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Economic Policies for Peace and Prosperity

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

Asserting That the Two-Fold Job in Promoting Peace and Prosperity Is to Build a Strong Sound Domestic Economy and to Cooperate With Other Nations in Building a Sound World Economy, Secretary Vinson Holds These Objectives Can Be Obtained by Vast Production, a Full American Standard of Living, and Continuation of Free Enterprise System. Warns That These Objectves Could Be Dissipated by Spiralling Prices and Speculative Markets. Proposes a Balanced Budget and High Level of Taxes Under a High National Income. Says We Are a $200 Billion Nation. Claims Progress Toward a Sound Foreign Economic Policy in Bretton Woods Agreements and Proposed Loan to Britain. Says Latter Is Not a Gift.

What the future holds for us is always an interesting question. I wish to discuss some of our economic policies which I am convinced will help us to have a future of peace and prosperity.

Secretary Vinson

Basically we have a two-fold job. We must build a strong and sound economy in America. You have heard many times of late, I am sure, that the economy of the world must be stable or we cannot have an expanding economy at home. With that I do not disagree,

*An address by Secretary Vinson before the Buffalo Chamber of Commerce, Buffalo, N. Y., March 29, 1946.

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The War of Nerves Subsides at Hunter College

By A. WILFRED MAY

Soviet and Iranian Replies to Security Council's Query Stimulate Hope for Compromise of the Immediate Dispute. Secretary Byrnes Is Lauded for Statesmanship and Splendid Judgment in Avoiding Appeasement and in Establishing UNO's Authority. Commentator, However, Warns That Fundamental Problems Concerned With National Sovereignty and Russia's Veto Demands Still Confront an Effective World Organization. The Press Is Criticized for Over-Dramatizing "the Oriental" Gromyko. France's Functions as Mediator Cited.

HUNTER COLLEGE, NEW YORK, April 3—The internecine "war of nerves" engaged in by the victorious Allies since V-J Day today took a decisive turn toward an armistice, in marked contrast to last week's climatic walkout of Soviet delegate A. A. Gromyko. The written replies received by the Security Council this morning from Iran and the Soviet, in reply to its query for information, restored hope to the Council members that at least a temporary pacification of the Iranian controversy is in sight. The ebbs and flows in this situation have been so sorely trying to the emotions, as well as the analytical abilities, of the diplomats, the international experts, the press, and the public, that any respite is doubly welcome. An indication of the general tension and pervading "jitteriness" ensuing from Soviet-consciousness is the great relief displayed at today's Council session when—even before the content was known—it was seen that at least some reply was forthcoming from the absent Gromyko.

A. Wilfred May

Satisfaction with the Russian's reply is derived from the following clause, answering the definite question whether there was any "trade" demanded for the reported withdrawal of her troops: **"As to other questions, they are not connected with the question of the withdrawal of the Soviet troops"**; this affirmative statement being coupled with another phrase: "as it is known, the question concerning an oil concession or a joint stock company was raised in 1944, independently of the question of the evacuation of the Soviet troops." Thus assurance is offered that duress is not being used for an oil grab. Furthermore, the previous proviso of so-called "unforeseen circumstances" as an excuse for preventing the promised troop evacuation is now foresaken.

The greatest cause for optimism, however, is gained from the carefully-prepared reply of Iranian representative Ala to Mr. Byrnes'

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British Business Men's Dilemma

By PAUL EINZIG

Correspondent Discusses Attitude of Businessmen to British Labor Government Policies and Notes That Because of the Initiation of Nationalization Projects Many Industrialists and Investors Have Chaned Their Attitude From Benevolent Neutrality to One of Opposition. Says that Although Government Is Having Difficulty in Getting Collaboration of Businessmen, Many of the Latter Feel That an Uncompromising Attitude May Lead to Bringing in a More Extremist Government.

Paul Einzig

LONDON, ENGLAND—Sharp controversy is raging in British business circles about the attitude businessmen should take up toward the Labor Government. During the first few months that followed the general election which, to the dismay of businessmen, brought a Social Government to power, there was an almost general inclination to accept the verdict of the country and collaborate with the Government, in the same way as Scandinavian businessmen have for years collaborated with their Socialist governments. It was during this period that the bill providing for the nationalization of the Bank of England was passed almost entirely unopposed on the part of bankers and the business world. When Lord Hinchingbrooke, a Conservative member of Parliament with City connections, made a speech

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National Fiscal Policy

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

Dr. Spahr, Claiming That When the Gold-Coin Standard Was Abolished, the People Lost Control Over the Public Purse and Government Is Left Free to Run Without Brakes of Its Spending Activities. Adds That Low Interest Rates Also Lead to Profligate Government Spending, Which Congress Has Done Nothing to Avert. Proposes Congress Be Reorganized to Create Better Fiscal Controls and That a System of an Over-All Annual Budget Be Adopted, With Better Staffing of Appropriation Committees and Thorough Audits by the Comptroller General. Urges Non-Essential Government Expenditures End; That Federal Policies Be Geared to Freedom of Enterprise and Production, and That the National Debt Be Converted Into Perpetual Consols Which Individuals Would Buy.

1. Its general nature.

Our national fiscal policy is one involving profligate spending of the people's money and dissipation of our national patrimony. It is of a type that treats government debt as prosperity and thrift as an anti-social act.

Walter E. Spahr

Although the end of the war has brought a sharp drop in military expenditures, it has brought no decline in non-war expenditures or in plans for such outlays. The spenders and dissipators of people's incomes are still in the driver's seat, and fiscal policies, fundamentally, seem just as unsound as they have been at any time since the blight of spending and wasting struck this country in the 1930's.

Probably no one can predict

*A paper presented by Prof. Spahr before the Joint American Gas Association-Edison Electric Institute Accounting Meeting, April 1, 1946, Cincinnati, Ohio.

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Reappraisal of Easy Money Policy

By JAMES A. HOWE

Mr. Howe Reviews the Arguments for Low Interest Rates and Notes They Are Contradictory. Holds Reasons for Easy Money Depend on a Whole Network of Complex Economic Interrelations, Which Are Incapable of Measurement or of Forecasting. Says Much of Present Economic Difficulties Arise From Distortion of the Money System, and Recommends That the Monetary System Be Restored to a Gold Basis and That a Basic Reserve Be Established. In accordance With a Long-Term Rate of Growth and Industry, Wants Monetary Reserve Isolated From Effects of Gold Movements.

Since 1933, and to some degree even between 1929 and 1933, Government has favored extraordinarily low interest rates. From time to time, the following reasons for this policy have been asserted:

James A. Howe

1. Low money rates reduce the cost of borrowing against houses and homes, and for general business purposes.

2. Low interest rates encourage larger borrowings at banks by private enterprise and by governmental entities to cover their deficits, thus increasing the volume of bank deposits and indirectly the volume of currency in circulation, creating more spending money, putting up prices and stimulating business activity.

3. Low money rates discourage savings and encourage spending—one of the ancient theories of the cause of depressions being that people at times save too much and spend too little, thus causing business inactivity.

4. The stimulative effects of 1, 2 and 3, thus: (a) Increase employment; (b) increase the profits of farmers; (c) reduce one of the costs of doing business, and (e) deprive a part of capital of much of its return.

5. Low interest rates decrease the cost of borrowing by the Government to pay war expenses, thereby making it easier to balance the Government's budget, or, in the alternative, making it possible for the Government to borrow more at the same tax level, without increasing the budgetary deficit.

6. Less frequently heard is the argument that low interest rates make it less expensive for foreigners to borrow in the United States.

7. Collateral to item 6 is the thought that low money rates reduce any tendency which may at any time exist for foreign capital to flow to the United States for investment, and thereby contribute to international financial order.

8. The inflationary effects of low money rates can be kept within bounds by rationing, and by price and wage regulations. This combination of measures will greatly reduce the cost of war.

Contradictions

It will be noted that the reasons are expressed in qualitative terms because the effects of low money rates cannot be isolated from other economic phenomena, and measured quantitatively. To cite only one of many examples which could be listed: Low money rates are supposed to discourage saving, but figures are published from time to time by the Board of Governors of the Federal Reserve System to indicate that individual savings have attained record size during the wartime period of unprecedented monetary ease. This result is then attributed to increased income, to war bond campaigns, and to wartime shortages of goods for which

(Continued on page 1802)

A Sound Labor Policy

By LEO WOLMAN*
Professor of Economics, Columbia University

Dr. Wolman, in Ascribing the Source of Many Labor Troubles to the National Labor Policy, Holds That First and Most Pressing Reform to Bring About Industrial Peace Is a Fair and Unbiased Administration of the National Labor Relations Act. Cites Case of Recognizing Foreman's Union as Indicating NLRB Has Been Yielding to Organized Labor Pressure and Gives Illustrations of Ambiguities and Inequities of Law Enforcement Where Unions Are Involved. Holds Government Is Making Collective Bargaining Unworkable and Urges That Parties in Labor Disputes Settle Their Own Dfferences.

What we expect of a national labor policy is a reasonable amount of peace and quiet in labor relations. This does not mean the elimination of all strikes or lockouts. For such an outcome spells the decline of democaratic processes. It does mean the avoidance of needless and excessively costly strikes—strikes in which the strikers inevitably lose a great deal more than they can possibly gain. Most of the great strikes of last winter and this spring fall into this category. The issues on which they were fought were simple and easy to settle. But men got careless and reckless and the Government proved a greater hindrance than aid to peace. Hence men walked the streets for months and the losses to everybody were appalling.

Prof. Leo Wolman

More important often than peace is the correct settlement of the issues which cause strikes and industrial warfare. Almost any labor dispute can be settled at a price. During wars and booms any price seems to work. But wars end and booms fail to last as long as most people hope they will. Before long the time comes

*An address by Dr. Wolman before the National Republican Club, New York City, March 30, 1946.

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Plea for Continued Price Control

By CHESTER BOWLES*
Director, Office of Economic Stabilization

Asserting That There Has Been an Over-Indulgence of the Natural Tendency to Take a Swing at the Government When Our Problems Are Difficult, Mr. Bowles Recounts the Stabilization Accomplishments Since V-J Day. Contends That if Congress Continued Wartime Controls Without Amendments, the Last Major Stumbling Block to Prosperity Will Be Behind Us and There Will Be All-Out Production. Says Selected Price Adjustments Will Continue and Predicts Early Wage Stabilization. Criticizes Opponents and Contends That if They Prove Wrong, Disaster Will Result and Free Enterprise Will Be Destroyed.

I am glad of an opportunity to appear today before the American Retail Federation. Among the scores of organizations with which I have come in contact during the last few critical years, there have been none with whom we have worked more congenially or more constructively. On many occasions we have disagreed. Sometimes we have even disagreed vigorously. But always I felt that we were working earnestly for the same final result.

Chester Bowles

During the war we all looked forward to the day when the shooting would finally come to an end. Unconsciously perhaps, we felt that with the end of hostilities our economic problems would be eased overnight.

Problems That Plague Us

We were surprised and perhaps a little resentful to find that many problems have remained to plague us. In many ways the difficulties which we have faced since V-J Day have been more trying than the economic problems with which we struggled during the war. In the midst of the war effort it was easier to pull together.

*An address by Mr. Bowles before the American Retail Federation, Washington, D. C., April 1, 1946.

(Continued on page 1800)

Current Chills and Market Outlook

By G. Y. BILLARD
Partner J. R. Williston & Co.

Analyst, Asserting That the Test of a Stock's Value Is Its Selling Price in Relation to Current and Prospective Earning Power, Points Out There Is no Assurance That Selections of Issues by the Pin Sticking Method Will Produce Satisfactory Results From Now On and That Eternal Vigilance Is the Price of Investment Security. Concludes That a General Boom, With Temporary Setbacks, Should Last Approximately Three Years and That Dividends on Some Shares Will Be Increased Because of Tax Penalties on Earnings Retention.

Chills

Chills from UNO and bituminous coal dampened bullish sentiment somewhat during the past week but not to any appreciable degree.

Numerous new highs were recorded simultaneously with a scattering of new lows, thus emphasizing the selective nature of the market. So far the recovery has carried the Dow Jones industrials back to around the 200 level compared with the early February top of about 206; the rails to around 64 vs. 68; and the utilities to around the previous bull market top of 41.

Gordon Y. Billard

The selective nature of the market seems likely to continue over a further brief period but, later on, when the continuing marked depreciation in the purchasing power of the dollar becomes more widely recognized, we believe a broader demand for well situated equities will ensue that will carry prices to substantially higher levels.

Sense and Nonsense

Study of history in the schoolboys' classroom makes some sense but in the stock market it more often than not just leads to plain nonsense.

We note, for instance, some recommendations during the past week to liquidate at the present time all securities which have had sensational price advances during the past few years. Now, we have

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Holds Manufacturers Reluctant to Produce

Chicago Federal Reserve Bank Says They Anticipate Losses Because of Uncertainty of Prices and Wages. Expresses Doubt That Accumulated Savings Will Permit Heavy Purchases of Consumers Goods Without Current Financing. Sees Financial Positions of Many Corporations Weakened.

In an analysis of the business and reconversion outlook, the April issue of "Business Conditions," published by the Federal Reserve Bank of Chicago, a restrained and somewhat pessimistic view of the immediate future of manufacturing output and consumer demand is expressed. Noting that the manufacturing industries in the Seventh Federal Reserve District (Chicago area) has shown a declining trend since the beginning of the year, the article states:

"Examination of both the volume and characteristics of current production and the supply of goods actually for sale clearly reveals, as indicated, that manufacturers under present conditions are reluctant to produce and sell merchandise when losses are anticipated. Some of the current lag in output and distribution apparently can be attributed directly to prices which are not considered by individual firms to be high enough to permit profits and to the general uncertainty about possible price relief following recent and current wage and other cost increases. As a result, some manufacturers are reported to have suspended operations and

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Non-Coercive Government Action in Labor Disputes

By EDGAR L. WARREN*
Director, U. S. Conciliation Service
U. S. Department of Labor

Government Conciliator, Asserting That Mediation Has Been Successful in Nearly All Labor Disputes, Expresses Opposition to Compulsory Arbitration as Destroying Individual Freedom. Claims President Truman's Fact-Finding Bill Is Not Coercive and That It Merely Provided for Compulsory Investigation and Not Arbitration. Lists the Objectives of Mediation As Not to Avoid All Strikes but to Bring Parties Together So As to Bring About an Understanding of Divergent Views and Claims. Concludes That Conciliation and Mediation Can Only Be Successful When at Least One of Parties Is Anxious for a Settlement. In Washington He Describes Work of U. S. Conciliation Service.

I have been asked to discuss the effectiveness of non-coercive forms of administrative action, including conciliation, mediation, fact-finding boards and voluntary arbitration, in adjusting labor disputes. Before attempting to appraise the effectiveness of these procedures, I would like to review the meaning of the various terms which are applied to dispute settling machinery. While these terms are well understood by the members of this organization I believe that it is desirable for us to agree on a common set of definitions.


