1944 by the Cowles Commission for Research in Economics:

The Abortive Record of Forecasters

"It was found possible to extend back to 1903 the published record of the forecasting agency with the most successful record for the period from 1928 to 1943. While three individuals were for different periods responsible for the forecasts throughout those 40 years, the general principles followed by them all were similar, and the succeeding forecasters were avowed disciples of their predecessors. It therefore seems justifiable to treat the combined record as a continuous one for the forty years in question. . . . A continuous investment in the stocks composing Dow-Jones industrial average would have shown a return, including dividends, of 10.9% a year. Following the forecasts would have resulted in a gain of 3.3% a year over the result secured by a continuous investment in the common stocks composing the Dow-Jones industrial average. . . .

"In view of this moderately but consistently successful result over such a long period it may be of interest to consider the forecasting method used and some statistical evidence as to the soundness of the principles involved. The theory of these forecasters was that there was a prevalence of sequences over reversals in the movements of stock prices and that it was, therefore, desirable to swim with the tide. They evolved various devices for recognizing when the tide had turned, no attempt being made to anticipate such an event. . . .

"What statistical evidence is there as to why such an apparently naive procedure should be successful? The author and the late Herbert E. Jones once made an investigation of the evidence as to the element of inertia in stock prices as follows: In a penny-tossing series there is a probability of one-half that a reversal will occur. If the stock market rises for one hour, day, week, month, or year, is there a probability of one-half that it will decline in the succeeding probable unit of time? . . .

"It was found that for every series with intervals between observations of from 20 minutes up to and including three years, the sequences out-numbered the reversals. As a result of various considerations it appeared that a unit of one month was the most promising from a forecasting viewpoint. In the case of the 100-year monthly series of common-stock prices from 1836 to 1935, a total of 1,200 observations, there were 748 sequences and 450 reversals. That is, the estimated probability was 0.625 that, if the market had risen in any given month, it would rise in the succeeding month, or, if it had fallen, that it would continue to decline for another month. The standard deviation for such a long series constructed by random penny tossing would be 17.3; therefore the deviation of 149 from the expected value 599 is in excess of eight times the standard deviation. The probability of obtaining such a result in a penny-tossing series is infinitesimal."

The Immediate Inferences

What does the Dow theory say now?

To some extent the answer depends on what averages are used. Both the Dow-Jones industrial and railroad stock averages have surpassed their 1937 peaks by good margins. The New York "Times" average of 25 industrial common stocks turned down on Feb. 4, 1946, when it was still almost eight points short of equaling its 1936 peak. On many occasions in the past, such divergence between the price movements of the industrial and railroad averages as that shown by the New York "Times" averages has warned of important trend reversals. Those who look to the New York "Times" averages for their picture of the stock market will not expect clear sailing unless and until the industrial average succeeds in joining the rails by breaking through to new high ground, above its 1936 peak. On the other hand, the "Herald Tribune" industrial and railroad stock averages both topped their 1937 highs before the February decline began. At the 1936-1937 top, the New York "Times" averages warned of impending trouble months before other widely used averages. But at the 1942 lows the "Herald Tribune" averages gave the first signal that the bottom had been reached.

Turning to the Dow-Jones averages on which most Dow theory interpretations are based, the current market situation is about as follows:

1. Presumably we still are in a bull market because a trend once established is assumed to persist until it is reversed by action of the averages indicating a turn in the tide.

2. The decline from the bull market highs of 207.49 in the industrial averages and 68.42 in the rail average thus far has amounted to nothing more than a long overdue "correction" of the rise in those averages from their last summer's lows of 159.95 and 50.76, respectively. It is even possible that the reaction is "correcting" the entire advance from the Nov., 1943, lows of 128.94 in the industrial average and 31.42 in the rails. In the former case the "correction" might be expected to carry the industrials back to somewhere between 192 and 175. In the latter case the decline probably will stop in the 182-155 range.

3. Volume tendencies have been generally unfavorable to prospects for higher prices since the decline began more than a month ago. Trading on the New York Stock Exchange totaled 2,650,000 shares on Feb. 26, the day the lows were made, while the maximum volume developed on any day of the ensuing rally, to date, was only 1,400,000 shares. On March 13, a day of declining prices, trading totaled 1,610,000 shares.

4. So far the recovery in the industrial average from its Feb. 26 low has amounted to 12.18 points or 51.9% of the decline from its bull market high of 207.49 to its Feb. 26 low of 184.05. The corresponding rally in the rails from their Feb. 26 low equals 3.61 points, or 42.1% of their decline from their bull market high of 68.42 to their Feb. 26 low of 59.86. Both recoveries are well within the limits of technical rebounds which might be expected even if much lower prices ultimately were in prospect.

Retesting of Recent Highs or Lows Will Furnish the Signal

To indicate resumption of the primary uptrend, according to the Dow theory, both the industrial and railroad stock averages would have to advance above their Feb. 4-6, 1946, highs of 207.49 and 68.42, respectively. Volume indications on the recovery thus far do not encourage that expectation.

To indicate a resumption of the secondary downtrend, both the industrial and railroad averages would have to sell below their Feb. 26 lows of 184.05 and 59.86, respectively. Volume indications to date make at least a retesting of those lows seem probable. If either average should break below its Feb. 26 low while the other held above its corresponding figure, to the accompaniment of relatively quiet trading, the inference would be that stocks should be bought.

To indicate a bear market both the industrial and railroad stock averages would have to rally from whatever ultimately prove to be the lows on the secondary decline still presumably in progress, retracing at least a third of that decline, and then sell off again to new lows. Such a signal could not be given for several months, at the earliest.

Some market analysts may argue that we shall be in a bear market if both averages now break their Feb. 26 lows. The chief reason for questioning such an interpretation is that the decline from the Feb. 4-6 bull market peaks to the Feb. 26 lows was too short to "correct" an advance that at least dated from last July and August, and possibly from November of 1943. Dow was quite specific on that point. "The element of time also enters into the calculation," he said. "An advance lasting three months does not have its total relapse in one week."

On either interpretation, a decline in the market carrying both averages below their Feb 26 lows would be bad news for the bulls. Because of the probability that the selling side of the market would be crowded in such an event, some precautionary sales might be in order if both averages broke their March 13 lows of 188.86 for the industrials and 60.87 for the rails on increased volume of trading.

Business Man's Bookshelf

Functions of the Personnel Executive — Lawrence A. Appley — Industrial Relations Section, California Institute of Technology, Pasadena 4, Calif.—paper—50c.

Seniority and Ability in Promotion and Layoff—selected bibliography — "Selected Reference," Industrial Relations Section, Princeton University, Princeton, N. J.—paper—10c.

Dynamic Equipment Policy for America, A.—an excerpt—Machinery and Allied Products Institute, 221 North La Salle Street, Chicago 4, Ill.—paper—copies will be sent to members of Congress, editors and commentators, educators and other opinion-forming groups. Additional copies available at cost.

Buchanan With Boettcher

DENVER, COLO.—Thomas E. Buchanan, Jr. has become associated with Boettcher and Company, 828 Seventeenth Street, members of the New York Stock Exchange. For the past four and one-half years he has been in the U. S. Army. Prior thereto he was with Brown Bros. Harriman & Co. and Glore, Forgan & Co. in Chicago.

Abraham Strauss Visits

Abraham Strauss, partner in Strauss Brothers, 32 Broadway, New York City, is on an extended trip to the South.

Conditions Affecting Railroad Values

(Continued from page 1497)

"normal" I mean pre-war—and we must reflect that in the last five years a lot of water has gone over the dam. There have been impressive territorial improvements in some cases and no changes in others; some roads have been tremendously improved physically, while others are well below even an average for the field; there have been debt retirements and bond refundings, the results of all of which make for wide variations over the conditions existing only a few years ago.

Now that railroad security prices are higher than the "10 cents a bushel" level of only three years ago, and there are admittedly some bothersome angles, it is more important than ever to "be right" in your appraisals. Don't generalize on the industry, but be specific in exploring each individual situation! Remember, too, that securities sell more on earnings than on intangibles such as long term hopes. We've found that out recently in Philip Morris, Dresser, Western Union, et cetera.

All the "wartime" bookkeeping is out of the window, together with the "flush" business, with the exception of the flush passenger business, which is gradually coming down to normal. There may be a case or two of carry-backs on excess profits taxes, but for the most part the books will be pretty well kept on a true basis.

Remember this! When costs go up the "break even" point is raised, thus endangering the ability to weather adversity. Striking off an "average" for the industry doesn't prove much—only the average or better will earn. The true measure of industry well-being is determined by the marginal entity which suffers the impacts of cost increases.

Trucks and Ships

If there is any doubt about the future ability of the railroad industry to make money, then there should be greater doubts concerning its principal competitors—the trucks and boats. You have heard me talk about these two factors before, because the public always thinks of the trucks and the boats in connection with harming the railroads. Because of their limited capacities, the mortality among highway carriers of freight is growing at a rapid pace, and some recent evidences of weakness in this field have been found in the southeastern states and the central west.

You have one situation in your own back yard, the Keeshin Trucking Co., with which you are probably more familiar than I am. Last week's papers carried an announcement of a large New England trucking firm's intention to liquidate.

A vast majority of these companies are generally small and their plight receives only local attention, but operating expenses have gone well beyond gross revenues. The spiraling adverse effects come about when a company can no longer meet its payroll charges and a larger company comes in to buy the franchise and the small equity remaining in the equipment for very small sums.

The end result is that the acquiring companies buy additional operating losses to accentuate their own deteriorating conditions. This is in spite of the fact, also, that these companies are operating on so-called "emergency" rates, suspended so far as the railroads are concerned. This situation cannot continue long, but can only be ameliorated by increased rates.

It is estimated that over-all freight rates should be increased by upwards of 30% if highway truckers of freight are to continue to render an essential and modern transportation service. Furthermore, very large capital outlays will be required to modernize the equipment and the weakened financial condition poses problems of gigantic magnitude.

The situation in shipping in U. S. waters, and through the Canal, is even more critical. Railroad rates put a "ceiling" on all rates, and unless the railroad rates are lifted shipping rates cannot be increased, or else there will be a diversion of traffic.

The Maritime Commission has been running some eleven or twelve boats through the Canal, entirely at its expense, even though the operation has been conducted by individual companies. It is estimated that there is an out-of-pocket loss on every voyage.

While actual expenses in connection with running the boats have increased sharply, the terminal expenses have increased to the point where they are greater than running expenses. In other words, terminal costs have gone up to even a greater extent than operating costs, and present probably the most difficult problem to be solved, for it involves not only the modernization of boats and port facilities, both of which will entail a huge capital investment, but also the methods of packaging of the freight by shippers and the handling of the freight in various ports by different unions which may have regulations at variance with each other.

For instance, it is estimated that about 40% of the average vessel's time is spent in port loading and unloading, and because of the obstacles naturally attendant to ship loading versus railroad loading, some goods may be handled as many as twelve times from shipper to consignee.

The War Shipping Administration is reported to have estimated that an increase in freight rates of at least 35% will be necessary before coastwise vessels can break even, while on certain isolated runs, such as the one to Alaska, an increase of 100% would be necessary.

There is a difference of opinion as to whether coastwise service is essential to transportation. Historically there is no doubt but that coastwise services built up our harbor cities and the areas contiguous to them. From the standpoint of national security, it would seem that coastwise shipping should continue, but there are grave questions as to the ability of the industry to do so independently under present rates and costs.

Intercoastal service is probably a political necessity, involving, as it does, the use of the Panama Canal, and we might see some sort of bonuses invoked to keep this service running. Representatives of shipping interests are of the opinion that substantial increases in freight rates can be expected. They are opposed to horizontal increases which would tend to change existing differentials.