Edgar L. Warren

Conciliation and **mediation** may be used synonymously. Strictly construed, **conciliation** may be carried on without the intervention of a third party merely by the parties in dispute endeavoring to argue out their own differences. **Mediation** clearly implies the intervention of a third party to assist in this bargaining process, but as these terms are currently used they mean the same thing.

Conciliation or mediation, by definition, is non-coercive. Not only does the mediator have no authority to impose his ideas on either party, but his intervention in a dispute must be wholly voluntary. Either party may reject his services.

Most Disputes Settled by Mediation

It is significant that nearly all labor disputes are settled by conciliation or mediation. Even during the war approximately 75% of all labor disputes were settled without intervention of the War Labor Board with its extraordinary war-time authority. During

*An address by Mr. Warren before the American Political Science Association, Philadelphia, Pa., on March 28, 1946 followed by his address before the American Public Relations Associations at Washington, March 29, 1946.

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Cost Absorption in Textile Industry

By SAUL B. SELLS*
Asst. Director, Consumer Goods Price Division, OPA

Maintaining That Without Cost Absorption, Price Control Cannot Be Effective, OPA Executive Describes Working of the Plan on the Basis of an "Industry Earnings Standard." Contends That if Each Cost Increase in the Process of Production Is Pyramided to Consumer, Rise in Living Costs Could Not Be Curbed. Says Absorption Capacity in Some Cases of Textiles Has Been Reached and That Adjustments Are in Order.

The Commerce and Industry Association of New York occupies a distinguished position in the business world, not only in New York City, but in the entire nation. Your officers and members are men of wide reputation as leaders in their respective fields. For this reason we in OPA were honored to accept your invitation to participate in this round-table on cost absorption. I will attempt to outline the issues and then to give you my own appraisal of this policy as a Government official and as a business man.


Saul B. Sells

For several years I have had an opportunity to observe the effects of this and other policies as they affect a wide range of industries operating under price control. During this period I was closely responsible for the financial and cost information collected from industry. Then, for the last year and one-half, I have obtained a closer view and I have shared the responsibility for administering the policies and regulations in the vast consumer goods field including the textile and apparel industries. I feel, therefore, that I can look at the problem from both points of view. I will confine my opening remarks to a detailed analysis of the cost absorption problem, but I will be glad to answer questions later.

What Is Cost Absorption?

Cost absorption is a term which has for some reason come to have a special connotation as a policy applied to the distributive trades—wholesale and retail. Perhaps the reason for this is that the organized retail trades have been most vocal in their objections to this policy.

Actually, cost absorption is a foundation stone in the structure of OPA price policy. It applies at all levels of manufacturing and distribution, in all industries including the textile and garment industries. Without cost absorption we could not possibly attain effective price control.

Let me explain the principle and its application at various levels of industry. This requires an understanding of the provisions of the law. First, the Price Control Act provides that the Administrator shall set ceiling prices in the first instance with due regard to levels prevailing during the period Oct. 1 to 15, 1941. In the event that period is inappropriate, he is directed to consider the closest period to that during which competitive conditions prevailed. Second, after initial establishment of ceilings, he is directed to maintain them at levels which are **generally fair and equitable.**

It was the responsibility of the Price Administrator to develop working rules and standards to carry out the general language and intent of Congress. The

*An address by Mr. Sells before the Commerce and Industry Association, New York City, March 28, 1946.

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United Nations and American Foreign Policy

By HON. TOM CONNALLY*
U. S. Senator from Texas

Chairman of Senate Foreign Relations Committee Sees Progress Made in London Security Council Meeting and Points Out That Present New York Meeting Is the Most Momentous and Fraught With Hope for Future of Mankind Since Our Constitutional Convention in 1787. Insists Every Nation Must Make Real Sacrifices So That World Peace Can Be Realized and That Regardless of Russians' Presence or Absence the United Nations Must Go Forward. Favors Retaining Pacific Bases Under United Nations Trusteeship, Provided Our Security Is Protected.

I came away from London with exactly the same feeling I had in San Francisco when we framed the Charter. Either we make the United Nations work or we revert to the outworn method of bilateral dealings between states with all its diplomatic intrigue, its cut-throat competition and its selfish maneuvering.

Sen. Tom Connally

Either we work together honestly and fearlessly for peace, or, guilty of the greatest blunder in history, we allow our whole civilization to collapse in ruins about us.

The alternatives are clear. If logic and reason and common sense are to guide our choice there can be only one answer—the United Nations.

By no means the least of our gains was the fact that progress was also made toward setting up the Trusteeship Council. Great Britain, New Zealand, Australia, Belgium and France all agreed to place under the trusteeship system the territories they now hold under League of Nations mandates. It is hoped that appropriate agreements can be concluded by the time the Assembly meets again in September.

May I pause here long enough to point out that the creation of the Trusteeship Council will mark a real advance in bringing the dependent peoples of the world one step further toward their ultimate goal of self-government or independence. It will mark a real advance toward the establishment of a world order which will do away with the exploitation of dependent peoples and make sure that dependent territories are administered on behalf of the native population.

Mandated Pacific Islands

Very soon the United States must decide what our policy should be with respect to the mandated islands which we now occupy in the Pacific. Some of these islands, you will recall, blocked

*Excerpts from an Address by Senator Connally before The National Conference of Music Educators in Cleveland on March 28, 1946.

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Our Trade Outlook In South Africa

By ENGENE VAN CLEEF
Department of Geography, Ohio State University

Dr. Van Cleef Analyzes the Population Composition of the Union of South Africa, Together With the Resources of the Commonwealth, and Points Out That on the Basis of Past Experience and Future Proposals, There Is Little Likelihood of Substantial Increase in the Commerce With the United States. Sees Increased Industrialization in South Africa and a Sentimental Preference for British Goods.

Trade prospects with the Union of South Africa for the United States as a whole are not particularly bright, although for individual firms here and there, trade potentialities are excellent. We might suppose just off hand that a population of close to ten millions would afford an excellent market; but when we learn that two millions only are of European origin and the remainder non-European, the latter with only a very low purchasing power, the economic picture changes notably. Of the non-Europeans over six and a half millions are Bantu, about 220,000 Asiatics and about 800,000 of other origins. In fact, the productivity of the non-European element is so small that many of the statistical data are recorded only for the European population. In a word, the latter dominate the entire life of this British, self-governing colony, which is made up of the provinces of the Cape of Good Hope, Natal, the Transvaal and the Orange Free State.

Dr. E. Van Cleef

The Economic Resources

The Union was established as such in 1910, the year often marked as ending the "Gold Era," which began in 1886. Prior to 1886 the region enjoyed a certain prosperity based upon its diamond output which had been the mainstay of the people dating from 1870. However, these "one commodity" economies began fading out at about the same time, giving way in some slight degree to a more stable mixed economy. Agriculture, pastoral pursuits and manufacturing, all began to attract attention and, happily for the colony, were stimulated by the advent of World War I.

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Charles Snow to Head Cohu-Torrey Advisory

Cohu & Torrey, 1 Wall Street, New York City, members of the New York Stock Exchange, announce that Charles W. Snow will supervise the firm's recently formed investment advisory service department. Mr. Snow, who joined Cohu & Torrey in 1945, was in the past a partner in Blanchard, Snow & Watts.

John C. Gross, Inc.

John C. Gross, Inc., has been formed with offices at 40 Broad Street to continue the investment business of John C. Gross, a sole proprietorship. Officers are John C. Gross, President and Treasurer; Helen V. Gross, Vice-President and Assistant Treasurer, and Edwin Nilsen, Secretary.

Opportunities in Latin America for U. S. and British Investment

By ELSBETH E. FREUDENTHAL

Statistician Points Out That Most of Our Direct Foreign Investments Remain in Latin America. U. S. and British Holdings Are Approximately Equal, at $4 Billion Each. With the Exception of American Predominance in the Mexico-Caribbean-Central America Area, They Are Similarly Distributed. Miss Freudenthal Analyzes in Detail (1) the Similarity of Interests Between U. S. and British Investors; (2) the Locale of Their Funds, and (3) the Proportionate Distribution Between Direct and Government Investments. She Concludes That Further Courageous Investment in South America Will Promote Its Domestic Enterprise, and at the Same Time Return Handsome Dividends.

Elsbeth E. Freudenthal

The water is being squeezed out of the large amounts of money poured into Latin American securities in the 1929-1930 period. As estimates of U. S. direct investments and portfolio holdings appear, each shows a decline since the lush time when large funds were placed in, and sometimes forced on those countries. But Latin America is still the favorite locality for U. S. investments, for the largest proportion of its total direct investments of $7 billions in 1940 was placed there; and the foreign dollar bonds totaling over $3 billion in 1941 were (after Canada) preponderantly Latin American.

There have been no recent flotations of securities, and the steady decline of our investments in Latin America may soon be reversed. At the present time there are large amounts of funds in this country seeking employment. If once more they should gush into Latin America, future investors and present holders of securities must consider two important facts: the large amounts already placed there by the U. S., and the equally large amounts of British investments in Latin America. Of the industrial nations, all of whom have been lured by the promised riches of the Hispanic countries, the foremost in the race to invest in this large area have been Great Britain and the U. S.

U. S. and British Investments Equal

In 1940 the amounts held by the U. S. and Great Britain in Latin American securities were approximately equal—roughly $4 billion was placed by the investors of each country in direct investments and portfolio holdings. This total does not include any governmental undertakings, such as the U. S. Export-Import Bank transactions, but applies to the private

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"Road to World Peace"

By ERIC A. JOHNSTON*

President, Chamber of Commerce of the United States

Asserting That We Are Up Against the Spectre of Another War, Prominent Industrialist, Who Has Seen Much of Russia, Holds That Russians and Ourselves Are Going to Live in Two Different Economic Systems, but Can Still Live Side by Side in Peace. Warns, However, That "We Don't Cooperate in a Vacuum" and That Between Russia and Ourselves, There Must Be a Give-and-Take. Says We Cannot Have Peace Without World Wide Economic Well-Being and That Iran Has Become a Symbol to America.

We have just been struggling through a period of widespread and persistent strikes. We have had a war in industry, a costly war. Perhaps it is not entirely over. We may have more strikes. They may be costly strikes, too. But as of this moment, it seems to me the worst is over. As of the moment, we can look forward to full production by the fall of this year.

Eric A. Johnston

This has been a difficult period. In the catch phrase of the day, we've all had a rugged time of it: It's been rough on reconversion; we have lost a lot of ground on the path to full production, but we have learned some things.

Some people were pretty free about predicting an industrial revolution in this country. We haven't had any such thing. The American people were torn at by these strikes, but they were not torn apart. And through all this turbulent transition period since V-J Day we haven't had widespread unemployment in spite of the work tie-ups. Actually, right now, we have little if any unemployment. In fact, if things progress in an orderly way, we may have a near labor shortage by fall.

We have come through thus far in our domestic strife by using our heads. Most of labor has used its head; most of management has used its head. By and large, there has been more of good-will than there has been of ill-temper. As proof positive of that, let's not forget that all through this war in industry, costly though it was, it ran its course with very, very little violence. Now we are faced with another kind of conflict. We are up against a new crisis. This time it is international, not domestic. In a word, it is the spectre of another war. This is on your minds, I know. I know it is, because it is on my own. It is on the mind of every American.

The question shouts at us from the headlines; we hear it in the corner drug store, asked sometimes in anxious whispers; it is repeated every hour on the hour; we ask it in our homes.

This is the question: "Are we going to have trouble with Russia?"

About Russia

I want to talk to you about Russia. I feel obligated to do so. If I didn't, I would be dodging an issue I am supposed to know something about. Few Americans have had my opportunity to see that land of mystery, ruled by men of mystery. Few Americans have seen as much of Russia as chance afforded me.

I went to Russia in the summer of 1944 for a close-up look at Russia's industrial plant, and to talk to Russians about trade between our countries after we'd won the war. I spent six weeks there. I traveled 10,000 miles in that vast

*An address by Mr. Johnston at a dinner of the Purchasing Agents Association of New York, New York City, March 20, 1946.

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Who Will Head World Bank?

By HERBERT M. BRATTER

Mr. Bratter Comments Regarding the Proposed Appointment of Lewis Douglas as Head of World Bank and of Harry White as Executive of International Monetary Fund. Discusses Motives of Ex-Secretary of Treasury, Henry Morgenthau, Jr., in Reported Opposition to Douglas Appointment, as Well as the Grounds for the American Support and the British Opposition to Payment of Proposed High Salaries to the Bank and Fund Officials.

WASHINGTON, D. C., April 3.—Former Secretary Henry Morgenthau, Jr., in letters to the President and Secretary of the Treasury Fred M. Vinson last week expressed his disapproval of the reported consideration of Mr. Lewis Douglas as President of the International Bank for Reconstruction and Development—a job which is to pay $30,000 a year after taxes, and with additional allowance for entertainment and similar expenses. Mr Morgenthau dislikes Douglas' connections "with big business and Wall Street finance, his tie-ins with international financiers, and his general point of view," the Washington "Post" reports. Mr. Morgenthau was a White House visitor on March 29.

Herbert M. Bratter

When Mr. Morgenthau quit his cabinet post in a huff there was some speculation that he might be made President of the World Bank. Now Morgenthau's public protest against Douglas, even though the reports of the latter's consideration for the job have yet to be confirmed, is interpreted by some as indicating that Morgenthau himself is after the job.

Morgenthau's Motives

What Mr. Morgenthau is after may not be clear, but he seems to be after something. In recent months he has frequently interjected himself into various public questions. He employs a ghost writer. Following the Savannah meeting of the Fund and Bank Governors, Mr. J. H. Randolph Feltus, who had been brought to the Treasury as Assistant to the Secretary by Mr. Morgenthau during the war to advise him on public relations, quit the Government very hurriedly because he had a prospective public relations client in New York who couldn't

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Courts & Co. Adds Maddox, Hefner to Staff

ATLANTA, GA.—Joseph J. Maddox formerly Captain, A. U. S. has become associated with Courts & Co., 11 Marietta Street, members of the New York Stock Exchange.

H. Ross Hefner, formerly with the A. U. S., has become associated with the firm in Gadsden. Both Mr. Maddox and Mr. Hefner served in the South Pacific.

Roster of World Bank And Fund Set Up

Meeting of Executive Directors of Both Institutions Set for May 6 and 7 Respectively. List of Executive Directors and Governors. Staff Pooling Under Discussion.

WASHINGTON, April 3—The first meetings of the executive directors of the Fund and Bank will be held in Washington on May 6 and 7, respectively. The reason for the different dates seems to be that M. Gutt, the Belgian executive director of the Fund, is also his country's executive director of the Bank.