Because of the dire straits that the railroads' principal competitors find themselves in, **there is no doubt in my opinion but that rate increases of a substantial nature will in time come about.** Increase are essential in the interests of a sound transportation economy. In the meanwhile, although the railroads will suffer from increased wages and costs, without compensating rate increases, boats and trucks, because of their weakened condition, will be damaged to a greater comparative extent. In proportion to capacity limitations, cost increases are proportionately absorbed. The comparative unlimited capacities of the railroads against the trucks, and the sharply increased costs of the boats, give to the railroads advantages of great importance, and the competitive position of the rails, therefore, is all in their favor.

In effect, the champions of the railroads' battle for increased rates are likely to be their principal competitors!

Modernization, Et Cetera

I have been talking for years about the improved property conditions and the efficiency of the railroads because of these improvements. It seems no longer necessary to enlarge on these points, but from the standpoint of bullish or bearish factors for the future, these things should not be forgotten. I think probably, also, that a good many of you are familiar with our passenger business study. In effect, our conclusions are that the degree of passenger business is directly linked up to the degree of national prosperity.

In a good many respects it is similar to department store business, consumption of meat, and similar lines, in that improvement in these directions **follows** the return of prosperity when debts have been paid off and savings have been built up to the point where the extra niceties of life can be enjoyed. We visualize elimination of pre-war losses and possibly small profits, which, to say the least, would be helpful.

By this time also, we know of the cash balances the railroads have and how, because of these cash balances, the railroads can continue to work on long range and costly improvements, to effect further reductions in expenses and bring about greater efficiency.

On balance, in the transportation field, the railroads are becoming stronger and stronger and, in my opinion, they will move a greater proportionate volume of the business of the country than they did in the pre-war years.

Wage vs. Rate Increases

What we might look forward to in rate increases is linked together with wage and material cost increases, and that becomes one of the problems of estimation, for this year. You all know that the increases in wages will be retroactive to Jan. 1, 1946, and our guess is about half of what they are asking for, or about 15%, will be granted. The unions will also come back after the wage increases to request changes in working rules which, if enacted, would mean such more in the way of cost increases than the requested uplifting in straight pay. They are, in just about every case, requesting changes in the rules along "make-work" ideas—what we used to call "featherbedding," when that term was bandied about some years ago. I don't believe they will be too bothersome in the final result.

What may happen on rates is anybody's guess and, among the people we have contacted, there seems to be an even division of opinion. Many feel that the almost immediate restoration of the temporarily shelved rate increases of 4.7% can be legally invoked. Because of the fact that this small restoral of the rate increase would not begin to meet the increases in costs that have come in since 1941, many people in the railroad field believe that an acceptance of this small rate increase that could be gotten quickly might jeopardize, for a long period of time to come, their chances of getting still further increases which are so necessary.

A larger increase may mean long delay. That's the rub! Unless the price policies of the Administration are softened, there is no question but that the OPA and the Department of Agriculture and the Farmers' Unions would wage war on any rate increases. Within the next few weeks we should have a clearer idea of just how far the OPA or the Administration will go in sanctioning price raises. If the policy is to be tough, my guess would be that not much good could be gained from seeking compensating increases at this time.

Most of the railroads, with their flush cash positions, are able to take a temporary "beating" this year, especially if they will gain proportionately by being patient. Quite a few of the officials that we have contacted are of this opinion, and it seems that more may be gained by a waiting attitude. Against this opinion we must counter-balance the competitors' positions who need increases badly and quickly.

With strikes and traffic distortions likely to continue for some time, the railroads would have in their favor a record showing the effects of increased costs. By waiting (during which time the conditions of the trucks and boats would worsen), and remembering, also, again, that railroad rates put ceilings on other rates, I believe it is very likely that eventually large rate increases, running up to 20% might be gained. The question is "When?" and what will delay do to market values?

I firmly believe that at the proper time many of our railroad securities will make for better values than can be found in other fields.

Estimate 1946

As Dr. Parmelee of the Association of American Railroads stated on March 8th, "It is difficult to make a precise estimate of prospective railroad traffic and volume and earnings for 1946, especially in view of the disturbed industrial conditions." In his estimate no allowance was made for possible changes in current wage rates, or material costs. Dr. Parmelee holds a very responsible position and, in making his forecast, was testifying in behalf of the railroads in the present wage case. It is quite natural that he should be more pessimistic on all accounts than we in trying to peer into the future.

Similarly, we have made estimates for 1946, and while we do not have the facts and statistics at hand such as Dr. Parmelee, I feel that I should present them to you in comparison with his figures. Had he not publicized the AAR's estimate, you would have expected something of this sort from me anyway.

Dr. Parmelee estimated Class One gross would be around $6,800 million. Our own guess is almost $500 million higher, of which $200 million comes in freight, another $200 million in passenger, and close to $100 million in other services. We are assuming that in the last half of this year strikes and price controversies will be behind us and industry in general will be getting under way.

His guess as to operating expenses (assuming no changes in wages were in sight) checks closely with our own in dollars, but because we expect more business our operating ratio is 73½% of gross while his is 76½%. But, as I said, Dr. Parmelee would naturally be more conservative than I am. Accordingly, our possible net after taxes and charges, **assuming no increase in wages,** comes out at $642 million against Dr. Paremelee's more conservative $330 million.

According to our figures, a 15% wage rise on 1946 probable business volume would lift expenses $468 million, of which about $180 million should be absorbed in lower income taxes, to give a probable 1946 net after charges and wage increases of about $325 million. The big question is "Who gets this?" If the bulk goes to only a few companies, a large part of the industry operates for no gain.

The greatest argument over our estimate, in my mind, concerns Federal income taxes. Large excess profits taxes were accrued by a comparatively few railroads. Even in such a year as 1946 it may be that most of those companies will likely earn too much to get any substantial rebate. So in making our calculations we ignored tax recoveries on the theory that, at best, carrybacks may be substantial in only one or two instances.

Some roads may work for nothing in 1946, and I wouldn't want to own their securities with so many better values laying around.

Wheeler, Hobbs and Sobs!

Now for the "Washington Merry-go-round": First, I want to state that the Senate ICC Committee, principally Senators Wheeler and Reed, were most patient in hearing anybody who wanted to come forward to put something into the record. At times it seemed to me as though the hearings would never end, as you would expect, the average citizen did not come forward. Instead, as you would expect, there was a procession of people firmly convinced that they, and they alone, were in the right.

Much of the testimony read into the record recited the difficulties of reorganization, or a rehash of the position of unsatisfied junior creditors or stockholders. On numerous occassions, as a witness was about to leave the stand, Senator Reed specifically asked for a few comments on S.1253 before the individual concluded his testimony.

Prejudiced tesimony was given for or against the bill, according to the viewpoint expressed, but more particularly for or against specific railroad reorganizations. In my opinion, up until the time the ICC representatives testified, the committee didn't receive much help on which to write a new bill, except some recommendations from Major Oliver of the Savings Bank Group.

Up until commission testimony, one salient point did come out. Senators Wheeler and Reed reiterated time and time again that neither the Senate Committee nor the Congress could legislate value where no value existed. This point, incidentally, was also emphasized by the ICC. That's point No. 1 to remember.

At another stage in the hearing, when Mr. France of the Seaboard stated that the practical operation of Section 20-C would force creditors to give up their legal rights to stockholders, Senator Wheeler took violent exception, saying that there was nothing in 20-C which would force creditors to give up anything to stockholders. He said that possibly in some cases the present plans took something that belonged to junior creditors in light of changed conditions. In other words, it was not their intent to force creditors to accept unjust compromises, but merely to correct any inequities that existed under present circumstances. This is point No. 2.

The Committee repeatedly expressed disappointment at the fact that the roads in receivership had not retired debt similarly, in proportion, to the solvent roads' retirements, and while efforts were made by the Seaboard Air Line representatives to detail the reasons as to why such a course would have been impossible, the Committee apparently remained unconvinced. I am inclined to side with the trustees who did not retire debt to the extent indicated they should have.

I have been of the opinion that the creditors owed the properties, and that until such time as the relative positions of the creditors had been ascertained the trustees would have been taking a very dangerous step to retire general securities from earnings contributed by particular liens. What would have happened if the trustees had bought general market bonds before the claims were

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Conditions Affecting Railroad Values

(Continued from page 1533)

classified or satisfied, and later the bonds went off sharply? Wouldn't the trustees have been censured? It is still undisputed that hindsight is better than foresight!

When these claims questions were settled, after long legal arguments, a plan was the result, and after that plan was on its way to completion, the question of whether or not debt reduction would have endangered the plans, became paramount. The plans themselves have taken a long time to promulgate and, as Judge Hincks said in one of his New Haven decisions, "Indeed, in this connection, it may be observed that if the courts gave too much weight to the latest fluctuation of value pertaining to railroad properties and their securities, no plan would ever proceed to consummation."

In effect, in my opinion, the claims were foreclosed upon as of the time of court approval, and could not have been carried through without retaining the status quo. Before long we will get a Supreme Court decision in the Denver & Rio Grande Western case covering these points, and that should settle the question.

In its testimony the Interstate Commerce Commission showed, first, the hopelessness, generally, of the debtor company's interests, because of the tremendously large amounts of matured debt in default and interest accruals. There seems no possibility that the old stocks generally will be worth anything. There may be an exception, but this is a generalization.

The Commission, by introducing a statement showing earnings for the 10 years from 1932 to 1941, and the years from 1931 to 1944, **on the new capitalizations**, wherein the earnings for the 10-year period showed deficits in all cases, and very nominal earnings on the common stocks for the longer period, swept aside the assertions that had been made that they were not open-minded in their capital structures. Statements have been made that these structures were based on 1931-35 depression earnings, but the Commission absolutely disclaimed that such was the case. Their figures will be hard to overcome.

I believe that when the bill having to do with the roads presently in reorganization is written by the Senate Committee, it is quite likely to follow the suggestion made by the ICC, wherein they recommend that an amendment to Section 77 be written to refer the reorganization plans back to the ICC for such adjustments as might be found justified by present conditions. Under this procedure the long, legal battles which were the principal delay under Section 77, as written, will not have been wasted, or would not have to be indulged in again, and that time would be saved.

The Commission agreed that if the plans came back to them for inspection under this amendment to 77 they would be willing to review them to determine whether or not the additional securities should be issued. I assume from this statement that if no additional securities were thought necessary, the present plans would be effected.

You will agree that the safest thing for me to say on the plans for the large roads under 77 is that they will "go back." This idea is universally accepted, and no one would blame me, under the circumstances, if I were wrong. However, I do have definite personal opinions and I wouldn't be honest with you if I withheld them.

On an over-all basis I drew the following conclusions:

First, don't pin your hopes on miracles! None is likely to happen! There is little latitude possible left to the Committee!

I believe that the Seaboard plan will not be sent back, but that the plan will go through quickly as written. The properties have been sold at foreclosure, the sale confirmed by the court, and the deal is 99% finished.

On the other hand, Rock Island looks as though the present plan will be altered considerably, with the issues of the class of the refunding mortgage bonds getting a fair-sized "face lifting." So it goes!

Now I'm going off the deep end! What I am going to say now is my own personal opinion. We have disagreement on this in our office — preponderant disagreement, I might add.

However, after listening to the Supreme Court arguments in the Denver & Rio Grande Western case, and drawing on my over-all long-term knowledge, I firmly believe that the decision, when rendered, will reverse the Circuit Court opinion remanding the plan back to the Commission. In other words, I believe this plan will be approved by the Supreme Court and, furthermore, I believe strongly that the Rio Grande Western will not come under the provisions of the new bill. In my opinion, similarly to Seaboard, the Rio Grande case is also 99% closed.

I find myself drifting into a discussion of things that more properly belong in the question and answer period and, therefore, I think it best to conclude the prepared statements and leave the rest for the forum period.

As many of you know, I am not averse to "sticking my neck out," and so, I will try to be frank with you on any questions asked. If I don't know the answer I'll tell you. If I disagree with you, or if subsequent events prove me wrong, do not hold it against me too much. Usually we may be faced with some problem, but in this case not only the railroad industry, but its individual components, are faced with all sorts of problems.

Conclusions

I think the long-term future is very bright for the better class of railroad securities and equities. In the immediate future, however, there are all sorts of imponderables and we, in effect, may have to sit through the night waiting for the dawn of a brighter day. If you have good securities, eventually they should work out to much higher levels.

International Politics And the Loan to Britain

(Continued from first page)

of another conflict, however vague and remote it may still appear, is likely to bring back a spirit of collaboration in the place of the spirit of hard bargaining that has prevailed in recent months.

British opinion is now decidedly more in favor of the loan than it was until a few weeks ago. Its terms are still considered very harsh. But it is felt that, in face of the major danger that appears to threaten the country once more, considerations of trade and finance must fade into insignificance. And many former opponents of the loan have come to view the transaction from a political rather than an economic angle. They are as convinced as ever that in the long run it will mean importing unemployment from the United States, sacrificing Empire trade without being compensated through an increase of trade with foreign countries, and submitting to a permanent curtailment of Britain's freedom to determine her own economic and financial policies. Nevertheless, they are now prepared reluctantly to accept the terms as the lesser of the two evils.

Opponents' Attitude

So long as the alternative to the loan was merely a higher degree of austerity, these opponents were willing to pay that price for retaining Britain's freedom of action. They have now come to the conclusion, however, that much more than mere reduction of rations and postponement of a return to normal conditions is at stake. It has become evident that, in the absence of the loan, a reduction of British occupation armies in ex-enemy countries and in the Middle East would become inevitable. For the foreign exchange required for their maintenance abroad just would not be there. Every dollar would then be needed in order to procure the indispensable minimum of food and raw material imports.

Some of the territories at present occupied would then have to be relinquished, even though this would mean direct or indirect Russian occupation. As one commentator put it: "Moscow, like Nature, abhors a vacuum; and to Moscow's mind vacuum means every territory which is not held firmly by a Great Power." Whether this view is right or not, it has gone a long way towards disarming Conservative opposition to the Washington Financial Agreement. For while they still feel that the terms accepted by Lord Keynes endanger the economic foundations of the British Empire, they regard the military menace to the Empire as more dangerous.

It is also felt that unemployment through lack of raw materials, and discontent through inadequate rations, that would be inevitable in case of the nonratification of the loan, would materially weaken the country in face of the external threat, and would further encourage an aggressive policy on the part of the Soviet Government. Moreover, evidence of Britain's economic weakness would powerfully strengthen Communism in France and Western Europe where the number of those genuinely in favor of that system has been increased by millions of opportunists who simply want to be on the winning side. Hitherto continental countries have continued to look upon London as a potential source of economic assistance, in spite of the evidence of the great difficulties which Britain has to face. If, however, the loan is refused then hopes to expect anything of London will be abandoned, and all eyes will turn towards Moscow.

Refusal of Sterling Loan to France

The experience with France gave a foretaste of things to come. The French Government's request for a further credit of £50,000,000, in addition to the £150,000,000 already granted and exhausted, had to be refused by the British Treasury, owing to the uncertainty of the loan prospects. Within a few days, M. Thorez, leader of the French Communists, was in a position to announce that the Soviet Government would export to France 500,000 tons of grain. The difference between the attitude of London and Moscow has made many Frenchmen think, and the reaction on French public opinion is viewed with grave concern on this side of the Channel.

Inaugural Meeting of World Fund and Bank Ends

(Continued from first page)

names. . . . Since there are only seven posts to be filled, one candidate (the Greek) could not be elected. . . .

The International Monetary Fund
Nominations for Executive Directors
(in the order received)

Name	Country	Name	Country
Dr. Rodrige Gomez	Mexico	Mr. Louis Rasminsky	Canada
Dr. Francisco Alves Dos Santos-Filho	Brazil	Mr. Camille Gutt	Belgium
Mr. G. W. J. Bruins	Netherlands	Dr. J. V. Mladek	Czechoslovakia
		Mr. Ahmed Zeki Bey Saad	Egypt

The International Bank for Reconstruction and Development
Nominations for Executive Directors
(in the order received)

Name	Country	Name	Country
Professor Kyriakos Varvaressos	Greece	Mr. Camille Gutt	Belgium
Mr. Ole Colbjornsen	Norway	Mr. J. W. Beyen	Netherlands
Mr. Victor Moller	Chile	Mr. R. B. Bryce	Canada
Dr. Louis Machado y Ortega	Cuba	Dr. Leon Baranski	Poland

The decision that the United States seek the top managerial post in the Bank, but not in the Fund, bears the White House seal. . . . **This decision removed such hopes as Assistant Secretary of the Treasury Harry White may have had to obtain the high-salaried position of the Fund's managing director.** . . . None the less, as United States executive director on the Fund, a position for which the Senate has endorsed him, the Treasury's monetary economist won't be doing so badly. . . . That job pays $17,000 after taxes. . . . The President of the Bank, whose salary will be $30,000 after taxes, is to be an American. . . . Presumably he will be someone already prominent in this country and moreover personna grata to the investment banking fraternity. . . .

If a European is made general manager of the Fund with its $30,000-after-taxes honorarium, possible candidates are Camille Gutt of Belgium and Johan Willem Beyen of the Netherlands. . . .

The figures mentioned do not include representation allowance.

* * *

The Function of the Executive Directors

At the Bretton Woods Conference there had never been any sharp definition of the provision in the articles that the executive directors should function in continuous session. The British at BW had one idea and the Americans another, and there had been no meeting of minds. This question the British in effect tried to reopen at Savannah, but they found Vinson a good deal less movable than Mr. Morgenthau, even though the Judge is no less a friend of the British. . . .

A feature of the American plan which particularly went against the British grain is that which involves participation of Latin American and other small nations in the management of the Fund and Bank. . . . **What the British wanted was a set-up with a powerful general manager subject to the policies laid down in the capitals of the member countries, who through their treasuries could tighten the bit when necessary, sending top-flight officials to occasional meetings.** . . . The British can see no need for a board of 12 or more to be in continuous session. . . . On this point the United States has compromised somewhat at Savannah, by agreeing that if an alternate is always at hand, the executive director of a member country need not be continuously present. . . .

Another British objection at Savannah was the high salaries which the American group insisted upon. . . . Whether this insistence is to any extent explained by the fact that some of the officials most closely identified with the development of the Bretton Woods idea are candidates or nominees for employment in the Fund or Bank is a matter for conjecture. The British, and some others as well, can see no need for paying such high salaries as $17,000 after taxes for executive directors selected on a political basis and in some cases as well because of the political plums involved. . . .

The American view, attributed to Secretary Vinson, is that the Fund and Bank should obtain high-grade men and that these cannot be had unless the salaries are high. . . . In respect to this argument, it must be realized that American commercial salary standards are much higher than the corresponding salaries abroad. . . . In some cases one may find executive directors or their alternates among the highest paid of their fellow countrymen "after taxes"; for another thing, it is doubtful whether such American officials as Harry White or E. G. Collado were discontented with their Government salaries. . . .

It is not so many years ago that these men were working quite happily on much smaller Government emoluments. . . . What has now been introduced into Government is the Wall Street salary standard, and it could conceivably lead to discontent among other United States officials who will be living in Washington alongside these highly paid tax-exempt executives with expense accounts. . . . Here again the British failed to prevail at Savannah. . . .

Linked with the foregoing was the United Kingdom's desire, supported by several other countries, to have the headquarters of the Fund and Bank in New York, or anywhere but Washington. . . . The British do not like to see the new institutions in the political shadow of the State and Treasury Departments. . . . They would rather that the social contacts of the Fund and Bank executives be with Wall Street bankers than with Government brain trusters. . . . This is the opposite of what Washington wanted, and got. . . . It will be recalled that many months ago Dr. Harry White was quoted in the press as stating that he thought the financial capital of the United States should be in Washington. . . . He later issued a formal press release, denying any such statement. **But reporters who wrote the story after a small Press Conference with him still insist that they did not invent the story.**

* * *

The Closing Session

At the closing session of the meeting of the Fund and Bank Governors several of the members read their valedictory speeches. . . . At one side representatives of Russia, Denmark, Australia and

New Zealand sat at a green baize table in their role as observers. . . . One of them was quietly reading a newspaper, spread out before him. . . .

Seated at the table at the plenary session, at the place marked "U. S." was Mr. William McChesney Martin, Chairman of the Export-Import Bank and a member of the NAC. . . . Mr. Martin had been at the Savannah meetings for several days. . . .

One of the country cards at the conference table bore a sign "Czechos'kia." . . .

Lord Keynes in his final speech complimented the American chairman, Vinson, on the "expedition with which the proceedings had been handled." . . . Earlier in the week a Britisher coming out of one of the committee meetings had been heard grousing at the American steamroller tactics. . . .

Keynes also complimented the Chairman on having kept the press properly informed. . . . Thus he touched on a sore point with the British. . . . **A few days ago the Savannah "Morning News" carried an interview with Paul Bareau of the British delegation, in which the latter complimented the local newspaper on getting the news under the handicaps of insufficient press conferences, by digging for it rather than having the news handed out on a platter** . . . . It is always necessary to read between the lines in a Keynes speech. . . . Earlier in the week it was learned that Keynes had decided not to speak to the press here before the end of the meetings, and then only if he should have a grouse to air. . . .

When Keynes read his farewell jibe, he held his manuscript at his waist.

* * *

In the late afternoon following the last formal session, the Latin-Americans held an informal reception at the Beach House by the Hotel Oglethorpe's swimming pool. . . . Among the Americans who turned up to pay their respects were Judge Vinson, Harry White and William McChesney Martin. . . . The Latins were in a jubilant mood over their achievements at the Conference. . . . Soon there was impromptu singing, led by Peru's former Finance Minister, Montero Bernales. . . . The singing, in which all joined, moved alternately from the Spanish-speaking to the English-speaking side of the room where the Latin-American caucuses had been held. . . . Such songs as "La Cucaracha" and "Hail, Hail, the Gang's All Here" broke the quiet of Wilmington Island. . . . Every one was very jovial. . . .

Harry D. White

A little later guests in the dining room were surprised to hear the massed voices of the group of Latins and others coming through the door singing. . . . They first stopped before the three-piece dinner orchestra and sang "God Bless America" and "Cielito Lindo." When the orchestra played "God Save the King" everyone stood up. The singing continued after the Latin-Americans had proceeded to their tables.

Most spirited song leader seemed to be Peru's Monteros. . . . The Belgians seemed a bit surprised at the exuberance of the Western Hemisphere. . . .

When Secretary Vinson entered and took his place, the crowd sang "My Old Kentucky Home," whereupon the Judge threw kisses to all those present. . . .

Several other national anthems followed, during one of which Lord Keynes—who with his wife had been dining at a small table close to the round table regularly reserved for Judge Vinson and his guests—walked over to Vinson and asked: "What's this all about?" . . . Everywhere one could see mixed groups of delegates and advisors enjoying the occasion, while a table of Latin-Americans rose to senerade Lord Keynes with "For He's a Jolly Good Fellow." . . . **Keynes rose to bow acknowledgment of the accolade, and when they next sang "Tipperary" for him, he modestly joined in, so as to live up to his new-won reputation.**

* * *

Relative to reports that Federal Reserve authorities propose to seek major changes in the Federal Reserve Act designed to strengthen credit control powers and to limit further monetization of the public debt, **this correspondent has been advised by a high Treasury official that no such project has had Treasury indorsement.** . . . Moreover, inquiry discloses that the Reserve Board has reached no conclusions as to the recent suggestions for better control of member bank reserves. . . .