The Fund meeting will take place in the Washington Hotel. The Bank meeting probably will be held in the State Department annex at 1818 H Street, N. W.

Executive directors salaries commence as of the date of the first meeting.

China's Appointees

As its executive directors, China has appointed: For the Fund—Koo Yee-Chun, Secretary-General of the Four-Bank Governing Board and former Minister of Finance; For the Bank—Shen Lai-ching.

The most complete list of Executive Directors—but not Alternates—of Fund and Bank obtainable to date is as follows:

Appointed Executive Directors of Fund

Harry D. White	United States
Koo Yee-Chun	China
J. Vishwanath Joshi	India
Pierre Mendes-France	France
(Not available)	United Kingdom

Elected Executive Directors of Fund

Camille Gutt	Belgium
Francisco Alves dos Santos-Filho	Brazil
Louis Rasminsky	Canada
J. V. Mladek	Czechoslovakia
Ahmed Zaki Bey Saad	Egypt
Rodrigo Gomez	Mexico
G. W. J. Bruins	Netherlands

Governor and Contributing Country

	Votes
Fred M. Vinson, United States	27,500
O. K. Yui, China	5,750
C. Deshmukh, India	4,250
P. Mendes-France, France	4,750
Lord Keynes, United Kingdom	13,250
Thor Thors, Iceland	260
H. LeGallais, Luxembourg	350
M. Frere, Belgium	2,500
F. A. Paz, Bolivia	350
J. J. Vallarino, Panama	255
Ruben Benites, Paraguay	270
E. F. Carbo, Ecuador	300
Francisco Alves dos Santos-Filho, Brazil	1,750
Hugo Garcia, Uruguay	400
A. Maschke, Chile	750
Emilio Barreto, Peru	500
Gunnar Jahn, Norway	750
G. F. Towers, Canada	3,250
L. Dolinsek, Yugoslavia	850
Julius Pazzman, Czechoslovakia	1,500
E. Drozniak, Poland	1,500
Ahmed Z. B. Saad, Egypt	700
G. K. Blowers, Ethiopia	310
A. M. Gailani, Iraq	330
Joseph Foley, Philippine Commonwealth	400
Taghi Nassr, Iran	500
X. Zolotas, Greece	650
H. D. Castro, El Salvador	275
Pena Morua, Costa Rica	300
M. N. Morales, Guatamala	300
J. E. Meyer, Cuba	750
Jose Calzada, Dominican Republic	300
Emilio Toro, Colombia	750
G. S. Sacasa, Nicaragua	270
A. Espinosa Monteros, Mexico	1.150
J. Caceres, Honduras	275
A. M. de Jong, Netherlands	3,000
M. H. de Kock, Union of South Africa	1,250

Elected Executive Directors of the Bank

Prof. Kyriakos Varvaressos	Greece
Mr. Ole Colbjornsen	Norway
Mr. Victor Moller	Chile
Dr. Luis Machado Y Ortega	Cuba
Mr. Camille Gutt	Belgium
Mr. J. W. Beyen	Netherlands
Mr. R. B. Bryce	Canada
Dr. Leon Baranski	Poland

Meetings to Be Executive

It is fully expected that the meetings of the executive directors will be held behind closed doors. At Savannah only a few of the sessions of the governors of Fund and Bank were opened to the press. This was a cause of dissatisfaction with several of the

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Government Cooperation With Small Business

By GEORGE M. REYNOLDS*
Assistant to the Secretary of Commerce

Repeating Secretary Wallace's Assertion That There Is Concentration of American Business in a Few Hands, Commerce Department Official Contends That if Monopoly of Economic Power Did Not Exist There Would Be Less Demand for Regulation of Business. Insists There Is a Definite Relation Between High Wages and General Business Prosperity, and a Depression Caused by a Drop in Wages Will Work Peculiar Hardship on Small Business. Says Businessmen Must Take the Initiative in Expanding Our Economy, but Acknowledges That Satisfactory Profits and Rewards for Venture Capital Are Essential. Outlines Commerce Department's Program to Help Small Business.

During the war the concentration of economic power was highlighted by the fact that 56 corporations held 75% of our war contracts. Secretary Wallace states that the true danger of such a situation is: "That decisions determining the economic destinies of millions upon millions of Americans tend to be made by a few men in a few central spots. This concentration of economic power, if unchecked, could finally give us a private Planned Economy just as tyrannical as any public Planned Economy. Economic freedom requires that economic decisions be, as much as possible, not concentrated but diffused. They should be made as much as possible, not by handfuls of men but by multitudes of men. True free enterprise cannot survive except as the enterprise of the many." I think it can be truly said that the restaurant business up to now is free enterprise because it is the enterprise of the many. Although your business is comparatively free, you should work for the survival and growth of free competitive enterprise in all fields. Before

George M. Reynolds

*From an address by Mr. Reynolds before the National Restaurant Association, Chicago, Ill., March 26, 1946.

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Bank for International Settlements

Problem of Its Future, Now That the Bank for Reconstruction and Development Has Been Organized, Is Discussed. Dr. White Opposed Its Incorporation Into World Bank.

Now that the World Bank for Reconstruction and Development is in actual being, the question naturally presents itself: What can be salvaged from the Bank for International Settlements in Basle? The Bank for International Settlements, which is still in existence in Basle, is a central banker's Bank. Before the adoption of the Bretton Woods program, suggestions had been made that instead of creating a new institution, the Bank for International Settlement be made the foundation for reconstruction and development loans. This suggestion, however, was vigorously opposed by Dr. Harry White of the Treasury Department and others. As a result, the International Bank for Reconstruction and Development has now been set up without reference to the BIS.

Even so, however, the BIS may be able to contribute something to the new institution. In addition to the experience which the BIS has given to the central bankers who participated in its work over the years, the BIS has a small but very good staff of economists as well as a library and files.

For information on the history and work of the BIS, the "Chronicle's" reporter turned to one of the delegates of the Savannah meeting who is well informed on the subject. As a result of this inquiry, the following information is presented:

"The Bank for International Settlements in Basle was created in connection with the so-called Young Plan for German Reparations. Its task was to administer reparation payments and act as trustee for the Reparation loans (Young loans). The constitution of its board reflects this. The central banks of those countries interested in reparations as creditors and as debtor hold the ex-officio seats on the board and their countries hold a certain number of other seats. From the start, however, the Bank was also meant to act as a center of consultation for the central banks of the member countries, including countries not interested in reparations, and to do banking transactions for those central banks.

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Vinson Defends Low Rates

In Annual Report to Congress, He Contends Low Interest Policy Will Make an Important Contribution to Achieving Full Production. Holds With National Income Maintained National Debt Will Not Be a Burden and That the Progressive Personal Income Tax Should Be Cornerstone of Our Revenue System.

Secretary of the Treasury Fred M. Vinson, in his annual report for the fiscal year 1945 to Congress on the State of the Finances, upholds the present policy of low interest rates, and asserts the policy will continue in the postwar period. His statement as to the Administration's policy on interest rates, comprising in large part an excerpt from President Truman's Budget Message is as follows:

"The President, in his Message on the State of the Union and Transmitting the Budget for the fiscal year ending June 30, 1947, said:

"'Although the public debt is expected to decline, a substantial volume of refinancing will be required, because of the large volume of maturing obligations. . . .

"'The interest policies followed in the refinancing operations will have a major impact not only on the provision for interest payments in the future budgets, but also on the level of interest rates prevailing in private financing. The average rate of interest on the debt is now a little under 2%. Low interest rates will be an important force in promoting the full production and full employment in the postwar period for which we are all striving. Close wartime cooperation between the Treasury Department and the Federal Reserve System has made it possible to finance the most expensive war in history at low and stable rates of interest. This cooperation will continue.'

"The Treasury Department has followed a policy of low interest rates during the war, and that policy will continue in the postwar period. I believe that this policy will make an important contribution to the achievement of full production in the economy, especially after the backlog of

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Public Utility Securities

Excellent Earnings Outlook for Utilities

Based on comparisons with periods a year earlier, current utility earnings figures appear likely to make favorable or even startling comparisons, due almost entirely to tax changes. For example, the figures for all Class A and B electric utilities for the month of December, published recently by the Federal Power Commission, made a remarkable showing. Net income for the month gained almost 39% over the previous December, and the calendar year was 3% over 1944. This was despite the fact that KWH sales to industrial consumers were down 18% for the month of December and 6% for the calendar year. Despite the loss of this war business (which was probably unprofitable, though nobody seems to have realized this) operating revenues gained 4% for the month and 2% for the year; despite lack of new appliances and new houses, residential KWH sales gained nearly 14% and commercial 9% in December, and 9% and 6% respectively for the year. When appliances and new homes enter the picture this rate of gain may be accelerated.

Most of December's big gain resulted from year-end tax adjustments. The utilities had been over-conservative in the early part of the year and found their tax bills weren't as bad as they feared. Also they were able to make huge charge-offs of premiums on called bonds (last year's refunding was extremely heavy) and this resulted in big savings in excess profits taxes. Miscellaneous income also showed a big jump (some of this was also accounted for by tax changes for other utility services such as gas, water, ice, etc.) On the basis of operating results alone, the utilities bettered the showing of December 1944 by only about \$2,000,000, but after figuring in the larger returns from other services and the reduced taxes and fixed charges, the month's total gain was close to \$18,000,000.

The first few months of 1946 should also make a very good comparison because (1) taxes last year were probably accrued at too high a rate, and (2) this year there will be (in effect) a 55% saving in excess profits taxes and 5% saving in income taxes. The utilities will also continue in a very favorable position with respect to fuel costs, because they have been able to eliminate (along with the heavy war load) much of their expensive standby steam plant operation. Rainfall has seldom been so uniformly generous as in 1945, resulting in plentiful water supply for hydroelectric operations. While some areas are now reflecting near drought conditions, the country as a whole is still in good shape. Should this condition change, however, fuel costs will again rise. The present coal strike will doubtless raise the price of coal, although the utilities are partially protected by contracts and fuel clauses in their rate structures.

Wage adjustments may soon begin to show up in the earnings statements. For the month of December there was a gain of 14% over the previous period compared with only 4% for the calendar year; this reflects both wage increases and increased employment (returning service men or others). It seems likely that the amount of this increase might get up to 18 or 20% by the middle of 1946. Fortunately, the labor bill isn't particularly heavy, just about equaling net income. The big tax savings seem ample to take care of all increased wage and fuel costs, with something to spare.

The big question-mark is, of course, the amount of rate cuts which may be ordered by the State Commissions or announced "voluntarily" by the companies. Thus far cuts have not been dangerously heavy, and the utilities usually regain much of the lost revenues (in time) through larger sales per family.

Companies which are expected to enjoy a substantial gain in earnings due to tax savings are still selling at very reasonable prices, as compared with other utility stocks, perhaps because of fear of rate cuts. Two of these companies, Public Service of New Jersey and Public Service of Indiana, have already raised their dividend rates and others may be expected to follow after rate adjustments are taken care of. Among the companies which seem to be most reasonably priced in relation to earnings adjusted for tax savings (but without attempting to adjust for rate cuts) are Central Arizona Light & Power, Central Illinois Electric &

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Long Period of High Taxes: Garland

President of IBA Says Heavy Taxes Essential to a Balanced Budget, But Sees Need of Intelligent, Equitable and Comprehensive Tax Program to Replace Present Hodgepodge. Criticizes Low Interest Rate Policy as Encouraging Inflation and Promises IBA Aid in Small Business Financing.

Charles S. Garland, President of the Investment Bankers Association, who is making a tour of speechmaking, addressed the Investment Bankers of Kansas City on March 24 in which he stressed the need for a balanced Federal budget as a prerequisite to a sound economy. He asserted that to accomplish this it would need political courage to keep taxes at a high level for years to come, but he pointed out the desirability of revamping the tax structure.

Charles S. Garland

"The Investment Bankers Association," he said, "soon hopes to join other organizations in preparing an intelligent, equitable and comprehensive tax program to replace the present hodgepodge of Federal taxes."

The IBA Program

Mr. Garland mentioned as subjects calling for immediate attention by the Association:

Management of the Government debt and its relation to the forces of inflation.

The Federal budget and tax program.

Encouragement of small business enterprises.

World finance and participation of the United States in the international bank and monetary fund.

Training of new personnel for the investment business.

"Management of the Federal debt is one of the most serious and complex problems of the day," he told his audience.

Interest Rates

Commenting on the constant lowering of interest rates on Government securities as a source of great danger, he said it is causing further expansion of money and credit at a time when money already is over-plentiful and when goods are scarce. Management of the nation's debt and the concomitant of money rates, he explained, should be undertaken in the light of its relationship to the driving forces of inflation.

"Not only should interest rates be stabilized on Government securities," he stated, "but a determined effort should be made to put the maximum of Government securities into the hands of non-banking investors, because additional purchases by the banks mean so much more deposit money being pumped into the already swollen stream of credit.

"Speeding up the production at this time is needed as never before so that we may get more goods on retail shelves to meet the public demand."

Cornish Heads Dept. of Otis Co. in N. Y.

Charles C. Cornish, Lieutenant-Commander, U.S.N.R., recently released from active duty, has rejoined Otis & Co., Incorporated, to become manager of the buying department of the firm's New York office, 120 Broadway. During his service of approximately four years in the Navy, Mr. Cornish was assigned to the office of the Secretary of the Navy, and also to the State Department, where he was attached to the Monetary Division of the Office of Foreign Liquidations Commissioner.

E. E. Haverstick, Jr. Joins Smith, Moore Co.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO.—Edward E. Haverstick, Jr., has become associated with Smith, Moore, 509 Olive St., members of the St. Louis Stock Exchange. Mr. Haverstick was recently discharged as Commander in the Naval Reserve. In the past he was with G. H. Walker & Co. and conducted his own investment firm in St. Louis.

Loyal Crawford With Bogardus Frost Firm

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Loyal C. Crawford has become affiliated with Bogardus, Frost & Banning, 629 South Spring St., members of the New York and Los Angeles Stock Exchanges. In the past Mr. Crawford was with Cavanaugh, Morgan & Co., Inc., as economist.

Wm. Pollock Visits Coast

William E. Pollock, President of Wm. E. Pollock & Co., Inc., 20 Pine Street, New York City, dealers in U. S. Government, State and municipal bonds, left on March 30th with his family for a two to three months trip to Hollywood, California. While in Hollywood, on a much earned rest, Mr. Pollock will stay at 2401 North Vermont.

Augustus Slater Joins Gross, Van Court Co.

LOS ANGELES, CALIF.—Augustus Slater has become associated with Gross, Van Court & Company, 639 South Spring Street, members of the Los Angeles Stock Exchange. Mr. Slater will be in charge of the research and security analysis activities.