Marriner S. Eccles

Although its views have not crystallized, the Board certainly has given no indication that it will seek from Congress the power to require member banks to hold any fixed proportion of their deposits in the form of short-term Treasury obligations. . . . Chairman Eccles, at least, has always shied away from any compulsory power over member banks investments, even though he may, and probably does, favor the banks holding more short-term governments, according to persons very familiar with his views. . . .

British vs. Americans

In general, the American delegation's views have prevailed at Savannah, although some concessions were made to the United Kingdom viewpoint. . . . The Fund and Bank are very different from the original Keynes Clearing Union in important respects. . . . Keynes' original idea was for a large Fund to be drawn upon very freely without too much limitation as to purpose. . . . This Fund would have been managed by a small directorate of well-known individuals whose judgment the British could trust. . . .

While operated by governments, the Clearing Union would have combined some of the best features of "City" and Whitehall tradition. . . . On this point the British were defeated in the negotiations which led to Bretton Woods. . . . The United States view was that there should be multilateral participation in the management, and once this principle was adopted, there was no stopping short of having all the nations participate in the control. . . . **This is the background of the plain-spoken hiatus between British and American views during some of the Savannah committee sessions. . . . It is behind the differences over the functions and remunerations of the executive directors.**

* * *

Speech by Secretary Vinson

At the wind-up of the last session, Secretary of the Treasury Vinson read the following address:

"Our work has been worthwhile and pleasant. A man asks little more. It is difficult for me to accept the fact that now we part.

"When we assembled 10 days ago, I was confident that we would have a unity of purpose, that we would have even more agreement in spirit than in words. That was the way it was at Bretton Woods. That was the way I felt it would be at Savannah. And so it has been.

Secretary Vinson

"Although my expectations were high, they have been fulfilled—more than fulfilled. My colleagues, I do believe that if we had done no work that could be reduced to writing, if we had not put the machinery into operation, our meeting still would have been of highest value.

"I believe this because of the richness of this experience of meeting together. An experience such as this gives men much more than pleasure. Their souls and hearts are lifted and they go away better men. They become couriers of the good. I am sure that no one will regard it as sacrilegious if I say that when well intentioned men from 40 countries get together to work, to give the world a chance for peace and prosperity, and find that their hearts beat as one, it is a satisfaction like unto that religious moment when a man feels that he is in tune with the purposes of the Divine.

"We had all of this, and also we did the work that we came to do. The World Fund and Bank are now established. They are beginning to breathe. They are living organisms. These institutions will give us the advantages of living things, but in turn they must be given the sustenance and atmosphere that make living things grow and flourish.

"They will not live well alone. They need the company of other intergovernmental institutions that are helping us to build a better world. They need the company of wise, courageous, and internationally honest officials. They need the company of people every where so that they will not live as hot-house plants, dying upon exposure to this practical old world. The institutions need all of the care, attention, and nourishment that we and others can give them.

"All of us intend that they should have a strong and illustrious career. Let each of us resolve as we leave Savannah that we shall continue to do our part. I have confidence in the Fund and Bank because I have confidence in you, and in the good people of every nation from which you come."

* * *

Speech by Lord Keynes

Lord Keynes in a similar vein, spoke as follows:

"Mr. Chairman:

"We should not conclude these proceedings without giving expression to our high appreciation of your conduct in the Chair on the occasion of this, our Inaugural Meeting. I am sure that I speak for all those here present when I thank you for the dignity, patience, firmness, fairness to all and, I may add, expedition with which you have presided over our affairs and steered them to a successful conclusion.

Lord Keynes

"I should like to add a further word of appreciation for the manner in which you have carried out the duty, which we entrusted to you, of keeping the Press properly informed of the course of our proceedings and our conclusions. I have never taken part in a conference where this, sometimes difficult, task has been so well performed. The accuracy, suitability and objectivity of the information which you, sir, have passed on to the Press on our behalf has been beyond criticism. It may be that our subsequent meetings will take place in conditions of somewhat less limelight. But I feel that an excellent precedent has been set for all cases where it is proper and advisable that our proceedings should be made public.

"Perhaps I may also be allowed to take advantage of this opportunity to say what a deep debt of gratitude we all feel to Mr. Kelchner, our Secretary General, and to Mr. Horne and to Mr. Hooker, the temporary Secretaries of the two institutions, and to their staffs, for the really remarkable efficiency and courtesy with which they have attended to the formal business, to our informal entertainment and, generally, to make us comfortable, happy and at home.

"Gentlemen, I invite you to signify in the usual way your approval of a hearty vote of thanks to Secretary Vinson, our Chairman."

A Policy for Peace

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sailors who made military history from New Caledonia to Tokyo and from North Africa to Berlin were not professional soldiers and sailors. They were civilians in uniform.

This is a fine tradition. Having preserved it in war, we should not relinquish it in peace.

The problem is how to reconcile our civilian traditions with the necessity to maintain our military strength at a level to match our responsibilities in the world. No nation is more willing than the United States to participate in any reasonable plan for the general reduction of armaments. But while other nations remain armed, the United States, in the interest of world peace, cannot disarm.

Between 1918 and 1941 there grew up in this country an important body of pacifist sentiment. The dominant theme of this movement was that the way to end war was not to prepare for war. It was argued that plain men the world over hated war and that there would be no more war if all these plain men simply refused ever to fight again.

Our Disarmament Experience

If the United States were to scrap all its armaments and completely demobilize its Army and Navy, it was said, the force of its example would compel the rest of the world to follow suit. The peaceful instinct which underlay this point of view is an admirable one. The trouble with the idea is that it does not work.

Without consciously deciding to do so, we actually tried it. By the time the Nazis attacked Poland in 1939 we had permitted our armed strength to dwindle to token proportions. When the war came and the realization slowly grew upon us that we would not be spared, we regretted that we were not prepared. The political parties then indicted each other for the lack of preparedness. The argument was no substitute for weapons.

We learned that the example of weakness set by the United States did not compel Italy and Japan and Germany to follow suit. On the contrary, our weakness incited them to ever bolder aggressions. Only the accidents of history gave us two years in which to prepare before the blow fell at Pearl Harbor.

Those two years were not enough to repair the damage. We were not ready on Dec. 7, 1941, and the consequence was that brave men died to regain the ground we could not hold in the first weeks of war.

This tragic experience makes us realize that weakness invites aggression. Weakness causes others to act as they would not act if they thought that our words were backed by strength.

Today there is grave danger that the sense of relief which accompanies the end of the war may cause us once again to do unwittingly what we would never do consciously.

Wants Selected Service Extended

No one in or out of Government desires to extend for a single day more than is necessary the enforced separation of men from their families and from their peacetime business or employment.

But those who bear the responsibility for the security and welfare of the nation are alarmed at the possibility that sufficient numbers of physically fit men will not be available to replace those who have earned the right to return to their homes.

This is true now while the Selective Service Act is still in effect. If the act is permitted to expire on May 15 of this year, the situation will become critical. It is imperative that the act be extended at least for the period in which the Army and the Navy have the multiple responsibility for the occupation of Germany and Japan, for the protection of our surpluses overseas, for the continuing defense of the United States, and for the fulfillment of our commitments under the charter.

It is even more important, in the long run, that we have at all times a reserve of trained men who can be called upon in case of need.

A number of methods have been proposed for obtaining this trained reserve. As Secretary of State, I desire to emphasize my whole-hearted and unequivocal endorsement of the proposal for universal military training.

It may be that the system proposed can be improved upon with experience in its administration. It is probable that as the years go by the system can be adapted to the demands of education and civilian employment in ways which will minimize friction and disruption in private lives. The important thing, however, is to

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A Policy for Peace

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get started with the plan, and to get started now.

Favors Military Training

An intelligently organized and administered system of universal military training will not undermine the American tradition of the subordination of military authority to civilian authority.

As for the effect of the training upon the boys, I can see no cause for alarm. It is not realistic to say, as some do, that a period of military training will turn our spirited and independent young men into unthinking brutes.

If we are to take the word of the old-timers among the master sergeants and chief petty officers, American recruits have always displayed a phenomenal capacity to withstand education in the military way of doing things.

If we need fear anything about the effects upon our boys of a brief period of military training, it is that they will learn too little about being soldiers and sailors rather than too much.

If we are agreed that it is necessary for the United States to preserve an adequate degree of strength, it is well to remember that the only real alternative to universal military training is the maintenance of the large professional standing Army and Navy. This is an alternative which experience has shown to be a threat to civilian Government. It is an alternative which we should accept only as a last resort.

A system of universal training will keep our armed forces from becoming fixed in their ways and habits. Teachers frequently learn from their pupils. Youngsters will not readily respond to training in methods which they know to be outmoded. Our defense in the modern world depends upon the mobility and flexibility of our armed forces and their ability to make use of and keep up with the advance of science.

It must be acknowledged that universal military training involves a major change in our society. Consequently, the people of the United States have a right to know the purposes to which this reserve military strength might some day be put. This is a fair question. It deserves a fair answer.

The answer is simple. The United States is committed to the support of the charter of the United Nations. Should the occasion arise, our military strength will be used to support the purposes and principles of the charter.

I cannot emphasize too strongly that the United States looks to the United Nations as the path to enduring peace.

No Alliance With Great Britain

We do not propose to seek security in an alliance with the Soviet Union against Great Britain or an alliance with Great Britain against the Soviet Union.

We propose to stand with the United Nations in our efforts to secure equal justice for all nations and special privilege for no nation.

We must maintain our strength, therefore, for the primary purpose of preserving and using our influence in support of the Charter of the United Nations. We will not use our strength for aggressive purposes. Neither will we use it to support tyranny or special privileges.

I do not desire to conclude on a somber note. I firmly believe that the difficulties confronting the world, although they are serious, can be solved if all of us approach those difficulties in a spirit of conciliation and good-will.

There are powerful currents loose in the world today. But the currents of life cannot be stopped in their courses. We live in a moving and changing world.

There is no reason to fear an open and vigorous contest between our conception of democracy and other political faiths. The voice of democracy is as thrilling today as it was yesterday. In a conflict of ideas we can be supremely confident of victory.

The important thing to remember is that a war of ideas is not won by armies. In international life there can be progress without war if reason and not force is recognized as the test of progress.

The basic purpose of the United Nations is to make force the servant and not the master of reason and to reject the ancient and discredited doctrine that might makes right.

Sees Period of Disillusionment

After every great war there comes a period of anticlimax and disillusionment. Those who fight together expect, when the fighting is over, too much from one another and are inclined to give too little to one another.

Those who have won the victory except the millennium and feel that they should have the fruits of victory without further effort.

They forget that victory in war can only give the opportunity that would otherwise be denied, to live and work for the fruits of peace and freedom.

Having been forced to fight for military victory, they sometimes think that whatever they want should be taken by force instead of making their claims the basis for peaceful negotiation.

It takes time to pass from the psychology of war to the psychology of peace. We must have patience as well as firmness. We must keep our feet on the ground. We cannot afford to lose our tempers.

I am deeply convinced that the peoples who fought together for freedom want to live together in peace. I am deeply convinced that the peoples of the United Nations are sincerely committed to the Charter.

There are always some of little faith; some who still believe that they cannot get their due except by force. There are others who still believe that ancient privilege will yield to nothing but force of arms.

But with firmness in the right not as we alone see it, but as the aggregate sentiments of mankind see it, and with patience and understanding we must and shall achieve a just and enduring peace for ourselves and all nations.

Krug Takes Office As Secy. Of Interior

Julius A. Krug took the oath of office on March 18 as Secretary of Interior, and immediately announced that Oscar L. Chapman would be nominated Undersecretary. Mr. Chapman, who has served as Acting Secretary since the resignation of Harold L. Ickes, has been an Assistant Secretary almost 13 years, it was noted in Associated Press advices from Washington on March 18, which reported Mr. Krug as saying that President Truman had authorized him to announce the nomination of Mr. Chapman to the post vacant since Abe Fortas resigned to enter private law practice.

The Senate on March 5 confirmed the nomination of Mr. Krug as Secretary of the Interior, succeeding Mr. Ickes. The nomination of Mr. Krug by President Truman on Feb. 26, was noted in our issue of March 7, page 1270. Before the Senate confirmation the Senate Committee on Public Lands voted unanimously to recommend the appointment. Mr. Krug was formerly Chairman of the War Production Board.

Christianity and Citizenship

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men as the measure of social responsibility.

It was the release of these principles into the stream of western culture that gave meaning and impetus to democracy and self-government. The struggle of men to achieve political freedom was part and parcel of their struggle to advance Christian ideals in the world. Indeed, a free society, such as our American system was intended to be, is the perfect political expression of the Christian emphasis upon the dignity and worth of man.

To appreciate the full significance of citizenship in a republic, we need only to look at its antithesis. Authoritarian forms of government, such as have prevailed and yet prevail in our generation, are a direct negation of the Christian principle. In Italy under Mussolini, in Germany under Hitler, in Japan under Togo, and in Russian today under Stalin, the individual man is nothing. He exists only as a tool of the all-powerful state. He lives and moves and has his being only by sufferance of a sovereign authority over which he has no control. He has no personal rights except such as are accorded by temporal authority—and rights such as these may be taken away as arbitrarily as they are granted. He is a slave of circumstances, without control over his environment and without responsibility except to obey.

What a contrast is citizenship in a free society! I often think of an immortal phrase in our American Declaration of Independence. It epitomizes the concept of citizenship under the spell of the Christian philosophy. Listen to it again:

"We hold these truths to be self-evident: That all men are created equal; that they are endowed by their Creator with certain inalienable rights; that among these are life, liberty and the pursuit of happiness. That to secure these rights, governments are instituted among men, deriving their just powers from the consent of the governed; . . ."

The men who wrote those words drew their inspiration from the Sermon on the Mount.

No, Christianity cannot come to full fruition in any society where the indivdual citizen is not free to order his own life within a framework of law established by the consent of the people. Christianity, to be fruitful in practice, presupposes responsibilty of the indivdual. Responsibilty of the individual, in turn, presupposes freedom under the law. The ideals of Christianity are the ideals of dynamic and free citizenship.

This brings us face to face with our situation in the United States today. If the interdependability of Christian principles and political freedom are the test of American citizenship, we have much to be concerned about. There are certain trends in our national life today which militate against personal responsibility and Christian idealism.

Dangers of Big Government

First of all, we are placing increasing emphasis upon big government and the centralization of governmental authority. Local government looks increasingly to the States. The States look increasingly to the Federal Government. There is a tendency of disquieting proportions to avoid responsiblity. "Let the Government do it," is the growing philosophy of our times. In short, we are becoming a nation of chronic buck-passers—and that is not good citizenship.

Second, because we depend upon centralized government, we are losing our American genius for voluntary action in achieving social progress. No responsible person will deny that we need to improve the nation's health, to provide adequate safeguards against the hazards of unemployment, to promote public welfare programs of many kinds. But anyone who dares to suggest that we first try to accomplish such things by voluntary means is branded as a stark reactionary. Dr. R. H. Davies, a great scholar, was unquestionably right when he said:

"The development of social services by the capitalistic state, though necessary and humanitarian, has nevertheless had its own evil dialectic. It has inhibited the development of the personal spirit, that spirit of love for the individual, concrete, human being. In the final issue it has deepened the disintegration of the modern man."

Government should assume responsibility for economic and social welfare, I agree, but it is dangerous to relieve the people of all responsibility for voluntary action. Mr. Herbert Hoover recently pointed out that better results in food conservation were achieved in the first World War than in the last—and they were achieved by voluntary methods There is a lesson in that fact which all Americans should ever remember. That which comes from the heart spreads its beneficent influence much farther and with surer results.

Too Many Laws

Third, instead of encouraging moral responsibility in the individual, we seek to solve all problems by writing laws. Call the Legislature and enact a statute, or get a bill through Congress, is the panacea for every problem. And where that seems too complex, the demand is for another administrative bureau empowered to write its own ticket. It is little wonder that ours has become a Government by personal edict—where men are ruled by directives and orders devised by zealots hungering for power. Managed economy, governmental competition with business, restriction of individual enterprise and the growth of collectivism are the inevitable fruits of the authoritarian spirit in government. Such trends are at war with the Christian philosophy. This nation needs to learn anew that there can be no moral growth without individual responsibility. We need to remember also that improvement in human nature can neither be legislated nor directed. It must spring from the soul of the individual.

Class Antagonisms

This leads me to perhaps the most serious evil in American life and citizenship today. I refer to the breaking up of society into segments or classes and the struggle between these minority groups for supreme power. The concentration of power in any segment of our society—be it labor, or management or government—is a perversion of democracy and a denial of the Christian faith. Yet, at this very moment in our national life, this struggle for supremacy and this concentration of power is destroying the national unity that carried us through war to victory. In business, in labor, in agriculture, many of the old and familiar forces of selfishness again are on the march. And to make matters worse, we find government allying itself first with this pressure group, and then with that, for political advantage. "Let's get ours while we can" is the slogan of the hour. That is not Christian citizenship. It is a denial of the Christian precept that the welfare of the individual or group is inseparable from the welfare of all citizens. Let us not forget that the initiative, the resourcefulness and the self-restraint of all our citizens were marshalled to win the war. They must be marshalled again to secure the blessings of peace.

In the face of these trends in our national life, Christian citizenship in general and the church in particular are confronted with a tremendous challenge. It is what Henry Ford II recently called "The Challenge of Human Engineering." He was speaking, of course, of the responsibilities of management toward employees—the fitting of people to jobs, the fitting of jobs to people, the development of opportunities for employee advancement and the improvement of communication between management and workers. But the need for human engineering also exists in all other aspects of our national life if men and women are to fulfill the responsibilities of Christian citizenship.

I believe the church today is vitally aware of its role in public affairs. It speaks eloquently and with persuasion on many of the knotty problems of our times. Whether it speaks of human and social needs or of the imperatives of world cooperation for peace, it holds high the banner of idealism. All this is for the good of our nation and our world.

But I want to suggest to you one area of activity and influence which the church must not neglect if its teachings of Christianity are to be thoroughly infused into modern citizenship. That is the area of man's personal responsibility to himself and to his fellowman. The strength of Christianity, beyond all doubt, lies in its impact upon the individual human soul. Indeed, Christianity spread with unbelievable vitality because it was a "grass-roots" movement. Build the character of the indivdual, it taught, strengthen his moral fiber, teach him that he bears a responsibility to himself and to his neighbor, and inspire him to voluntary self-motivated effort, and society will then rise to higher ground. That was the technique. It was not a "From the top down" sort of movement. It was not a "Let us pass a law and forget" attitude. It worked from the ground up. And because it worked like that, because it was motivated by the stirring evangelism of men like St. Paul, the ethics of Christianity and the ideals of political freedom have influenced the world for almost two thousand years!

It must be like that again. The Christian church must come to grips once more with the personal lives of individual men and women. It must cultivate in them anew the virtues of thrift and self-dicipline, courage and love of liberty, benevolence, cooperation and a general awareness of human values. When it does that, citizenship will be something more than a political status. It will become fired with the zeal of Christian idealism. Then we shall have the moral renaissance so needed in our troubled times. And we shall have a reasonable hope for a better nation and a better world.

J. H. Moyle Dies

James H. Moyle, Assistant Secretary of the Treasury during portions of the administrations of Presidents Wilson and Franklin D. Roosevelt, died at Salt Lake City on Feb. 19. He was 87 years of age. Associated Press advices from Salt Lake City said:

"Mr. Moyle, who retired in 1940, was United States Collector of Customs 1933-39 and in the Treasury position 1917-21 and again 1939-40. While in the Treasury he was credited with originating the idea of reducing the size of paper currency.

"A business man in addition to his political career, Mr. Moyle was associated with several oil and livestock companies in Utah."

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 23

SEIBERLING RUBBER CO. on March 4 filed a registration statement for 35,000 shares of cumulative prior preferred stock, $100 par. The dividend rate will be filed by amendment.

Details—See issue of March 7.

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.

Underwriters—E. H. Rollins & Sons, Inc., heads the underwriting group.

GARTHACK MINING CO., LTD., on March 4 filed a registration statement for 300,000 shares of capital stock.

Details—See issue of March 7.

Offering—The price to the public is 50 cents per share.

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%.

AMERICAN AIRLINES, INC., on March 4 filed a registration statement for 97,350 shares of common stock, par $5 per share.

Details—See issue of March 7.

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.

Underwriting—None named.

ELECTROMASTER, INC., on March 4 filed a registration statement for 200,000 shares of common stock, par $1.

Details—See issue of March 7.

Offering—Price to the public is $4.375 per share.

Underwriters—S. R. Livingstone & Co., Penobscot Building, Detroit, and Mercier, McDowell & Dolphyn, Buhl Building, Detroit.

SUNDAY, MARCH 24

HOLLINGSWORTH & WHITNEY CO. on March 5 filed a registration statement for 42,000 shares of $4 cumulative preferred, without par value, and 12,594 shares of common, without par value.

Details—See issue of March 7.

Offering—The price to the public will be filed by amendment.

Underwriters—The underwriting groups for both the preferred and common stocks are headed by Paine, Webber, Jackson & Curtis, and Harriman Ripley & Co., Inc.

CLINTON INDUSTRIES, INC., on March 5 filed a registration statement for 100,000 shares of capital stock, par $1 per share.

Details—See issue of March 14.

Offering—The price to the public will be filed by amendment.

Underwriters—Smith, Barney & Co. and Newhard, Cook & Co. head the underwriting group.

MONDAY, MARCH 25

AMERICAN METAL PRODUCTS CO. on March 6 filed a registration statement for 150,000 shares of common stock, $2 par. The shares are issued and outstanding and are being sold by five stockholders.

Details—See issue of March 14.

Offering—The price to the public will be filed by amendment.

Underwriters—Watling, Lerchen & Co., Detroit, heads the underwriting group.

CARDIFF FLUORITE MINES, LTD. on March 6 filed a registration statement for 250,000 shares of common stock, par $1.

Details—See issue of March 14.

Offering—The price to the public is 60 cents a share, Canadian funds. Arrangements have been made with the registrant to sell 500,000 shares at 40 cents per share to net the company's treasury $200,000. It is intended that 250,000 of these shares shall be offered in the United States and 250,000 of same offered in Canada. F. R. Marshall has subscribed for 100,000 shares at 40 cents per share to net the treasury $40,000, with the understanding that he will later purchase an additional 400,000 shares at the same price or 40 cents per share.

Underwriters—Frank P. Hunt, 42 East Avenue, Rochester, N. Y. will handle the issue in the United States.

GLORE AIRCRAFT CORP. on March 6 filed a registration statement for 150,000 shares of 5½% cumulative convertible preferred stock, par $10 per share.

Details—See issue of March 14.