A. Slater

Jacobs & Low to Admit

Jacobs & Low, 40 Exchange Place, New York City, members of the New York Stock Exchange, will admit Milton Roth and Jerome Baumann to partnership in the firm as of April 12th.

Dealer-Broker Investment Recommendations and Literature

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

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.

Facing the Facts—Study of conditions affecting railroad values—reprint of address by Arthur C. Knies, partner in Vilas & Hickey, given before the Central States Group of the Investment Bankers Association of America at Chicago—Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

Fire and Casualty Insurance Stocks—Comparative data on principal stocks as of Dec. 31, 1945—Mackubin, Legg & Co., 22 Light Street, Baltimore 3, Md.

Also available are late memoranda on **Aetna Insurance Co., Fidelity & Deposit Co., Massachusetts Bonding & Insurance Co., National Casualty Co., United States Fidelity & Guaranty Co., United States Fire Insurance Co.,** and **Westchester Fire Insurance Co.**

Four-Year-Old Bull Market — Analysis of the market after four years of rising stock prices which indicates that greater selectivity in purchasing is advisable—Harris, Upham & Co., 14 Wall Street, New York 5, N. Y.

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

Directory of Stocks Traded on Pacific Coast Exchanges—Revised directory of issues, 219 of which are traded on these exchanges and also on the New York Stock Exchange or the New York Curb Exchange—Kaiser & Co., Russ Building, San Francisco 4, Calif.

Motion Picture Industry—Analytical circular—Hirsch & Co., 25 Broad Street, New York 4, N. Y.

New York City Bank Stocks—Comparison and analysis of 19 stocks for the first quarter of 1946—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

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

Also available, a valuation and appraisal of **City of Philadelphia Bonds** and a compilation of **Pennsylvania Legal Bonds.**

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.

Successful Investment Planning—Discussion of opportunities for income and profit—Security Adjustment Corp., 16 Court Street, Brooklyn 2, N. Y.

Thirty-Year Bull Market—Study of rotative action of industries in the securities market—for dealers only—Hugh W. Long & Company, Inc., 48 Wall Street, New York 5, N. Y.

American Bantam Car—Special report—Amos Treat & Co., 40 Wall Street, New York 5, N. Y.

Also available are reports on **Automatic Signal Corp.; Northern Engineering Works;** and **Van Dorn Iron Works.**

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

American Phenolic — Revised memorandum—Buckley Brothers, 1529 Walnut Street, Philadelphia 2, Pa.

Also available are revised memoranda on **Metal & Thermit** and **Bird & Son, Inc.**

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.**

Arden Farms Co.—Analysis—New York Hanseatic Corp., 120 Broadway, New York 5, N. Y.

Bank of America N. T. & S. A.—Special study based upon the Bank of America's Dec. 31, 1945 statement—Butler-Huff & Co. of California, 210 West Seventh Street, Los Angeles 14, Calif.

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.**

L. A. Darling Co.—Study of a company offering interesting growth and appreciation possibilities—Moreland & Co., Penobscot Building, Detroit 26, Mich.

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.**

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

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

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

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.**

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

Landers, Frary & Clark—Revised study—Amott, Baker & Co. Inc., 150 Broadway, New York 7, N. Y.

Le Roi Company — Study of common stock as a sound speculative purchase — First Colony Corporation, 70 Pine Street, New York 5, N. Y.

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

Magor Car Corporation—Circular descriptive of the common stock of interesting railway equipment issue—Blair F. Claybaugh & Co., 72 Wall Street, New York 5, N. Y.

Maryland Casualty Co.—Analysis of the 1945 annual report showing substantial operating and financial gains—Cruttenden & Co., 209 South La Salle Street, Chicago 4, Ill.

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

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

Motorola—Circular on Galvin Manufacturing Co., makers of the Motorola Radios and Phonographs—Seligman, Lubetkin & Co., 41 Broad Street, New York 4, N. Y.

National Gas & Electric Corp. (formerly Midland Utilities and Midland Realization Cos.)—Late memorandum on a stock offering combination of improving utility income, together with excellent speculative possibilities from oil developments—Fred W. Fairman & Co., 208 South La Salle Street, Chicago 4, Ill.

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

Pacific American Investors, Inc.—Special report on a leverage-type investment company—Maxwell, Marshall & Co., 647 South Spring Street, Los Angeles 14, Calif.

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

Puget Sound Power & Light Co.—Analytical study indicating interesting possibilities — Sills, Minton & Co., 209 South La Salle Street, Chicago 4, Ill.

Radio Keith-Orpheum—Analysis—Abraham & Co., 120 Broadway, New York 5, N. Y.

Richardson Company—Circular on interesting growth opportunity in the plastics industry—Amott, Baker & Co., 150 Broadway, New York 7, N. Y.

St. Regis Paper Co.—Study of situation offering interesting growth possibilities — Eisele & King, Libaire, Stout & Co., 50 Broadway, 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.

Scranton Spring Brook Water Co.—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Also available is a study of the **Middle West Corp.**

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Broker-Dealer Recommendations

(Continued from page 1790)

Southern Natural Gas Co. — Memorandum—Graham, Parsons & Co., 14 Wall Street, New York 5, N. Y.

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

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

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

Western Light & Telephone Co., Inc.—Study of situation offering interesting prospects for growth and increased earnings— G. A. Saxton & Co., Inc., 70 Pine Street, New York 5, N. Y.

Nation-Wide Group Offers Common Stock of American Potash Co.

A nation-wide group of 108 investment bankers headed jointly by Kuhn, Loeb & Co.; Glore, Forgan & Co., and Lehman Brothers, on March 29 offered 478,194 shares of class B stock at $35 per share. The shares, held by the Alien Property Custodian and awarded to the group at competitive sale March 27 on a bid of $15,440,884, or $32.29 per share, represent approximately 90% of its total outstanding capitalization. The only other securities outstanding are 48,664 shares of class A stock. The company will receive no proceeds from the sale.

The company is engaged principally in the production and sale of potash, boron products, soda ash and salt cake. Plant is located at Trona, Calif., on the northwestern edge of Searles Lake which lies in the northern part of the Mohave Desert.

Amos M. Kidder Has Resumed Inv. Business

A. M. Kidder & Co., 1 Wall St., New York City, members of the New York Stock Exchange, announces that Amos M. Kidder, Lieutenant Colonel, A. C., has returned from service and resumed active duties as a general partner in the firm.

Kenneth Jones in Boston

BOSTON, MASS.—Kenneth M. Jones is engaging in the investment business from offices at 141 Milk Street. Mr. Jones was formerly in the trading department of Weston & Co. for a number of years.

In New Location

PORTLAND, OREG.— Daugherty, Cole & Co., aannounce the removal of their offices to new and enlarged quarters at 729 Southwest Alder.

Our Reporter's Report

Bankers who have been vying with each other for recent railroad obligations and, accordingly, making it possible for the carriers to obtain funds sought at record-making low cost, are finding that they have their work cut out for them in the task of distributing such issues.

Institutional buyers, it appears, are tardy to say the least in their willingness to recognize the further lowering of returns on investments and have shown no great haste in taking some of the newest issues off the hands of the underwriters. The latter, consequently, are faced with the job of really going out and selling their wares.

Union Pacific's $81,000,000 of new mortgage bonds bought as 2¾s at a price of 101.27 and reoffered to the public at 102.19 to yield about 2.42% have been sticky. Sponsors at the beginning of the week closed out the syndicate agreement and the issue, left on its own, quickly settled to around 101. It is now quoted around 101½.

Great Northern's $35,000,000 of series Q bonds, due 2010, brought out little more than a week ago, are likewise moving slowly and dealers report a liberal supply of bonds still around.

However, with Treasury 2½% bonds once more moving up the allowable limit of ¼ point for several days recently, it looks as though the bankers who have bonds on their shelves need only sit back and wait, if they can stand the strain. Major investors must, of necessity, invest their funds and the consensus seems to be that the bond market is definitely in a new price-yield range.

Under the Wire

Unless the Securities and Exchange Commission's registrations division has considerably expanded its staff, or perhaps found short-cut methods of processing new issue applications, it faces a period of busy times.

Potential new issues literally inundated the Federal agency with new registrations in the closing days of March, with a total of no less than 18 filings made on the final day of the month.

The aim of prospective issuers, of course, is to make use of already existing data, that is reports for 1945 earnings, assets, etc., instead of having to wait on availability of first quarter reports for the current year.

This rush to register does not necessarily mean that the issues involved will reach market immediately at the end of the required period of "hibernation." It merely puts the issuers in a position to proceed at will once SEC clears the securities involved.

New Great Northern's Move

Dealers reported brisk demand for the newest of Great Northern Railway's bond offerings. This issue, involving $25,000,000 of new 2¼%, had the appeal of an intermediate maturity, 1961, or 15 years, making it one of the shortest term rail offerings in recent months.

The successful banking group, two syndicates sought the loan, paid the road a price of 99.279 for the issue, an indicated cost basis to the carrier of about 2.31%. Again the bidding was close with a difference of only 70 cents per $1,000 bond separating the bids.

Reoffering was made yesterday, bankers fixing a price of 100 and interest to the public, for an indicated yield of 2.25%. The public offering is, of course, subject to approval by the Interstate Commerce Commission.

Shell Union Oil

In line with expectations, Shell Union Oil Corp., has gone into registration with the Securities and Exchange Commission for prospective sale of a total of $125,000,000 of new 25-year debentures, naming Morgan Stanley & Co., as underwriting sponsor since this operation is not subject to the competitive bidding rule.

The bulk of the proceeds from this operation will be applied to redemption of $85,061,000 of outstanding 2½%, and 2¾% debentures, due 1954 and 1961 respectively and $5,835,000 of serial notes, due 1947 to 1953.

The balance will be added to general funds and used as needed to finance expansion of the firm's own operations and those of its subsidiaries.

New Rail Loan Shaping

The latest prospect for refunding in the railroad field is Northern Pacific Railroad Co., which is considering the advisability of all its outstanding $55,000,000 of collateral trust 4½% bonds, due 1975.

These would be replaced by a new issue of collateral trust bonds, and if undertaken the operation will result in a net reduction in the road's total debt, it was indicated.

Outstanding issues are redeemable at the option of the company at a price of 105 and accrued interest, either in whole or part on 45 days notice.

Carl E. Kane Rejoins Cray, McFawn & Company

DETROIT, MICH. — Carl E. Kane has rejoined Cray, McFawn & Company, Ford Building, members of the Detroit Stock Exchange. Prior to serving in the U. S. Navy, Mr. Kane was a partner in the firm.

F. D. Stone, Jr., to Manage Nuveen in N.Y.

Fred D. Stone, Jr., who prior to serving in the Navy, was associated with John Nuveen & Co. in Chicago for 13 years, has been named manager of the firm's New York office, 40 Wall Street. He was recently released from active duty as a Lieutenant Commander.

Fred D. Stone, Jr.

It was also announced that William A. Grigsby and J. C. Reinhardt, Captains, U. S. Army, and William G. Inman and Robert R. Brinker, Lieutenants, U. S. Navy, have again become associated with the firm.

Paul A. Just Joins Daniel F. Rice & Co.

CHICAGO, ILL.—Paul A. Just, recently released from active duty in the Army Air Corps with the rank of Lieutenant Colonel, has become associated with Daniel F. Rice and Co., Board of Trade Building, members of the New York Stock Exchange and other principal exchanges, and will be in charge of their security department with headquarters in Chicago, Joseph J. Rice, partner, announced. Prior to his war service, Mr. Just was a partner of Carter H. Harrison & Co. here and before that was a partner of Harrison, O'Gara & Co. He served for 39 months, part of which was in the European theater of operations, during the war.

Anderson & Gavin With Goodbody in Chicago

CHICAGO, ILL. — William T. Anderson, Jr., has become associated with Goodbody & Co., 105 West Adams Street, as manager of the trading department. He will be assisted by Joseph J. Gavin. Mr. Anderson was formerly with Harris, Upham & Co., and Swift, Henke & Co.

Moffat to Head Dept. For Lobdell & Co.

Daniel Moffat, Jr. has become associated with Lobdell & Co. Inc., 20 Exchange Place, New York City, as manager of their U. S. Government Bond trading department. Mr. Moffat was formerly an officer of C. F. Childs & Co.

Commonwealth Inv Co. Is Formed in Chicago

CHICAGO, ILL. — Commonwealth Investment Corp. is engaging in an investment business from offices at 141 West Jackson Boulevard. Offices of the firm are Edmund W. Miller, President; Earl W. Tate, Secretary; and Aline V. King and Lenna M. Prather, directors. Mr. Tate was formerly with Lowell Niebuhr & Co. and Harsin, Roberts & Co. In the past he conducted his own investment business in Chicago.

Pennsylvania Brevities

Optimistic Outlook for Philadelphia Industries

Percival E. Foerderer, Chairman of the Committee for Economic Development for Philadelphia County, in a detailed report covering the Committee's activities, forecasts a postwar rise of 20 to 25% in employment and of 40 to 50% in goods produced, compared with the 1940 level.

The optimistic report is based on "huge backlogs of orders, large expansion in construction, an enormous retail trade and heavy requirements of existing and new business for all kinds of capital and durable goods."

The report states that many manufacturing industries have solved their reconversion problems in advance, have increased their financial reserves in spite of heavy taxes and are now ready to go to work in providing jobs at good wages and insuring reasonable prices to consumers.

The Philadelphia County committee was organized two years ago as a part of a national effort by industrial leaders to stimulate business activity and employment after the war. Hundreds of business, labor, social and civic leaders joined in the co-operative planning which is credited with holding unemployment to a minimum and in speeding reconversion of the area's numerous industries.

* * *

"Chinese Wall" to Go

Included in projects which the voters of Philadelphia are expected to ratify in the May primary is that of removing the city's longstanding mid-town blight, the "Chinese Wall" which elevates the Pennsylvania Railroad's tracks from Broad Street station to 30th Street. In its place will be contracted the new Pennsylvania Boulevard. Total cost is estimated at $20,000,000, of which the railroad will pay $10,000,000, the State, $6,000,000, and the city the balance.

City Council has voted $1,000,000 toward the proposed new bridge across the Schuylkill at Penrose Ave. The State will provide the additional $4,000,000 to construct the span which will be a key link in the Industrial Highway plan.

Voters will be asked to approve the borrowing of $78,000,000 for waterworks, sewerage, highways, hospitals and other undertakings. It is thought that the city's borrowing capacity may be greater than the authorization sought due to an increase in personal property assessments. In August, 1945, property values were estimated at $540,000,000. Last month assessments were revised upward to $744,720,066.

* * *

Autocar Company

Reporting net profit of $801,167 on total sales of $49,199,013 in 1945, Robert P. Page, Jr., President of Autocar Co., comments at length on the company's problems in the annual report just issued. The net was $664,828 less than in 1944.

Explaining the company's expansion program which entailed large capital expenditures, Mr. Page said, "At the same time when professional prognosticators, mulling over their cloistered statistics, were predicting that the end of the war would bring a recession with a decline in employment and purchasing power, we were buying more land and building so as to facilitate the handling of a greater volume of business. We were acquiring and installing new machine tools even though they were then exceedingly difficult to obtain. We were providing jobs for nearly three times as many men and women than ever before in peace-time.

"'Now we find ourselves, six months after the end of hostilities, confronted by the ever-swelling volume of orders that we had partly foreseen and provided for, but unable to perform satisfactorily owing to an aggravated dislocation of the economic life of the nation. Our present difficulties and delays are solely due to the unsettled problems in the plants of our suppliers. Several hundred fabricators of steel, many of whose products are of prime necessity to us, are still shut down entirely because of the Government's attitude in not yet granting price adjustments to compensate for those fabricators' increased costs. We are still losing many production days and are not yet free of the danger of being shut down entirely."

In pursuance of the company's policy of conserving cash in order to take care of modernization expense and to maintain finances in liquid position, common stock dividends in 1945 were paid in the form of preferred stock. Last year stockholders received 48,784 shares of 5% convertible preferred, par $20.

Closing his message on a more optimistic note, Mr. Page states: "Even though our production has been badly retarded by strikes in the plants of our suppliers and in spite of the fact that the period of uncertainty is not yet ended with the first quarter of 1946 approaching its close, still we should make a satisfactory showing on this year's operations. That prediction is based on the accomplishments inside our plant and organization and on the fact that **we now have on our books enough orders to keep us going at an accelerated rate of production for the rest of the year.**"

* * *

Alan Wood Steel Co.

Preferred shares of Alan Wood Steel Co. have shown recent market strength following discussions, at the annual meeting last month, of plans for recapitalization. A committee appointed for the purpose suggested that stockholders consider an all common stock recap plan which would give preferred holders 85% of the equity and common holders 15%. The present preferred carries approximately $50 per share in arrears.

The report was opposed by Henry P. Carr and Joseph L. O'Brien of Carr, O'Brien & Co., Philadelphia security dealers, representing a preferred stockholders' group. It may be recalled that, several years ago, York Ice Machinery Corp. in a somewhat similiar situation, effected a recapitalization on an 85% and 15% allocation between the preferred and common holders. The plan worked out to the advantage of holders of both classes of stock. Disgruntled, unassenting preferred holders who insisted on their pound of flesh, namely, par and accrued, were appraised out at a much lesser figure. **A new committee for Alan Wood has been appointed and instructed to report at a later meeting.**

* * *

Kellet Aircraft

While pursuing its research and experimental projects in the design and manufacture of helicopters for the Army and Navy, to be followed later with the announcement of a commercial helicopter program, Kellet Aircraft is busily engaged in the production of refrigeration and deep freeze units, coin phonograph parts, sheet metal products and airplane parts. W. Wallace Kellett, President, states that present backlog of orders is approximately $3,355,000. Renegotiation proceedings with the War Department have resulted in settlement not requiring refunds.

* * *

Pittsburgh Railways Co.

The City of Pittsburgh's petition to place all the street railway underliers under the jurisdiction of the court and which was rejected by the District Court for Western Pennsylvania, now languishes in the Circuit Court of Appeals in Philadelphia where it has reposed for about a year. It is unlikely that any further progress can be made in pursuance of the Philadelphia Company's tentative plan to make an offer to purchase minority public holdings until the City's position is judicially determined. **In the meantime, Trustees' cash is reported to be over $21,000,000, closely approaching an amount equivalent the full claim of par plus arrearages on all publicly held bonds and stocks. Traffic revenues are said to be holding close to the war-time peak.**

* * *

Corporation Notes

Declaring its first dividend in the 60 years of its existence, Philadelphia & Reading Coal & Iron Co., has ordered a 50c payment on the common payable out of 1945 earnings. The company emerged from reorganization Jan. 1, 1945.

* * *

Stockholders of Scott Paper Co. have authorized an increase in the common from 1,000,000 to 2,000,000 shares and the creation of 150,000 share of new cumulative preferred stock. Although earnings in the first two months of 1946 were not up to the budget, due to increased costs, the OPA has authorized price increases in the company's principal products effective March 1. Raymond C. Mateer, Vice-President, believes that consolidated sales for 1946 will exceed those of 1945.

* * *

The acquisition of control of Central Iron & Steel Co., of Harrisburg, by Barium Steel, adds to the latter's capacity by 336,000 tons of steel ingots and 288,000 tons of sheared and universal plates.

* * *

Directors of Baldwin Locomotive Works have postponed the annual meeting from May 2 to June 11 in order to allow further time for the preparation of the annual report, delayed because of recent strike.

* * *

Benjamin F. Pepper, Herbert W. Goodall, William T. Kilborn and F. Brian Reuter have been re-elected directors of Pennroad Corp.

Galloway & Lippmann With Chesley & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — William M. Galloway and Albert F. Lippmann, both formerly with Philip D. Stokes, are now associated with Chesley & Co., 105 South La Salle Street. In the past Mr. Lippmann did business as an individual floor broker on the Chicago Stock Exchange and was a partner in Morrill, Clarke & Rich.

George H. Kitchen Is With C. S. Wurts & Co.

PHILADELPHIA, PA.—George H. Kitchen, Lieutenant Colonel in the U. S. Army, has become associated with C. S. Wurts & Co., Fidelity-Philadelphia Trust Building, as Manager of the trading department.

Hawes & Bowers Rejoin Staff of Rambo, Keen

PHILADELPHIA, PA.—Rambo, Keen, Close & Kerner, Inc. announces that Marion S. Hawes, Major U. S. Army Air Forces and Philip W. Bowers, Major U. S. Army Air Forces have returned to their sales organization.

H. A. Riecke Adds Three New Representatives

CAMDEN, N. J.—H. A. Riecke & Co., Inc., 141 North 32nd Street, announce the association with them of C. William Biaselle and Joseph Souder Todd to represent them in Reading and Norristown, Pa.; and Harry Parker to represent them in Trenton.

Consumers Public Power District

WESTERN DIVISION BONDS UNDER PRICED IN MARKET

By WILLIAM F. MILLS

Usually, between two public revenue bonds of similar rating, coupon and maturity, and whose issuers derive revenues from the sale of the same type of service, the bonds of the project showing the greater coverage of debt service will sell at somewhat higher prices than the bonds of the project with the lower coverage. This situation is exactly reversed in the case of Consumers Public Power District, Nebraska. The Western System has consistently shown better coverage on debt service than has the Eastern System and yet Western System bonds sell from one-half to a point lower than Eastern Systems of identical coupon and maturity.

For the 12 months ending Dec. 31, 1945, on the basis of revenues available for debt service, reserves, etc., the Western System showed debt service coverage of 1.73 times and Eastern System showed 1.65 times. With minor variations this difference in coverage between Western and Eastern Systems has been maintained since the consolidation of the Consumers Public Power District into the two major Systems in July, 1944.

Bonds of both Systems of the Consumers Public Power District have identical coupon rates, maturities, and call features. Bonds of both Systems are issued under the same indenture, have the same provisions relating to application of revenues, issuance of additional bonds and the Board of Directors of the District are the same for both Systems. When the present bonds were brought out in July, 1944, no price differential was made in the original offering between bonds of the two Systems. It was only after bonds began to be traded in the secondary market that the price differential appeared.

The reason usually given for this price differential is that the Eastern System is the larger, some $36,000,000 bonds outstanding as against $5,000,000 Western Systems. This does not seem to follow the general experience in other bonds. New York City's can be obtained at somewhat cheaper prices than most comparable credits because there are so many outstanding and the supply is usually fairly large. In the case of Consumers Public Power Districts, with Eastern Systems outstanding in the ratio of approximately seven to one to the Westerns, the Westerns still sell under Easterns.

Since the original underwriters saw no reason to differentiate in price between the two Systems, and since the Western has consistently shown a greater coverage than Easterns, it would seem that Westerns should sell at least on a par with Easterns. Since all essential details of the bonds are identical and the Directors are the same for both Systems, it would seem reasonable to give consideration to eliminating the two separate Systems and consolidating both into one Consumers Public Power District of Nebraska issue should it be possible to refund the present bonds on or after July 1, 1949.

Declares Overceiling Charges on Meats Are Widespread and Flagrant

A survey by independent market research agencies in 11 cities during the last two months revealed that 83% of 1,803 stores shopped were selling meats at over-ceiling prices, R. J. Eggert, Associate Director of Marketing of the American Meat Institute, told the House Agriculture Committee recently.

"An analysis of the surveys show that overcharges are widespread and flagrant," he said. "Illegal mark-ups are not limited to the higher valued cuts consumed by higher income groups. As a matter of fact, in some areas the overcharge was higher in percentage on the lower grade cuts ordinarily purchased by the workingman."

James H. McCall, Chairman of the board of directors of the American Meat Institute, told the Committee that the black market in meats is costing American consumers more than one and one-quarter billion dollars a year.

"The survey . . . shows that all types and sizes of stores charge over-ceiling prices," Mr. Eggert said, pointing out that the study shows that from coast-to-coast:

1—"Illegal prices on some cuts of meat are twice the ceiling and in a few instances three times the legal price.

2—"Over-ceiling prices were charged in 83% of the stores.

3—"68% of the cuts purchased were over the ceiling by an average of 29%.

4—"The average over-charge of all cuts purchased, including those sold below ceilings, those sold at ceilings, and those sold over ceilings, was 20%.

5—"The black market inflation in meat is increasing."

Roosevelt & Cross Is Formed in New York

Archibald B. Roosevelt, with Edwin J. Cross, LeRoy A. Frank and Wilbur J. Fippinger—all of whom were connected in business with Mr. Roosevelt prior to the war—has organized the firm of Roosevelt & Cross, Inc., with offices at 52 Wall Street, New York, to deal in U. S. Government and State and Municipal bonds, it is announced. The new firm opened for business April 1.

Prior to serving overseas with the 41st Infantry Division, Col. Roosevelt, son of the late President Theodore Roosevelt, was a partner of Roosevelt & Son and President of Roosevelt & Weigold, Inc. Mr. Cross became associated with Mr. Roosevelt 21 years ago, Mr. Frank 17 years and Mr. Fippinger 9 years ago.

Scott, Redmond in Newark

NEWARK, N. J.—Scott, Redmond & Co. has been formed with offices at 1025 Broad Street, by E. Edward Scott, to engage in an investment business. In the past Mr. Scott was a Vice-President of the New York Note & Share Corp.

France Seeks a Loan

Former Premier Leon Blum Has Already Met With National Advisory Council, But Has Not Named Amount Desired. No Information Given Out on French Gold and Dollar Exchange Holdings.

WASHINGTON, D. C., April 3—Along with most other countries, France is looking to the United States for substantial economic aid on credit. Unfortunately from France's standpoint, its place in the queue is behind Britain's. What France wants in the way of a long-term loan is, according to press reports of recent weeks, considerably more than the Export-Import Bank can handle with its present resources. The fact that the loan to the United Kingdom—now before Congress—is "unique" makes it difficult for the Administration to ask Congress to do more of the same for France. Indeed, the United Kingdom loan is still not out of the way.

France's desire for big money makes that country for the present at least very cooperative. At the Savannah meeting of the Governors of the Fund and Bank the French delegation raised no difficulties. France's approval of the Bretton Woods program despite the misgivings expressed by the French at the original conference was assured by the desire for an American loan. M. Blum arrived in Washington while the Savannah discussions were still under way, and those members of the Blum Mission who had come here ahead of the former Premier not only raised no objections to the American delegation's program at Savannah, but took advantage of the opportunity to feel out American officials on the best method to approach the subject of a loan in the subsequent Washington negotiations.

Those negotiations have now begun. Blum has met the National Advisory Council. The French approach has been interesting. Blum asked for no specific sum of money. The amount to be lent, or whether it is to be a loan at all, he leaves to the American Government. Blum merely suggests how much the French need. This he does by means of a 30-page printed booklet called, Statistical Review of the Economic and Financial Situation of France at the Beginning of 1946.

A noteworthy feature of this presentation of the French Mission is that it introduces a new application of the "equality of sacrifice" argument. The British, it will be remembered, have been saying that they are entitled to generous American aid because they were in the last war long before we were, and—as the "Economist" puts it—fought harder.

The French apply the equality-of-sacrifce argument to their sacrifices of World War I. The pamphlet states: "Countries in a more fortunate geographical position had suffered less from the First World War, and did not feel the immediate threat of a second conflict . . . while France was shouldering burdens incommensurate with her strength in recovering from the First World War, and preparing for the second. These burdens, which represent the contribution of France to the common defense of the democracies, had a double effect—(a) They retarded the normal increase in France's national income; (b) They withheld a considerable fraction of that retarded income from productive investment. . . . Prior to the war, taking the economy as a whole, labor output in the United States was three times greater than in France. This does not mean that the men and women of France worked less than other people; there is some evidence that they worked harder."

According to M. Blum, France is "resolved to utilize to the maximum" all its remaining gold and foreign exchange. While the Federal Reserve Bulletin reports France's gold stock at more than $1 billion, nowhere in the above-mentioned French statistical review and its many tables is there any information on France's gold and dollar holdings.

John D. Penick Is A. M. Kidder Partner

John Dabney Penick, formerly Major AUS, connected with the

John Dabney Penick

8th Air Force, as of April 1st has become a general partner in A. M. Kidder & Co., 1 Wall Street, New York City, members of the New York Stock Exchange.

Dillon, Read Offers Southwestern P. S. Pfd.

Dillon, Read & Co. Inc. and Associates today are offering 65,000 shares of cumulative preferred stock (par $100) of Southwestern Public Service Co. Holders of the 50,000 outstanding shares of 4¾% preferred stock of the company are being afforded by it the opportunity (subject to certain limitations and conditions) of exchanging such stock, share for share, for new 4.15% cumulative preferred stock. The 65,000 shares consist of the 4.15% stock as to shares so exchanged and of 3.70% stock as to the balance. The price for the 3.70% preferred stock is $103 per share plus accrued dividends from Feb. 1, 1946 to date of delivery. Proceeds from the sale of the 3.70% preferred will be used to redeem any 4¾% preferred stock not exchanged for the 4.15% preferred.

Real Estate Securities

Upward Trend in Real Estate Values

This column has almost continuously taken the forefront in pointing out the investment merits of sound real estate equities producing astonishing yields in the face of declining interest rates and rising prices. That real estate has finally come into its own again after an unsavory past of grossly inflated values, foreclosures and reorganizations, might best be illustrated by quoting from Mayor O'Dwyer's message presenting New York City's executive budget:

"The upward trend in real estate values as evidenced by the activity in sales in the past few years has been further confirmed by the increase in the tentative assessed valuations of the City of New York for the second successive year, amounting to $72,869,470 for the fiscal period July 1, 1946, to June 30, 1947. The total of taxable assessed valuations for this period is tentatively fixed at $15,975,847,166.