Offering—Corporation was organized in Delaware, on Feb. 23, 1946, for the purpose of acquiring all of the assets of the Globe Aircraft Corp. (Texas). Pursuant to a plan of reorganization the company acquired all of the assets of the Texas company and in consideration therefor issued to the Texas company 450,000 shares of its common stock, and agreed to assume the liabilities of the Texas company. Pursuant to the plan of reorganization, the Texas company will distribute on a share for share basis to the holders of its common stock the shares of common stock in the Delaware company which the Texas company has received and the Texas company will be dissolved. The company is offering to the holders of its common stock all of the preferred stock on the basis of one share preferred for each 3 shares of common at $9 per share. The company has agreed with Kobbe, Gearhart & Co., Inc., and Newburger & Hano to sell to them that portion of the offering which may not be subscribed for by the company's common stockholders. The public offering price is given as $10 per share.

Underwriters—Kobbe, Gearhart & Co., Inc., and Newburger & Hano.

TUESDAY, MARCH 26

R. G. LeTOURNEAU, INC., on March 7 filed a registration statement for 50,000 shares of $4 cumulative preferred stock, without par value.

Details—See issue of March 14.

Offering—The price to the public will be filed by amendment.

Underwriters — The underwriting group includes Alex. Brown & Sons, Dean Witter & Co., F. S. Moseley & Co., Kebbon, McCormick & Co. and Shields & Co.

EATON MANUFACTURING CO. on March 7 filed a registration statement for 178,364 shares of common stock, par $4 per share.

Details—See issue of March 14.

Offering—The company is offering the new stock to holders of its common stock at the rate of one new share for each four common shares held at a price to be filed by amendment. The company is selling the unsubscribed stock to underwriters who will offer it to the public at a price to be filed by amendment.

Underwriters — Merrill Lynch, Pierce, Fenner & Beane heads the underwriting group.

E. W. BLISS CO. on March 7 filed a registration statement for 100,000 shares of $2.25 convertible preferred stock, without par value.

Details—See issue of March 14.

Offering—The price to the public will be filed by amendment.

Underwriters—Allen & Co.

WEDNESDAY, MARCH 27

PEERLESS CASUALTY CO. on March 8 filed a registration statement for 50,000 shares of common stock, par $5 per share.

Details—See issue of March 14.

Offering—The company is offering the 50,000 shares of common to its common stockholders in the ratio of five additional shares for each eleven shares held, at $14 per share. The unsubscribed shares will be sold to underwriters and sold to the public at $14 per share.

Underwriters—Herrick, Waddell & Co., Inc., New York, heads the underwriting group.

WILSON BROTHERS on March 8 filed a registration statement for 60,000 shares 5% cumulative preferred stock, $25 par, with non-detachable warrants, and 120,000 shares of common, $1 par. Of the total shares covered 13,266 preferred and 20,000 common are being sold by a stockholder.

Details—See issue of March 14.

Offering—The offering price of the preferred is $25 per share. The offering price of the common will be filed by amendment.

Underwriters—The underwriting group is headed by Hemphill, Noyes & Co.

INDIANAPOLIS POWER & LIGHT CO. on March 8 filed a registration statement for 142,967 shares of common stock, without par value.

Details—See issue of March 14.

Offering—The company is offering the stock to the holders of its common stock at a price to be filed by amendment at the rate of one share of new common for each five shares held.

Underwriters—The underwriting group is headed by Lehman Brothers, Goldman, Sachs & Co. and the First Boston Corp.

THOMPSON PRODUCTS, INC. on March 8 filed a registration statement for 40,000 shares 4% cumulative preferred stock, $100 par value, and 75,000 shares of common stock, without par value.

Details—See issue of March 14.

Offering—The offering prices to the public will be filed by amendment.

Underwriters—The underwriting group is headed by Smith, Barney & Co., McDonald & Co. and Shields & Co.

THURSDAY, MARCH 28

INDIANAPOLIS POWER & LIGHT CO. on March 9 filed a registration statement for 120,000 shares of 4% cumulative preferred stock, par $100.

Details—See issue of March 14.

Offering—The company is offering to the holders of its 140,591 shares of 5¼% cumulative preferred stock the opportunity to exchange their shares for the 120,000 shares of 4% preferred and in the event of over-subscription, the 120,000 shares of new preferred will be allocated on a pro rata basis, the exchange carrying a cash adjustment. Any unexchanged balance of new preferred will be sold to underwriters and offered to the public at a price to be filed by amendment.

Underwriters — Lehman Brothers, Goldman, Sachs & Co. and the First Boston Corporation.

SATURDAY, MARCH 30

COMMONWEALTH INVESTMENT CO. on March 11 filed a registration statement for 100,000 shares of capital stock, $1 par value.

Details—See issue of March 14.

Offering—Shares are to be offered at the public offering price in effect at the time of the sale. The offering price fluctuates from day to day in accordance with the changes in the net asset value of the shares.

Underwriters—North American Securities Co., San Francisco, Cal.

MINNESOTA MINING & MANUFACTURING CO. on March 11 filed a registration statement for an indeterminate number of common shares, without par value. The shares are issued and are being sold by certain stockholders.

Details—See issue of March 14.

Offering—The price to the public will be filed by amendment.

Underwriters — Goldman, Sachs & Co. and Piper, Jaffray & Hopwood.

LION OIL CO. on March 11 filed a registration statement for 150,000 shares of common stock, without par value.

Details—See issue of March 14.

Offering—The price to the public will be filed by amendment.

Underwriters—The underwriting group is headed by Blyth & Co., Inc.

PRESTON MOSS FUND, INC., has filed a registration statement for 15,000 shares.

Address—24 Federal Street, Boston, Mass.

Business—Investment company. Organized and commenced business on Feb. 26, 1946.

Offering—At market.

Proceeds—For investment.

Investment Manager—Preston, Moss & Co., Boston, Mass.

Registration Statement No. 2-6217. Form S-5. (3-11-46).

AMERICAN MAIL LINE LTD. has filed a registration statement for 49,602 shares of common stock, without par value.

Address—740 Stuart Building, Seattle, Wash.

Business—Trans-Pacific shipping.

Offering—The company is offering to its common stockholders the right to subscribe for an aggregate of 49,602 shares of additional common stock at $20.60 per share on the basis of 48/100 of a share for each share of common held. The company and its principal stockholder, R. J. Reynolds, of Miami Beach, Fla., desire to secure wider distribution of the common stock, and toward that end the underwriters have entered into an agreement with Mr. Reynolds whereby, as Mr. Reynolds' agent, they will offer to persons designated by him, all shares of unsubscribed stock purchased by them from the company plus, as Mr. Reynolds' agent, up to 12,000 shares of additional common which Mr. Reynolds agrees to acquire through exercise of his subscription rights. The price to the public is $20.60 per share.

Proceeds—The proceeds will be used by the company to supplement its present working capital.

Underwriters—Blyth & Co., Inc.

Registration Statement No. 2-6218. Form S-1. (3-11-46). Originally filed in San Francisco.

SUNDAY, MARCH 31

ALEXANDER SMITH & SONS CARPET CO. on March 12 filed a registration statement for 50,000 shares of cumulative preferred stock, par $100, and 156,312½ shares of common stock, par $20. The dividend rate on the preferred will be filed by amendment.

Details—See issue of March 14.

Offering — The offering prices to the public will be filed by amendment.

Underwriters — The underwriters are: Morgan Stanley & Co.; Dominick & Dominick; Harriman Ripley & Co., Inc.; Goldman, Sachs & Co.; Kidder, Peabody & Co.; Lehman Brothers and Smith, Barney & Co.

VERITY PORCUPINE GOLD MINES, LTD., on March 12 filed a registration statement for 250,000 shares of common stock.

Details—See issue of March 14.

Offering—Price to the public is 50 cents per share.

Underwriters—Mark Daniels & Co., 371 Bay Street, Toronto, Can., is named underwriter.

SCOTT PAPER CO. has filed a registration statement for 65,000 shares of cumulative preferred stock, without par value, and 67,065 shares of common stock, without par value. The dividend rate on the preferred will be filed by amendment.

Address — Front & Market Streets, Chester, Pa.

Business—Toilet tissue, paper towels and wax paper. Its subsidiaries manufacture wood pulp and Marinette Paper Co. also manufactures toilet tissue, paper towels and facial tissue.

Offering—The offering price of the preferred will be filed by amendment. The company is offering to the holders of its common stock at the close of business April 1, 1946, the right to subscribe to the 67,065 common shares on the basis of one additional share of common for each twelve common shares held at a price to be filed by amendment. The unsubscribed shares of common will be offered to the public by the underwriters at a price to be filed by amendment.

Proceeds—The proceeds from the sale of the cumulative preferred stock are to be applied in the amount of $6,411,460 to the redemption of the 29,780 outstanding $4.50 cumulative preferred shares and the 30,000 outstanding $4 cumulative preferred shares at $107 per share and $107.50 per share, respectively. The redemption premiums in the amount of $381,343 in excess of the stated capital on the books of the company applicable to the preferred shares to be redeemed will be charged against earned surplus. The remainder of the proceeds from the sale of the cumulative preferred shares and the net proceeds from the sale of the common shares are to be applied to the company's program of improvements and additions to existing plant facilities, including the construction of an addition to the power plant and the improvement of paper making facilities at Chester, Pa., and the installation of additional paper making and finishing equipment at the Fort Edward, N. Y., plant of the company's wholly-owned subsidiary, Marinette Paper Co.

Underwriters—The underwriting group is headed by Drexel & Co., Smith, Barney & Co., and Merrill Lynch, Pierce, Fenner & Beane.

Registration Statement No. 2-6221. Form S-1. (3-12-46.)

MONDAY, APRIL 1

AMERICAN AIR FILTER CO., INC., has filed a registration statement for 101,086 shares of common stock, par $1 per share. The shares are issued and outstanding and being sold by certain stockholders.

Address—215 Central Avenue, Louisville, Ky.

Business—Air filters.

Offering — The price to the public is $13.75 per share.

Proceeds—The proceeds go to the selling stockholders.

Underwriters—The underwriters include Almstedt Bros., Equitable Securities Corp., Bankers Bond Co., W. E. Hutton & Co., and Stein Bros. & Boyce.

Registration Statement No. 2-6222. Form S-1 (3-13-46).

RELIANCE MANUFACTURING CO. has filed a registration statement for 30,000 shares of cumulative convertible preferred stock, par $100, and 110,000 shares of common, par $5. The dividend rate on the preferred stock will be filed by amendment. The preferred stock is being sold by the company and the common stock by certain stockholders.

Address—212 West Monroe Street, Chicago, Ill.

Business—Manufacture of various types of wearing apparel, including men's shirts, pajamas and shorts, sportswear for men and women, etc.

Offering—The prices to the public will be filed by amendment.

Proceeds—The company will use the net proceeds from sale of the preferred stock for general corporate purposes, to maintain larger bank balances, to reduce the necessity for bank borrowing, to carry inventories and receivables, etc. Proceeds from the sale of 110,000 common shares will be received by the three selling stockholders.

Underwriters—Union Securities Corp. heads the underwriting group.

Registration Statement No. 2-6223. Form S-1 (12-13-46).

TUESDAY, APRIL 2

PENINSULAR TELEPHONE CO. has filed a registration statement for 80,000 shares of $1 cumulative preferred stock, par $25, and 26,799 shares of common stock, no par value.

Address—610 Morgan Street, Tampa, Fla.

Business—Telephone system.