"The downward trend that started on the taxable status date of Oct. 31, 1931, continued uninterrupted until the announcement by the Tax Department Feb. 1, 1945, of the first increase since that date in the tentative assessed valuation. This amounted to $88,073,225 and signaled a reversal of the downward spiral that lasted well over a decade.

"On the closing date of the current tentative assessment period, March 15, 1946, the last day for the filing of protests on tentative assessed valuations for the fiscal period 1946-1947, protests filed numbered 22,811. This established a record low in the number of protest applications received for any one year since 1929—further confirmation of the very healthy condition of the real estate market. This figure represents a drop of 33% as compared with last year. The following table graphically illustrates this condition:

SOURCE AND NUMBER OF PROTESTS

	Manhattan	Bronx	Brooklyn	Queens	Richmond	Real Est. of Util. Corp.	Total
1940-41	18,773	5,655	24,222	10,617	2,308		61,575
1941-42	20,161	5,840	19,839	10,719	2,016	552	59,127
1942-43	20,481	5,340	15,386	8,259	1,355	280	51,101
1943-44	21,734	6,118	15,071	8,297	1,303	291	52,814
1944-45	20,780	5,845	11,180	6,549	827	268	45,449
1945-46	17,320	4,600	6,500	4,300	796	304	33,820
1946-47	13,337	3,186	3,232	2,415	472	169	22,811

Holds Billions of Government Bonds Undigested

F. W. Gehle of Chase National Bank, and State Chairman of Bond Drives, Points Out Danger of Commercial Banks Taking Up Floating Supply and Urges Encouragement of Private Bond Purchasers and Protection of Their Savings. Suggests a New Long-Term "Peace Loan" at Higher Interest Rate.

Though the United States Treasury's war finance program ended on Dec. 31, with the successful Victory Loan, there still remain billions of dollars of "undigested" Government bonds throughout the nation, according to Frederick W. Gehle, vice-president of The Chase National Bank, speaking at a luncheon of the New York Financial Advertisers at the Lawyers Club on Mar. 27. Mr. Gehle, who was New York State Chairman of the Sixth, Seventh and Victory Loans, said that this volume of bonds is in possession of commercial banks, the Federal Reserve System and various business enterprises, and that it has not yet found its way into the hands of permanent investors.

Frederick W. Gehle

"The eight war loans that ended with the Victory Loan were extraordinarily successful," said Mr. Gehle. "More than 50,000,000 individuals responded to the appeals made by the Government to their war-time patriotism and bought bonds. However, they did not by a wide margin absorb all the bonds that were offered, and there still faces us the need to distribute to ultimate holders a substantial part of the war loans.

Though our commercial banks were severely restricted in making bond subscriptions during the war, they were the principal market for certain Federal issues after they were sold by the Treasury, and this accounts for the swollen total of government bonds and notes — $107,000,000,000 — which this system already holds. Then, too, business firms and corporations used their surplus funds and subscribed heavily for each issue of the war loans. The purpose of American business is to manufacture and distribute goods and not to make permanent investments, but business organizations now hold twenty billions more government securities than they held before Pearl Harbor, and in time a good part of these will find their way into the market as circumstances require.

"These in all probability will be offered to commercial banks whereas the commercial banks as a whole should not increase their bond holdings beyond the amount already held. Our commercial banks are organized primarily to finance the current requirements of industry and trade, and their operations are dislocated and their credit supply is excessively out of balance because of current enormous aggregate holdings of government bonds. Our need is to make every proper effort not only to prevent a further accumulation of inflationary bank credit based on government bond issues but to cut down the amount of this type of credit that now exists."

A suggestion was offered by Mr. Gehle that the government some time this year issue a popular "peace loan" at rates of interest that would attract long-term purchasers, the dual purpose of which would be to refund maturing issues now held by the banks and to provide an opportunity to the public for the investment of its new savings, which are currently increasing at the rate of a billion dollars a month.

The total liquid savings of individuals in the United States have now reached the unprecedented amount of $146,000,000,000, or three times more than it was six years ago, according to the speaker. More than a third of this amount is in Federal securities, nearly a third is in currency and checking accounts, and the balance in various types of savings accounts.

"These savings are bound to increase," Mr. Gehle said, "and as far as possible we want them to be soundly invested. Responsible leaders of banking, industry and labor should work together for a coordinated effort in this direction—not only to help the national economy through "placing" government issues permanently, but also to guard thrifty investors against certain dangers which are bound to confront them from now on. Since the close of the war we have already seen many signs of the appearance of unscrupulous cheats and swindlers, and new cases of schemes to lure unwary investors are being reported daily to protective organizations.

"If there is one thing we need today, it is a sound concept of what is required to insure the financial health of our country. And if there is one thing we can count on, it is the readiness with which average Americans will respond to leadership which they believe in. We therefore should undertake a well-organized, well-sponsored nation-wide effort under responsible direction: (1) to insure a sound relationship of the government debt to our national economy, and (2) to educate the American public for the protection of its unprecedented volume of savings. Bankers and trade associations, organized labor, better business bureaus and the security exchanges, together with government institutions like the Treasury Department, the F.B.I. and the Securities & Exchange Commission, have an opportunity for joint service in the interest of the welfare both of the country and its people."

Merrill Lynch Opening Kansas City Office

KANSAS CITY, MO. — Merrill Lynch, Pierce, Fenner & Beane is opening an office at 1003 Walnut Street. Thomas Bates Huffaker wil be resident manager. Associated with the new branch will be Alexander R. Silberberg and Leonard Hugh Van Horne. Mr. Silberberg was formerly with J. S. Bache & Co., in Kansas City.

Opening of the new branch was previously reported in the "Chronicle" of March 7.

Trenholm Heads Dept. At F. S. Moseley Co.

F. S. Moseley & Co., 14 Wall Street, New York City, members of the New York Stock Exchange announce that William L. Trenholm, Lieutenant Commander, USNR, has been released from active duty and has become associated with the firm. Mr. Trenholm will manage the corporate trading department. In the past he was with the First Boston Corporation.

Austin Fox Now With Buckley Bros. in L. A.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Austin Fox has become associated with Buckley Bros., 530 West 6th Street. Mr. Fox was formerly with Fewel & Co., Barbour, Smith & Co. and Hurry, Hilgers & Co. In the past he was an officer of Luxford & Co.

Doyle Mfg. Co. Stock on Market

Burr & Co., Inc., Hirsch & Co. and Dempsey & Co., underwriters, made a public offering April 1 of 37,586 new shares of 60-cent cumulative dividend ($8 par) convertible preferred stock of the Doyle Manufacturing Co., fabricator of precision tools. The stock, priced at $10 a share, is redeemable at $11 a share, and each share is convertible into two shares of common stock. Under a preferential offer, stockholders subscribed to 12,414 shares. Proceeds will be used to increase working capital.

Fitz-John Porter Dead

Fitz-John Porter, member of the law firm of Davis Polk Wardwell Sunderland and Kiendl, died of a heart attack at his office at 15 Broad St., New York City. Mr. Porter was a leading authority on the "blue-sky" law, which deals with security regulations in the various states.

James Scott Opens Firm

James E. Scott has formed James E. Scott & Co. with offices at 70 Wall Street, New York City, to engage in the investment business. Mr. Scott in the past was with the New York office of R. S. Dickson & Co., Inc., and with Kennedy, Hall & Co. Prior thereto he was a partner in James E. Scott & Co.

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POWER to Build in the State of Washington

PUGET SOUND POWER & LIGHT REPORTS

This report not only reviews the Company's operations for the year 1945 but it also commemorates sixty years of pioneering, progress and development in making electricity available to more and more people, in an ever expanding field of usefulness, at constantly reduced rates.

NET EARNINGS AND DIVIDENDS.

Net earnings for 1945 were $4,017,329—a decrease of $1,127,605, or 21.9% under 1944. However, in 1944 there was a special tax saving of $1,144,000, but none in 1945, such saving being about equal to the 1945 decrease in net earnings. Thus, net earnings for 1945 were actually $16,395 greater than those for 1944 before the special tax saving in 1944. After deducting full dividends on the Prior Preference Stock, the earnings per share for the Common Stock for the year 1945 were $1.53, as compared with $2.05 in 1944. Net earnings per share of Common Stock in 1944, before the special tax saving, amounted to $1.52.

Quarterly dividends on the Prior Preference Stock were paid in 1945 at the annual rate of $5 per share. Four dividends of 30 cents per share each were paid on the Common Stock. A dividend of 25 cents per share was paid on February 15, 1946.

DEBT RETIREMENT. The Company made payments on its serial notes to banks on March 1 and September 1, 1945 aggregating $1,125,000, leaving a balance outstanding on December 31, 1945 of $2,812,500.

From January 1, 1943 to December 31, 1945 the Company retired $3,687,500 of its bank loans and made construction expenditures of about $9,200,000, all from earnings and the use of available current assets.

PURCHASE PROPOSAL. During the year the public utility districts in the Company's territory presented a purchase proposal of $18 per share for the Common Stock and the redemption of the Prior Preference Stock at $110 per share. As the Company did not receive evidence of the districts' ability to perform, the proposal was not presented to stockholders.

As soon as the districts are in a position to do so, it is understood that court proceedings will be instituted to determine the validity of the proposal and the legality of the bonds to be issued, and that a favorable conclusion of such litigation will enable the districts to furnish the Company with legal and financial evidence of ability to perform. In such event, the Company, in accordance with its previously announced policy, would submit the proposal to the stockholders for their consideration and action.

MORE FOR LESS. Puget Power's average rate to residential and rural customers went down again in 1945, dropping 40% under its 1935-1939 average, although other living costs have *increased* 32% in the same period. The year-end average rate was about 1.6 cents per kilowatt-hour, or less than one-half the national average. The average annual use of electricity of such customers was more than double the national average. For the 12 months ended June 30, 1945 the Company's average domestic customer used 44% more electricity at a 10% less rate per kwh than the average consumer in the TVA area.

COLUMBIA VALLEY AUTHORITY. Identical bills for the establishment of a Columbia Valley Authority are now before the U. S. Senate Commerce Committee and the House of Representatives' Rivers and Harbors Committee.

The CVA measure is more sweeping and far-reaching in its "planned economy" aspects than TVA. CVA is charged with responsibilities affecting the economic, social and cultural welfare of the people of the vast region affected. The CVA bill contemplates a complete program for transferring, by condemnation or purchase, the private utilities in the region to public ownership and operation. The enactment of this measure would be extremely harmful to the Company and its stockholders.

TAXES: OVER $7,800,000. Taxes payable for the year 1945 amounted to $7,853,166, an increase of $2,146,540, or 37.6% over 1944. These payments to Federal, State and local governments exceeded the total amount of payroll charged to operating expenses, and amounted to $3.47 per share of the Common Stock, or more than 2¼ times the net earnings per share of Common Stock.

The Company's taxes for 1945, as shown in the Income Statement, were 26.4 cents of each dollar of operating revenues, while the average Public Utility District taxes were about 5%, TVA taxes about 5½%, and the Bonneville Power Administration operated entirely tax-free.

PUBLIC POWER SITUATION. Among other factors vitally affecting the Company's welfare, the report fully and frankly discusses the extent and nature of the existing and potential competition from governmental agencies. This competition has resulted because of the enactment of Federal and State laws granting substantial tax subsidies and other benefits and immunities to public power.

A copy of the 1945 report to stockholders will be sent on request to Puget Sound Power & Light Company, Main Office, 860 Stuart Building, Seattle, Washington.

NEW HEIGHTS ATTAINED

	1945	Increase Over 1944	% Increase
Operating Revenues	$28,649,520	$2,059,982	7.7
Electric Customers	250,242	9,456	3.9
Energy Sold—KWH	1,745,750,208	111,118,336	6.8
Peak Demand—KW	423,300	45,800	12.1
Annual Use per Residential and Rural Customer—KWH	2,695	306	12.8
Average Rate per KWH—Residential and Rural Customers—cents	1.64	.08*	4.7*
Bus Passengers	7,942,569	491,284	6.6

*Decrease.

A NEW FRONTIER—
the State of
WASHINGTON

The State of Washington abounds in natural resources. It is rich in skilled labor, machines, materials and markets. The territory served by Puget Power is endowed with splendid economic and geographical advantages.

The outstanding results achieved in war production have established a future for manufacturing in the State of Washington. National attention is now focused on this region because it has attained a real place in the industrial sun. It is felt that this State will, in the postwar period, move to new high levels of performance in three principal fields: viz., industrial development, foreign trade and aviation. Growing consumer markets for manufactured goods produced and further development of the State's agricultural and other resources point the way to expansion of existing industries and the establishment of new ones.

Excellent foreign trade opportunities are presented to the Puget Sound area, as the shortest route to the Orient. There is probably more widespread interest in Alaska today than ever before in the history of that territory.

Domestic and foreign aviation will make great advances in 1946. It is anticipated that the Seattle-Tacoma gateway will become the terminus of an Oriental airline across the North Pacific.

Washington, the State, which has been so prominent in producing for war, will continue to grow and prosper with peace.

Sixty Years of Public Service

1885 **PUGET SOUND POWER & LIGHT CO.** 1945

Frank McLaughlin, *President*

Says Price Control Ties Down the Safety Valve

The Guaranty Survey Points Out Price Control Limitations and Holds That Causes of Price Rises Be Dealt With Rather Than the Symptoms.

"Price control may be temporarily useful, but in the final analysis it is an artificial means of preventing the price fluctuations by which necessary readjustments normally take place. As long as regulation continues, it should be administered with a flexibility and adaptability based on a clear recognition of this basic fact. It should be used as an instrument for smoothing the transition, not as a weapon for 'holding the line,'" states the Guaranty Trust Company of New York in the current issue of the "Guaranty Survey," its monthly review of business and financial conditions in this country and abroad, just published.

"The main objective of the stabilization program—the restoration of free markets with a minimum of price disturbance—should be constantly kept in mind. The attainment of this objective will not be helped by such unwarranted assumptions as that prices can be permanently held at an arbitrary level or that upward pressures will automatically cease when reconversion is completed.

Limitations of Price Control

"If postwar price control is to perform, as far as possible, the function for which it is intended, while minimizing the dangers that necessarily go with it, it must be recognized for what it is—an attempt to deal with symptoms, not causes—and must be supplemented by measures to control those causes,' 'the "Survey" continues. "It must include a realistic wage-price policy based on the principle that reconversion cannot be stimulated by a 'squeeze' of profits between rising costs and stationary price ceilings. It must be administered with enough flexibility to give effect to this principle. It must recognize production as the primary aim and must yield ground where necessary to achieve that aim.