Offering — Holders of the oustanding 100,000 shares of $1.40 cumulative preferred Class A, par $25, as of the close of business April 3, 1946, are offered the privilege to exchange 80% of their holdings for the $1 cumulative preferred stock on a share for share basis, plus a payment by the exchanging stockholder of an amount per share to be filed by amendment. The exchange privilege will commence April 5 and will expire April 15, 1946. Holders of the common stock will be given the right to subscribe to additional common shares on the basis of one additional share for each five shares of common held of record April 3, 1946, at a price to be filed by amendment.

Proceeds—The net proceeds to be received from the sale to underwriters of the unexchanged shares of preferred and from the sale of common stock to stockholders and unsubscribed shares to underwriters are to be used to retire all of the $1.40 preferred stock outstanding.

Underwriters—The underwriters who will purchase the unexchanged preferred and unsubscribed common shares are Morgan Stanley & Co., Coggeshall & Hicks, G. H. Walker & Co., White, Weld & Co.

Registration Statement No. 2-6224. Form A-2. (3-14-46).

BUFFALO FORGE CO. has filed a registration statement for 60,000 shares of common stock, par $1. The shares are issued and outstanding and are being sold by two stockholders.

Address—490 Broadway, Buffalo, N. Y.

Business—Engineering, manufacture and sale of ventilating, heating and air conditioning equipment, etc., centrifugal pumps, machine tools, etc.

Offering—The price to the public will be filed by amendment.

Proceeds—The proceeds will go to the

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two selling stockholders. The selling stockholders are Henry W. Wendt, Chairman, and Edgar F. Wendt, President and Treasurer, who are selling 30,000 shares each.

Underwriters—Hornblower & Weeks head the underwriting group.

Registration Statement No. 2-6225. Form A-2. (3-14-46).

COLORADO FUEL & IRON CORP. has filed a registration statement for 275,000 shares of common stock, without par value. The shares are issued and are being sold by certain stockholders.

Address—Continental Oil Building, Denver, Colo.

Business—Manufacture and sale of steel products.

Offering—The price to the public according to the prospectus is "At the market"—On the New York Stock Exchange or other exchanges on which the stock is listed.

Proceeds—The proceeds go to the selling stockholders. A group of persons, firms and corporations, headed by Allen & Co., on Dec. 22, 1944, acquired from Rockefeller Center, Inc., and John D. Rockefeller, Jr., 283,980 shares (or 50.3%) of the then outstanding stock of Colorado, at the purchase price of $15 per share. The common stock on Oct. 22, 1945, was converted into two share of common stock of Colorado. The shares offered are part of the presently authorized shares of common after the "split up" on the basis of two for one.

Underwriters—There is no underwriting agreement. The share of common stock will be sold from time to time at the prices then current on the New York Stock Exchange or the other stock exchanges on which the stock is listed. The statement said one or more "special offerings" of the shares may be made on the exchanges.

Registration Statement No. 2-6226. Form S-1. (3-14-46).

ARO EQUIPMENT CORP. has filed a registration statement for 30,000 shares of cumulative preferred stock, 4½% series, par $50, and 20,000 shares of common, par $2.50 per share.

Address—Enterprise and Trevill Streets, Bryan, Ohio.

Business—Manufacturer of high and low pressure lubricating equipment and of portable pneumatic tools.

Offering—The prices to the public will be filed by amendment.

Proceeds—Of the net proceeds approximately $1,620,000 will be used for the redemption of the 30,000 cumulative preferred shares, 5% convertible series, and the balance will be added to working capital to reimburse the company for expenditures for machinery and equipment made since the close of its last fiscal year aggregating approximately $150,000, and will also be available for the acquisition and carrying of inventories, purchase of machinery and other equipment, etc.

Underwriters—The underwriting group is headed by Central Republic Co., Inc., and Reynolds & Co.

Registration Statement No. 2-6227. Form S-1. (3-14-46).

PUBLICKER INDUSTRIES, INC. has filed a registration statement for 400,000 shares of common stock, par $5. The shares are issued and are being sold by certain stockholders.

Address—1429 Walnut Street, Philadelphia, Pa.

Business—Production and distribution of industrial chemicals and the production and distribution of alcoholic beverages.

Offering—The price to the public will be filed by amendment.

Proceeds—The selling stockholders are Rose Publicker 360,000 shares and S. S. Neuman, Walter J. Lehman and J. Maurice Gray, trustees under an agreement with Harry Publicker and Rose Publicker, 40,000 shares, who will receive proceeds.

Underwriters—The group is headed by Merrill Lynch, Pierce, Fenner & Beane.

Registration Statement No. 2-6228. Form S-1. (3-14-46).

WEDNESDAY, APRIL 3

BENGUET CONSOLIDATED MINING CO. has filed a registration statement for 702,302 shares of capital stock, par value one peso, equivalent in U. S. currency to 50 cents per share. The shares are issued and outstanding and are part of a total of 852,302 shares purchased by Allen & Co., from five stockholders. Of the 852,302 shares, 150,000 were sold privately at the cost price to Allen & Co. Purchase price to Allen was $2.10 per share.

Address — Myers Building, Port Area, Manila, Philippine Islands, and temporary office at office of counsel, Lucien H. Mercier, Metropolitan Bank Building, Washington, D. C.

Business—Gold mining. There have been no operations since December, 1941, excepting work begun in May and June of 1945 and still in progress in the cleaning up and restoration of the properties following the expulsion of the Japanese.

Offering—The offering price will be supplied by amendment.

Proceeds—The proceeds go to the selling stockholder.

Underwriters — Allen & Co. is named principal underwriter.

Registration Statement No. 2-6229. Form S-1. (3-15-46).

MONSANTO CHEMICAL COMPANY has filed a registration statement for 316,967 shares of cumulative preference stock, series A, convertible into common before June 1, 1956. The dividend rate on preferred which is of no par value, will be filed by amendment.

Address—1700 South Second Street, St. Louis, Mo.

Business—Manufacture of widely diversified line of chemical products.

Offering—The 316,967 shares of new preference stock are being offered by the company to holders of its common stock on the basis of one share of preference for each four shares of common held of record April 8 at a price to be filed by amendment. The rights will expire 3 p.m. April 24, 1946. The offering price to the public of unsubscribed shares purchased by the underwriters will be filed by amendment.

Proceeds—Of the net proceeds, the company will use $22,675,000 to redeem on or about June 1, 1946, its outstanding cumulative preferred stock, series A, B and C at $110, $112.50 and $105 per share, respectively, with accrued dividends. The balance of the net proceeds will be added to the cash funds of the company, which may be used for expenditure for capital additions, replacements and improvements to plants, processes, etc.

Underwriters — Smith, Barney & Co. heads the underwriting group.

Registration Statement No. 2-6230. Form A-2. (3-15-46).

SAMSON UNITED CORPORATION has filed a registration statement for 125,000 shares of cumulative convertible preferred stock, par $8, and 166,666 shares of common stock, par $1. The dividend rate on the preferred will be filed by amendment. The 166,666 shares of common which constitute 51.4% of the outstanding common stock are being sold by Clark-Babbitt Industries, Inc.

Address — 1700 University Avenue, Rochester, N. Y.

Business—Manufacture of electric appliances.

Offering—The prices of the preferred and common stocks to the public will be filed by amendment.

Proceeds—The company will use the proceeds from the sale of the preferred stock to reimburse it for capital expenditures made and to be made for machinery and equipment, and to increase working capital. The proceeds from sale of the common will go to the selling stockholder.

Underwriters—Burr & Co., Inc., heads the underwriting group.

Registration Statement No. 2-6231. Form S-1. (3-15-46).

SATURDAY, APRIL 6

CENTRAL MAINE POWER CO. has filed a registration statement for 220,000 shares of preferred stock, $100 par value. The dividend rate will be filed by amendment.

Address—9 Green Street, Augusta, Maine.

Business—Public utility.

Offering—The company will offer to the holders of its 7% preferred, $6 preferred and 5% $50 preferred stock the right to exchange such stock on the basis of one share of new preferred for each $100 par value of old preferred plus a cash adjustment. All outstanding shares of old preferred not exchanged will be called for redemption on July 1, 1946. The balance of the new preferred stock will be sold to underwriters, to be selected by competitive bidding, for resale to the public. The offering price to the public will be filed by amendment.

Proceeds—The proceeds will be used to refinance outstanding preferred stock.

Underwriters—The names of the underwriters will be filed by amendment.

Registration Statement No. 2-6232. Form S-1. (3-18-46).

SATURDAY, APRIL 6

DODGE & COX FUND has filed a registration statement for 17,500 shares.

Address—1708 Mills Tower, San Francisco, Cal.

Business—Investment company.

Offering—At market.

Proceeds—For investment.

Underwriters—Dodge & Cox, Mills Tower, San Francisco, Cal., are designated as principal underwriter.

Registration Statement No. 2-6233. Form S-5. (3-18-46).

COMPANIA LITOGRAFICA DE LA HABANA S. A. (Havana Lithographing Co.) has filed a registration statement with the Commission for 19,419 shares of 6% cumulative convertible preferred stock, par $25, and 197,000 shares of common, par 10 cents. All of the 19,419 shares of preferred and 162,000 shares of the 197,000 common are being purchased by the underwriters from certain stockholders. The remaining 35,000 shares of common are being purchased from the company.

Address—155 Ayesteran Street, Havana, Cuba.

Business—Stone and photo lithographing business.

Offering—The prices of the preferred and common to the public will be filed by amendment.

Proceeds — The company will use its share of the proceeds in part to reimburse it for the retirement of 926 old shares of 7% cumulative preferred, which have been called for redemption on April 15, 1946. The balance of the proceeds will be used to purchase new equipment, and as additional working capital.

Underwriters—Hirsch & Co., New York, is the principal underwriter.

Registration Statement No. 2-6234. Form S-1 (3-18-46).

SUNDAY, APRIL 7

ALLIANCEWARE, INC., has filed a registration statement for 12,000 shares of $2.50 convertible preferred stock, par $50, and 25,000 shares of common, par $1. The common shares are being sold by certain stockholders.

Address—Gaskill Road, Lexington Township, Alliance, Ohio.

Business—Vitreous porcelain enameled extra deep drawn steel stampings.

Offering—The prices to the public will be filed by amendment.

Proceeds—The company will use the proceeds from sale of the preferred stock to redeem, at the aggregate redemption price of $105,000 plus accrued dividends, the 1,000 shares of 6% preferred stock and to pay $85,000 of notes. The balance will be added to working capital. The proceeds from sale of the common stock will go to the selling stockholders.

Underwriters—The pricipal underwriters are Hayden, Miller & Co., Hawley, Shepard & Co. and Maynard H. Murch & Co.

Registration Statement No. 2-6235. Form S-1. (3-19-46).

STROMBERG-CARLSON COMPANY has filed a registration statement for 67,731 shares of convertible preferred stock, par $50. The dividend rate will be filed by amendment.

Address—100 Carlson Road, Rochester, N. Y.

Business—Manufacture of home radio receiving sets, telephone switchboards, etc., and sound equipment.

Offering—The company is offering to the holders of its common stock pro rata rights to subscribe to the new preferred on the basis of one share of preferred for each four shares of common held of record on April 8, 1946, at a price to be filed by amendment. Price to the public will be filed by amendment.

Proceeds—The net proceeds will be applied in part to the redemption of 3,124 shares of 6½% preferred at $102 per share or $318,648. Other part of the proceeds will be used for a new cabinet shop building $310,000; construction of Rochester Radio City building and equipment $865,000; for new transmitters $215,000 and for loan to Fancher Furniture Co. $175,000. The balance will be added to working capital. The company stated it may apply a portion of the proceeds, in an amount not to exceed $750,000, in partial reduction of its present borrowings under a bank loan agreement providing a $4,000,000 bank credit for the period ending Dec. 31, 1948.