"Nothing is to be gained, and much may be lost, by expecting price control to do more than it is capable of doing. It is a temporary cushioning device, not a corrective mechanism in any sense. Price regulation can do nothing to remove or diminish the forces tending to raise prices. On the contrary, its natural effect is to strengthen and perpetuate the upward pressure by holding prices at artificially low levels, thereby restricting supply and stimulating demand.

"A soundly conceived price-control policy, therefore, should be based on a clear recognition of its own limitations. Not only should it be flexible enough to avoid, as far as possible, interfering with reconversion, but it should be progressively abandoned as reconversion approaches completion. It would be both useless and dangerous to wait for the pressures against price ceilings to disappear, for the wartime accumulation of purchasing power to be absorbed, or for supply and demand to balance under the ceilings. Whether such a balance will ever take place while price control continues is doubtful, and certainly the control can do nothing to promote it. The most that price regulation can safely do is to soften the impact of necessary readjustments by preventing or reducing the price fluctuations that might otherwise be caused by strictly temporary and abnormal conditions. When those conditions disappear—that is, when industry has had time to reconvert, when the bulk of the manpower has been released from the armed services, and when the most pressing foreign relief needs have been met—price control will have performed its legitimate function and should be promptly abolished. To continue it beyond that point would be to incur the danger of breakdown and price chaos on the one hand or of permanent economic regimentation on the other.

Reasons for Price Regulation

"Advocates of continued price control point to the upward pressure on existing ceilings as evidence that strict regulation is the only preventive of a ruinous upward surge of prices. They recall the inflationary experience and the subsequent deflation and depression that followed World War I and point out that the forces making for higher prices are much stronger now than they were then. The accumulated demand for consumer goods is swelled by more than three and a half years of partial or complete suspension of output. Production of such goods has increased only slowly since the end of the war, and the reabsorption of veterans into the civilian labor force is far from completion. Holdings of currency and bank deposits are nearly three times as large as before the war, and there are outstanding nearly $50 billion of savings bonds convertible into cash on demand. The need for American goods abroad is acute, and foreign countries hold more than $6 million in dollar bank balances and probably even greater amount in gold, while large quantities of goods are being supplied free under the relief and rehabilitation program.

Grounds of Opposition

"Opposition to price control is based to some extent on the view that upward price pressures are less powerful than is generally supposed. A more important ground of opposition to continued price control is the contention that it creates evils greater than those it aims to avert. It is pointed out, for example, that the maintenance of sound and equitable cost-price relationships necessitates constant readjustments and that the time required for administrative agencies to make such readjustments is so great as to impede production and employment. It is doubted whether price regulations can be effectively enforced in the absence of wage control and rationing. To the extent that they are enforced, it is feared that the narrowing of the margin between prices and costs will weaken or kill the incentive to produce. And it is argued that, as long as price control continues, and in so far as it is effective, the excess purchasing power accumulated during the war years will remain undiminished, and consequently the need for control will continue indefinitely.

Essentials of Stabilization

"Price control is only one part, and not the most important part, of a sound stabilization policy. If our industrial system is to be restored to a normal mode of operation with a minimum of disturbance, it is essential that the causes as well as the symptoms of price instability be dealt with. On the supply side, the principal cause of instability is the prolonged interruption of output of consumer goods due to the war. The remedy is to be found in the swiftest possible transition to normal peacetime operation, a transition that should take place in a comparatively short time if unnecessary impediments are avoided.

"On the demand side, the outstanding threat to price stability lies in the enormous increase in money and bank deposits that has resulted from nearly 16 years of deficit financing by the Government. One step toward stabilization on the demand side is to put a stop to the deficits. Another is to modify the Treasury policy of reducing interest rates to lower and lower levels, a policy that has made Government obligations unattractive to many individuals and corporate investors and thus has 'monetized' a large part of the public debt by forcing it into the banks and making it the basis for the huge increase in deposits.

"These essential features of a true stabilization policy might not be sufficient to 'hold the line' at the existing price level, but they are the chief practicable steps that can be taken to promote that aim. Certainly price control alone cannot do it. Unless the pressure in the boiler is being reduced by other means, tying down the safety valve is not only futile but dangerous."

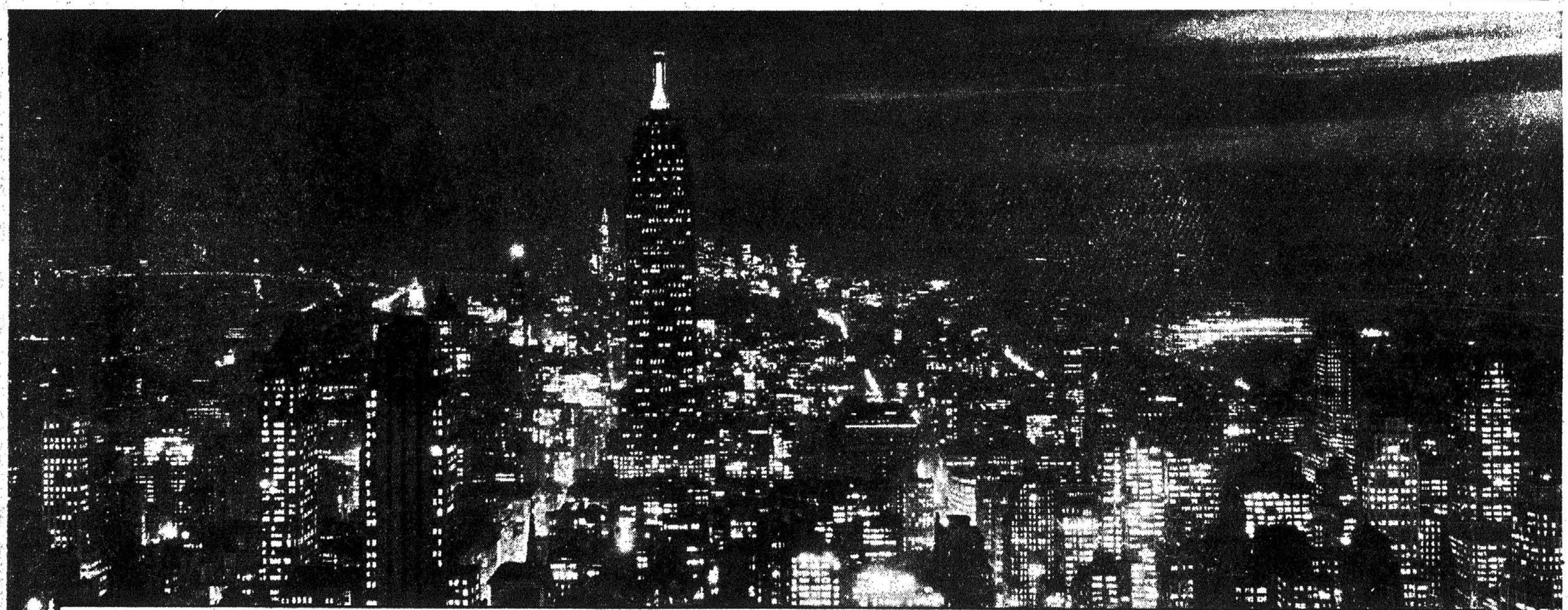
Minnesota Mng. & Mfg. Common Offered

Goldman, Sachs & Co. and Piper, Jaffray & Hopwood headed an offering April 2 of 72,000 shares of common stock of Minnesota Mining & Manufacturing Co. at $44 3/16 per share. The shares offered are presently outstanding and are being sold by certain stockholders for the meeting of inheritance and state taxes and related purposes. Incorporated in Delaware in 1929 to continue a business started in 1902, the company has been a manufacturer of coated abrasives for the past 40 years. However, products have been so diversified in recent years that in spite of increased sales of abrasives, they accounted last year for only about 20% of consolidated net sales, compared with 94% in 1925.

For 1945 the consolidated net sales of the company are reported at $63,548,377 and the consolidated net profit at $3,649,342. The company's capitalization consists solely of common stock.

Vincent Howard Joins Hayden, Stone & Co.

Hayden, Stone & Co., 25 Broad Street, New York City, members of the New York Stock Exchange, announces that Vincent W. Howard has become associated with the firm in its industrial financing department. During the war Mr. Howard was Chief Consultant in the renegotiation of Government contracts for the Transportation Corps of the War Department in Washington. The Transportation Corps in general handled the renegotiation of companies producing locomotives, a wide variety of machinery, steel castings, ships, railroad rolling stock and supplies.



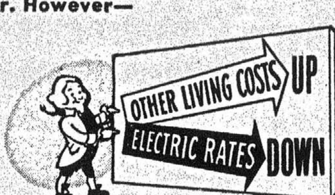
We're staking $120,000,000 MORE on New York City's future!

OUR NEW 5-year plan calls for the expenditure of $120,000,000 in new plant facilities, extensions and improvements in the distribution system, and other additions which will further assure a continued and dependable supply of energy to the Company's electric, gas, and steam customers.

This investment represents our firm faith that New York City tomorrow will attract *more* people, do *more* business, offer *more* jobs and opportunities than ever before . . . it exemplifies our constant endeavor to provide the best utility service at the lowest possible cost.

Some of the things we did last year also affect you*

Nearly two-thirds of 1945 was still a war year. However—



WE CUT ELECTRIC RATES AGAIN, making the fourth major reduction since 1930. The total amount of the latest reduction was $6,300,000, of which $2,552,000 was for residential users, who will save about $29,000,000 (30%) a year over what they would otherwise be paying at the rates in effect before 1931. Despite the rise in other living costs, the price of electricity on Consolidated Edison lines is now *lower than ever*.

WE PAID NEW YORK'S BIGGEST TAX BILL— $29,385,721 out of our total taxes of $70,485,000. The amount we paid the City in 1945 was enough to run the entire Police Department for nearly half a year.

WE PROVIDED JOBS FOR VETERANS and war workers who were on military or wartime leave from the Company. Our special Veterans' Bureau was organized to help returning employees readjust themselves to civilian life.

WE MERGED our electric companies in Brooklyn and Queens with the parent Company for greater efficiency; and we arranged added facilities for your convenience in transacting business with us.

WE STIMULATED INTEREST IN NEW YORK as an industrial center through advertising, through special surveys, and through the publication of a city market survey.

WE PUBLISHED "Serving New York"—describing the operation and organization of the Consolidated Edison System. One New York newspaper called it "the most comprehensive and colorful booklet of information about a public utility ever issued." You can obtain *your* copy of "Serving New York" by writing to this Company, 4 Irving Place, N. Y. 3, N. Y.

WHERE YOUR SERVICE DOLLAR WENT IN 1945

(not including City Sales Tax)

WE RECEIVED from sales of electricity, gas, steam, etc., $298,503,000

WE USED: **24.0% for payrolls** = $71,646,000

23.6% for taxes = $70,485,000 (including tax adjustment)

24.7% for coal, oil and other materials = $73,719,000

11.6% for depreciation = $34,509,000

5.8% for interest on borrowed money = $17,194,000

9.8% for dividends = Common Stock $18,362,000—Preferred Stock $10,945,000 (less than 4% on the money invested)

0.5% for surplus (mostly applied to new construction and other assets) = $1,643,000

**A copy of our Annual Report for the year 1945, giving details of the year's financial results and operations, will be sent upon request.*

CONSOLIDATED EDISON

COMPANY OF NEW YORK, INC.

This is a reproduction in smaller size of an advertisement in New York City newspapers the week of April 1.

A Sound Labor Policy

(Continued from page 1783)

when a country must face the pay-off. The wrong settlements then cause firms to shut down, or shrink their operations. Millions are thrown out of work and, unless everyone is willing to accept drastic adjustments in wages, costs and prices, they will stay out of work for months and even years, as they did throughout the decade, 1930-'40. Clearly, settlements that lead to such results will produce, not peace, but unrest and disturbance.

Source of Our Labor Troubles

If these are the appropriate goals of labor policy, how are we to go about the task of reaching them? The labor policy of this country today rests upon statutes, the decisions of administrative boards, rulings of the courts, and the attitudes of local and central government. It is in the operations of this intricate and interrelated machinery of policy-making that the conditions of labor peace must be sought. After 10 years of continuous and detailed experience with the evolution of our national labor policy, it has become increasingly clear that the policy itself and the way it is enforced are the source of a large part of our labor troubles. The road to greater peace and more workable settlements is to be found in reforming the law and its administration and in shaping the conduct of government in labor relations.

The first and most pressing of these reforms should be directed toward achieving fair and unbiased administration of the National Labor Relations (Wagner) Act. The board which has administered this statute since 1935 has played havoc with our traditional view of what is meant by government by law. It has acted simultaneously as investigator, prosecutor, and judge. It has interpreted its job to be the promotion of union interest, regardless of circumstances or merit. The record is crowded with examples of the misuse of authority by a powerful government agency.

The most striking illustration of such behavior is the way the board has handled the foreman question. This question is at the center of the entire issue of the right of management to manage. In the last decade great inroads have been made on the right to manage through the law, organized labor, and collective bargaining. The common run of employers, concerned with the survival and prosperity of their business look with fear on the continuance and strengthening of this trend. What happens to the position of foreman will largely determine whether the rights of management are further strengthened or weakened.

The Foreman Question

Throughout most of its existence, the National Labor Relations Board consistently regarded a foreman as a bona fide agent of management. The board considered him the spokesman of the employer. If found unions which admitted foremen into membership to be company-dominated and illegal and, hence, ordered them disbanded. Again and again, in a long line of decisions, the board spoke of foremen in these terms: "As we have frequently stated . . . the supervisor acts as an agent for the employer and his acts are necessarily those of the employer . . ." or "With respect to his subordinates, a foreman constitutes the voice of the employer," or "Foremen are company representatives . . . their acts may well have a greater effect on employes than posted generalities by high executives."

This is what the board thought about foremen until only a couple of years ago. Then a new union—the Foreman's Association of America—appeared on the scene. Before long the board began to take back everything it had been saying. It began to question the functions of foremen, to doubt that they really spoke for the employer. It professed to discover radical changes in the historic duties and responsibilities of foremen. It even invented a new name for them and called them "traffic cops," as if that settled the whole business.

The upshot of this maneuvering, vacillation, torturing of definitions was that the board ceased to differentiate between foremen and rank and file employes. In conclusions contained in a decision announced a few weeks ago, it took the final step by sanctioning the unionization of foremen in each and every respect. Again the board yielded to the pressure of organized labor. By this action it opened up a vast new era of labor conflict, between employers and unions and between competing unions. By this action, the board once more showed its indifference to the problems and rights of industry, and, consequently, to the welfare of labor.

This development in the administration of the Wagner Act is not unique. It can be duplicated throughout the history of the act's existence. Unless steps are taken to remove carelessness and bias from the operation of this fundamental statute, it will prove futile to expect more peaceful labor relations than we have so far had.