Underwriter—First Boston Corporation is named principal underwriter.

Registration Statement No. 2-6236. Form S-1. (3-19-46).

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.

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 is offering the 300,000 shares of new preferred in exchange to the holders of its outstanding 355,876 shares of old 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 share not exchanged will be redeemed at $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.

Holders of old stock desiring to make exchange are urged to deposit their shares before 3 p.m., April 5, with First National Bank, New York, or First National Bank of Birmingham.

Dealer-Manager—Merrill Lynch, Pierce, Fenner & Beane has been named dealer-manager to obtain acceptances of the exchange offer.

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.

ATLAS IMPERIAL DIESEL ENGINE CO. on Feb. 28 filed a registration for 30,000 shares of series A cumulative preferred stock, $50 par. The dividend rate will be filed by amendment.

Details—See issue of March 7.

Underwriters—Blyth & Co., Inc., heads the underwriting group.

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.

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.

F. BURKART MANUFACTURING CO. on Feb. 28 filed a registration statement for 10,000 shares of common stock, par $1. The shares are issued and are being sold by certain stockholders.

Details—See issue of March 7.

Offering—The price to the public will be filed by amendment.

Underwriters—G. H. Walker & Co., St. Louis, 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.

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.

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.

Registration statement withdrawn March 4.

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.

COMMONWEALTH LOAN CO. on March 1 filed a registration statement for 40,000 shares of 4% cumulative preferred stock, par $100.

Details—See issue of March 7.

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 offered to the public at a price to be filed by amendment.

Underwriters—Lee Higginson Corp. and Blyth & Co., Inc., head the underwriting group.

CRIBBEN & SEXTON CO. on Feb. 28 filed a registration statement for 40,000 shares 4½% cumulative convertible preferred stock, par $25, and 45,000 shares of common, par $5. The preferred and 5,695 shares of common are being offered by the company, and 39,305 shares of common are being sold by certain stockholders.

Details—See issue of March 7.

Offering—The price of the preferred stock to the public is $25 per share, and of the common stock $13.50 per share.

Underwriters—Paul H. Davis & Co., Chicago, is named principal underwriter.

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.

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 commission of 30% and 5% additional allowance to cover advertising and traveling expenses.

DISTRICT THEATRES CORP. on Feb. 26 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.

Details—See issue of March 7.

Offering—The price to the public will be filed by amendment.

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.

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.

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.

Registration Statement No. 2-6187. Form S-1. (2-28-46).

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.

GALVIN MANUFACTURING CORP. on Feb. 27 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.

Details—See issue of March 7.

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.

Underwriters—Hickey & Co., Chicago, heads the underwriting group.

GENERAL INSTRUMENT CORP. on Oct. 25 filed a registration statement for 60,000 shares cumulative convertible preferred, $20 par, and 260,000 shares of common, par $1.

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.

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.

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

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.

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.

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.

Bids Invited—Company is inviting bids for the purchase of the bonds. Bid will be received at office of New York Trust Co. up to 11:30 a.m., March 26.

HAYES MANUFACTURING CORP. on Feb. 27 filed a registration statement for 215,000 shares of common stock ($2 par). The shares are issued and are being sold by certain stockholders.

D tails—See issue of March 7.

Offering—The price to the public will be filed by amendment.

Underwriters—Laird, Bissell & Meeds heads the underwriting group.

HEIN-WERNER MOTOR PARTS CORP. on March 1 filed a regitration statement for 40,000 shares of common, par $3 per share.

Details—See issue of March 7.

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.

Underwriters—The Wisconsin Co. heads the underwriting group.

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.

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.

ILLINOIS POWER CO. on Feb. 27 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.

Details—See issue of March 7.

Offering—The price to the public will be filed by amendment.

Underwriters—The names of the underwriters will be filed by amendment.

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.

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, at $24 per share at rate of one new share for each five shares held. Subscriptions expire March 19.

Underwriters—The underwriting group is headed by McDonald & Co., and the Ohio Company.

JEFFERSON-TRAVIS CORP. on Feb. 27 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.

Details—See issue of March 7.

Offering—The price to the pjublic is $25 per share.

Underwriters—Richard J. Buck & Co.

KERR-McGEE OIL INDUSTRIES, INC. on Feb. 28 filed a registration statement for 60,000 shares cumulative convertible preferred stock, $22.50 par value. The dividend rate will be filed by amendment.

Details—See issue of March 7.

Offering—The price to the public is $25 per share.

Underwriters—Straus & Blosser, Chicago, is named principal underwriter.

LINN COACH & TRUCK CORP., formerly called Oneonta Linn Corp., on Feb. 28 filed a registration statement for 250,000 shares of common, par 10 cents per share.

Details—See issue of March 7.

Offering—The price to the public is $3 per share.

Underwriters—Bond & Goodwin, Inc., heads the underwriting group.

MISSION APPLIANCE CORP. on Feb. 26 filed a registration statement for 133,000 shares of common stock, par $5. Of the total 102,150 shares are being sold by the company and 30,850 by certain stockholders.

Details—See issue of March 7.

Offering—The price to the public will be $8.25 per share.

Underwriters—The principal underwriter is Lester & Co., Los Angeles, Cal.

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 of record March 20 pro rata, at the rate of one-sixth of one share for each share held at $62 per share. Rights expire at 3 p.m. April 8. Unsubscribed shares will be offered to the public by underwriters.

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.

Dealer-Manager—Merrill Lynch, Pierce, Fenner & Beane.

PACIFIC AIRMOTIVE CORP. on Feb. 28 filed a registration statement for 150,000 shares of capital stock, par $1.

Details—See issue of March 7.

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.

Underwriters—None mentioned.

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.

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.

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.

PUBLIC SERVICE CO. OF NEW HAMPSHIRE on March 1 filed a registration statement 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.

Details—See issue of March 7.

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.

Underwriters—To be filed by amendment.

RAILWAY & LIGHT SECURITIES CO. on Feb. 7 filed a registration statement for 20,392 shares of 4% cumulative convertible preferred stock, par $100 and 163,140 subscription rights.

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.

Under certain conditions holders of 6% preferred may exchange for new preferred on basis of 2 shares old preferred and 20 rights for 5 shares of new preferred.

Underwriters—Stone & Webster Securities Corp.

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.

SAGUENAY POWER CO., LTD., on March 1 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.

Details—See issue of March 7.

Offering—The price to the public will be filed by amendment.

Underwriters—Mellon Securities Corp. heads the underwriting group.

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.

SOUTHWESTERN PUBLIC SERVICE CO. on Feb. 27 filed a registration statement for two classes of cumulative preferred stock, consisting of 65,000 and 50,000 shares, respectively. The dividend rate will filed by amendment.

Details—See issue of March 7.

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.

Underwriters—Dillon, Read & Co., Inc. heads the underwriting group.

STANDARD FACTORS CORP. on Feb. 27 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.

Details—See issue of March 7.

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.

Underwriters—Sills, Minton & Co., Inc., heads the underwriting group.

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.

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 at $10 per share.

Details—See issue of Feb. 7.

Offering—The offering includes 109,400 shares of common on which the price to the public will be $8 per share.

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 28 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.

Food Conference to Meet in London

A conference on Europe's food problems is to open in London, April 3, to which the Governments associated with the Emergency Economic Committee for Europe have invited the various nations' Ministers of Food and Agriculture to send representatives. A dispatch to the New York "Times" from London on Mar. 11 reported the statement of a spokesman for the committee who pointed out that the forthcoming conference would have as its goal the working out of means by which the European countries would be able to help themselves in the present situation of world shortage of basic foods.

Broker-Dealer Personnel Items

(Special to THE FINANCIAL CHRONICLE)
ATLANTA, GA.—**Samuel W. Preston, Jr.**, has become associated with **Hancock, Blackstock & Co.**, First National Bank Building. He has been serving in the U. S. Navy.

(Special to THE FINANCIAL CHRONICLE)
AUSTIN, MINN.—**Paul W. Kimball** is now with **Wright Wells & Company**, First National Bank Building. In the past he was with Mannheimer-Caldwell & Co.

(Special to THE FINANCIAL CHRONICLE)
BOSTON, MASS.—**Gardiner A. Bolles** has rejoined the staff of **Damon & Bolles Co.**, 50 State Street. He has been in the armed forces.

(Special to THE FINANCIAL CHRONICLE)
BOSTON, MASS.—**Charles E. Cheever** has rejoined the **First Boston Corporation**, 1 Federal Street, after serving in the U. S. Army.

(Special to THE FINANCIAL CHRONICLE)
CINCINNATI, OHIO—**Walter H. Tuttle, Jr.**, has become associated with **J. E. Bennett & Co.**, Union Central Life Bldg. Prior to serving with the armed forces, Mr. Tuttle was with Murphy, Lanier & Quinn.

(Special to THE FINANCIAL CHRONICLE)
CLEVELAND, OHIO—**Thomas L. Wickenden, Jr.**, has joined the staff of **Ball, Burge & Kraus**, Union Commerce Bldg. He has recently been in military service. Prior thereto he was with T. H. Jones & Co. and Mitchell, Herrick & Co.

(Special to THE FINANCIAL CHRONICLE)
CLEVELAND, OHIO—**Robert C. Siler** has become associated with **Fahey, Clark & Co.**, Union Commerce Building. Prior to serving in the armed forces, he was with the First National Bank of Cincinnati. Recently he has been working with the War Finance Committee.

(Special to THE FINANCIAL CHRONICLE)
CLEVELAND, OHIO—**William B. McElroy** is now with **Hirsch & Co.**, 1010 Euclid Avenue. In the past he was with Sutro Bros. & Co. and Goodbody & Co.

(Special to THE FINANCIAL CHRONICLE)
DAYTON, OHIO—**Wendell Faunce** is with **Westheimer & Company**, Third National Building. In the past he was with Parrish & Co. in Philadelphia.

(Special to THE FINANCIAL CHRONICLE)
HARTFORD, CONN—**James G. Pettit** is now connected with **Paine, Webber, Jackson & Curtis**, 43 Pearl Street.

(Special to THE FINANCIAL CHRONICLE)
HARTFORD, CONN—**Augusto J. Dionizio** has been added to the staff of **Henry C. Robinson & Company, Inc.**, 9 Lewis Street.

(Special to THE FINANCIAL CHRONICLE)
KALMATH FALLS, OREG.—**William S. Sheldon** is with **Lewis Ankeny & Co.**, Medical Dental Building.

(Special to THE FINANCIAL CHRONICLE)
LOS ANGELES, CALIF.—**William H. Bright** is affiliated with **C. A. Botzum Co.**, 210 West Seventh Street.

(Special to THE FINANCIAL CHRONICLE)
LOS ANGELES, CALIF.—**Robert F. Johnson** is now with **Buckley Brothers**, 530 West Sixth Street. In the past he was with Bateman, Eichler & Co.

(Special to THE FINANCIAL CHRONICLE)
LOS ANGELES, CALIF.—**Herman C. Betz** has been added to the staff of the **California Bank**, 625 South Spring Street.

(Special to THE FINANCIAL CHRONICLE)
LOS ANGELES, CALIF.—**Mary C. Deegan** is with **Nelson Douglass & Co.**, 510 South Spring Street.

(Special to THE FINANCIAL CHRONICLE)
LOS ANGELES, CALIF.—**C. Lawrence Macurda** has become connected with **Edgerton, Wykoff & Company**, 621 South Spring Street.

(Special to THE FINANCIAL CHRONICLE)
LOS ANGELES, CALIF.—**Joseph H. Graham** has joined the staff of **Fairman & Co.**, 210 West Seventh Street.

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Michigan and Connecticut Securities Sections on page 1504; Missouri on page 1505.