Ambiguities and Inequities in Law Enforcement

An equally fertile source of labor trouble is to be found in the ambiguities and inequities in law and law enforcement, as they affect the rights, duties and responsibilities of labor unions. In the present state of the law and decisions of the courts, we are operating in this country today under two separate and contradictory legal systems—one of which applies to unions and the other to everybody else. What is a crime or violation of the law for ordinary citizens is not a crime or violation of the law for unions and their officers. We have, thus, deliberately or inadvertently, rendered a large area of human conduct immune to all legal restraint for the reason only that this conduct happens to be the conduct of organized labor.

Let me cite a few examples of this astonishing trend in our law. The first and most recent example is the decision of the U. S. Supreme Court in the anti-kick-back case. In this case the evidence is unchallenged that union officers extorted moneys from employes and kept it for their own use. The law forbids such practices. Yet the court finds itself helpless to act in this situation, because what was done was done under a closed-shop contract and because the law and the courts have no jurisdiction over union rules or their violation. Apparently, under existing law, workmen can safely be victimized by unions provided that the victimization is carried on in the normal union way.

An earlier decision by the court finds unions free from liability under the law if they engage in what the court concedes to be a form of racketeering. This is another way of extorting money by physical force or threat. The money in this case goes into the union treasury. There is an anti-racketeering, just as there is an anti-kick-back, statute. But it does not apply to unions, though what they did would seem to most people a pure and simple crime.

Union Monopolistic Practices

Confusion and inequities of even a more fundamental character have to do with the large question of monopolistic practices. American public policy has always been an anti-monopoly policy and in the last 10 years the Department of Justice has vigorously and extensively prosecuted what it deemed to be monopoly in industry. Here again the labor union operates in a land of no law and no restraint. Barring products and fixing prices in New York City, if done by a union in collusion with employers is against the law. But if a union does precisely the same thing by itself and produces identical consequences, there is no violation of the law and citizens of the United States are asked to accept a course of conduct which is plainly against the public interest.

Ever since the passage of the Wagner Act in 1935, as experience accumulated and abuses became clear, every effort to amend or clarify the law has been shouted down as anti-union and destructive of the purposes of organized labor. Any fair appraisal of these examples I have put before you should show what abuses now exist under our labor law and how their perpetuation harms the genuine interest of labor, as well as of the entire population. Abuses feed upon themselves and, until they are remedied, there would seem to be little hope for the growth of constructive labor relations.

Government's Part in Union Policy

I pass, finally, to another, but related, subject—the general attitude of government toward unions, industry, and labor relations. It is unnecessary to stress how dominant a part government has come to play in making and applying the national labor policy. During the war it assumed more authority than ever. Now that the war is over it is most reluctant to relinquish the powers it has acquired. Government officials and agencies continue to fix wages and bring their influence to bear on the settlement of the most detailed items of the collective labor contract. While everybody talks approvingly of free collective bargaining, encouraging such bargaining seems to be the very last thing on the Government's agenda.

On the contrary, the Government does everything possible to make free collective bargaining unworkable and unprofitable. It holds out promises of concessions, which on their face seem so much better than can be got by direct negotiations, that a voluntary meeting of minds becomes impossible. Hence men refuse to settle and go out on strike. To promote what appears to be a momentary political interest, official agencies issue unofficial statistics and alleged facts which mislead onlooker and participant and precipitate the conflict of labor and industry.

In the law and in the enforcement of law, as well as in the daily practices of government, the most signal contribution to labor peace and sound policy can be made only by encouraging the parties to labor relations to assume their full respective responsibilities and to settle their own differences. The task of creating the soil in which such responsibility flourishes is preeminently the task of government. But it is a task which no government can effectively perform unless its agents are scrupulously fair and open-minded and unless it is more deeply concerned over the common interest than with its powers and passing political expedients.

David Rockefeller Now With Chase Nat'l Bank

David Rockefeller, youngest son of John D. Rockefeller, Jr., has been appointed an Assistant Manager in the Foreign Department of the Chase National Bank and joined the staff at the head office of the bank, 18 Pine Street, New York City.

Mr. Rockefeller served in the Army for three and a half years and was on overseas duty in North Africa and France for two years of that time. He enlisted as a private in May, 1942 and was a Captain when he was demobilized in December, 1945. While in the service he was awarded the Legion of Merit and the Commendation Ribbon of the United States Army, and the French Legion of Honor.

Before joining the Army, Mr. Rockefeller had been Secretary to Mayor LaGuardia at the City Hall during 1940 and 1941. He then served as Assistant Regional Director of the United States Office of Defense, Health and Welfare Service, from October, 1941 until May, 1942.

A graduate of Harvard College in the class of 1936, Mr. Rockefeller remained at Harvard for a year of post-graduate study in economics, followed by further study at the London School of Economics and at the University of Chicago, where he received his Ph.D. degree in 1940.

Fridley & Hess Formed In Houston, Texas

HOUSTON, TEXAS. — Announcement is made of the formation of Fridley & Hess with offices in the First National Bank Building, to conduct an investment banking business specializing in municipal and corporate stocks and bonds. Partners are Earl G. Fridley, formerly proprietor of Earl G. Fridley Co., which has been dissolved and Wilbur E. Hess. Mr. Hess who has been released from active duty as Lieutenant, J. G., in the U. S. Naval Reserve, in the past was a partner in Chas. B. White & Co.

Bank and Insurance Stocks

By E. A. VAN DEUSEN

This Week — Bank Stocks

Two weeks ago this column presented a record of the growth of deposits and earning assets of 15 leading New York City banks, from the time of the "bank holiday," through the prewar years of the New Deal, thence through the war years to the close of 1945.

It is proposed this week to present the trend of earnings, starting with the year 1938. So far as possible, security profits and recoveries have not been included, thus, the figures used represent, approximately, net operating earnings only. Unfortunately, bank earnings have not been reported uniformly or consistently by the banks, though during the past five or six years there has been some improvement in the situation.

The first tabulation shows the aggregate net earnings of the 15 banks each year, in relation to their aggregate earning assets. The latter figure in any year is the mean between two year-end figures.

TABLE I
Aggregates for 15 Banks

Year	Earning Assets ($000)	Net Earnings ($000)	Net Return on Earning Assets %
1938	8,377,065	82,474	0.98
1939	8,792,520	83,328	0,95
1940	9,998,970	86,154	0.86
1941	11,736,960	90,741	0.77
1942	14,768,710	96,020	0.65
1943	17,786,235	110,954	0.62
1944	20,560,575	123,675	0.60
1945	23,406,230	127,686	0.55

Between 1938 and 1945, mean aggregate annual earning assets increased 179.4%, aggregate net operating earnings increased 54.8%, while the rate of net return declined 44%. This declining rate of return has mainly been attributable to the changing character of the banks' assets, which have become preponderately Government securities, including a large proportion of short term low interest notes. Higher costs, taxes, etc., have also contributed.

The next tabulation shows the same aggregate net earnings in relation to aggregate book value, i.e., capital, surplus and undivided profits. As in the case of earning assets the mean aggregate book-value for each year has been used. Adjustments have been made for the preferred stock of Manufacturers Trust Company.

TABLE II
Aggregates of 15 Banks

Year	Book Value ($000)	Net Earnings ($000)	Net Return on Book Value %
1938	1,423,207	82,474	5.79
1939	1,430,364	83,328	5.83
1940	1,447,439	86,154	5.95
1941	1,478,433	90,741	6.14
1942	1,511,230	96,020	6.35
1943	1,578,650	110,954	7.03
1944	1,675,191	123,675	7.38
1945	1,785,604	127,686	7.15

Aggregate book value has increased 25.5% over the period, net earnings 54.8% as already noted, while the rate of net return on book value has increased 23.5%. However, in 1945 the rate declined to 7.15% from 7.38% in 1944. In other words, during 1945 book value (capitalization) expanded at a faster rate than did net earnings.

What conclusion can be drawn from these two sets of figures? For one thing, the importance of leverage is clearly illustrated. In 1938 the leverage factor of earning assets to book value was 5.9 and the net return on book value was 5.79%. In 1945 the leverage factor was 13.1, and the net return on book value was 7.15%. In 1944, however, the net return was 7.38% with a lower leverage factor, viz. 12.2. Thus, it is plain that, although the earning rate on book value increases generally with leverage, other factors also exert an influence. Moreover, if one bank be compared with another, it will be found that the earning rate will vary considerably. For example, in 1944, the peak year of earning rate on book value for the period, Irving Trust earned 5.4% on book value and 0.57% on earning assets, while Public National earned 9.0% on book value and also 0.57% on earning assets. The significant point in this comparison lies in the fact that Irving's leverage factor was only 9.6 while Public's was 17.5. Comparative leverage, then, is an important factor to watch, as well as the make-up of each bank's portfolio of earning assets.

It seems likely, over the next few years, that the banks' earning assets may continue to expand, particularly in the category of commercial loans. Doubtless, too, book value will continue to rise, as undistributed earnings are credited to surplus and undivided profits. The leverage factor may also advance, though perhaps moderately. To the extent that these items outweigh increased operating costs, including payrolls, the banks may be expected to maintain an upward trend in net operating earnings, though perhaps not so sharp a trend as was evidenced between 1939 and 1944.

Plea for Continued Price Control

(Continued from page 1783)

It was easier to harness our energies towards the achievement of a common objective.

It is really not surprising that the last seven months have been filled with problems. Certainly we could not expect our economy, which for four years was literally turned upside down by war, to snap back into place overnight. Certainly it is not surprising that we should be somewhat irritable, somewhat uneasy, a little frightened perhaps at all the complexities with which we have been surrounded.

It is not surprising that we have found ourselves indulging in controversies between groups, with disagreements between labor and management and farmers. Nor is it surprising that we have overindulged somewhat our natural tendency to take a healthy swing at the government when solutions to our problems seemed particularly difficult.

Calls for Tolerance and Understanding

If we look at things reasonably and objectively, I believe that there is nothing in the last six or eight months that should really surprise us or cause us any undue concern about the future—provided we use good judgment, ordinary tolerance and understanding, and a little courage from here on.

Let's add up briefly where we stand today. Our record during the war years went far beyond our greatest expectations. I am talking about our record in production, our record on the battle front, and our record in the fight against inflation.

You are familiar with the figures, but they will still bear some repeating. During the first World War and through what we then considered an all-out effort, we managed to increase industrial production only 25%, while wholesale prices by November, 1918, shot higher and higher to a level 102% above pre-war figures.

In this second World War, through our all-out effort, we increased production from four to five times as much as in the first World War, while we held industrial prices to an increase of only 25% with an increase of only 31% in the cost of living for lower and medium income families. This record is even more remarkable when we consider that both industrial prices and the cost of living index rose only about 3% from the hold-the-line order of May, 1943, to V-J Day, and that it was during this same period that our greatest period of production was achieved.

Our record in both production and inflation controls during World War I was far below our record of the past four years. Our record following World War I in reconverting to peacetime production was little short of disgraceful.

The Bungling After World War I

I wish every businessman, every labor and farm leader, every member of Congress, would take the time to read carefully the record of the period immediately following World War I. It was bungling, fumbling, miserable period and we will be foolish indeed if we do not benefit by the experience which it offers.

The prophesies of some of our wisest leaders immediately following the Armistice in 1918 were that the inflationary problem was behind us . . . the succession of events that followed was disastrous indeed. The rapid stripping off of the controls which existed at that time. A temporary drop in prices which served further to drop our guard. Then the upward surge of prices starting in March 1919. The effort—all too late and all too feeble—to reorganize the government's forces to hold inflation in check. The re-establishment of price control committees. The attempt to recruit staff which had returned home convinced that their responsibilities were ended. The wild scramble for inventories at all levels of production and distribution. The upncertainties about business costs and industrial prices materially throttling production.

Rents moving up 30-50-100%. Apparel prices doubling and tripling. Sugar moving from 5 to 28 cents a pound. Eggs selling for over a dollar a dozen. Factory wages moving higher and higher in a frantic attempt to keep up with the rising cost of living. Consumer protest parades against the high cost of living from one end of the country to another. Industrialists plagued with uncertainties on costs. The hoarding of scarce commodities by consumer and businessmen alike.

And then the final inevitable collapse in May, 1920. Inventories dumped on the market for whatever price they would bring. Sales volume hitting the skids. Farm income dropping 66%. Factory payrolls dropping 44% with nearly one-third of our factory workers unemployed. Eleven billion dollars in inventory losses. Corporation profits reduced from over 6 billion dollars to a net loss of 500 million.

It is a dismal tragic story; a story that makes miserable reading. But I urge you to study it all the same. And I only hope every other leader in our country will do likewise. In it you will find all the lessons on how *not* to reconvert from war to peace. In it are all the danger signals that should warn against a repetition of the disastrous errors of 25 years ago.

Today we are irritable and war weary and anxious to put all the vestiges of wartime controls behind us. It is easy for some of us to rationalize that in some way the economic tragedy which occurred in 1919 and 1920 would not be repeated in 1946. Of course, conditions are not the same today. Our production power is far greater. But so are the inflationary forces that confront us. They are seven to ten times greater than those that blew up our economy in 1919 and 1920.

Accomplishments Since V-J Day

We have come a long way together during the last four or five years. Whether we realize it or not, we have come a long way since V-J Day. We have settled the major part of our labor-management disputes. We have adjusted our inflation control policies to the changing conditions of the reconversion period. We have boosted civilian production until today it stands at the highest point in our peacetime history—45% above the average of the pre-war years 1935 through 1939—with employment at the highest peacetime levels of all time.

We have accomplished more than we think, but there is still more left to do than many of us are prepared to admit. What are the problems immediately ahead? What program should we follow? How long will it be before all controls can be behind us? What is the pattern of the period immediately ahead?

Let me give you my own views. You may disagree with them in whole or in part. I can only assure you that they are carefully considered. They are based on an intensive study of the problems we have already dealt with, the mistakes and successes we have made, the forces with which we are confronted, the practical administrative requirements of inflation control, and on what seems to me the lasting economic interest of all the groups which make up our economy.

Our first objective in this program to avoid inflation and to assure us all an opportunity of lasting prosperity is, in my opinion, the renewal of the Price Control Act. Today most of our labor-management disputes are behind us. Basic price adjustments have been made in many industries. Hundreds of thousands of veterans are trooping back to their jobs. The major remaining hurdle is uncertainty about the future of price and rent control legislation.

Favors OPA Act Without Amendments

I am hopeful that Congress will pass this Act within the next four or five weeks and without weakening amendments. Above everything else, it seems to me, the country needs to know where it stands . . . and it needs to know quickly. Businessmen need to know that prices and costs will remain generally stable.

I am confident that the Congress will carry its share of responsibility to provide us with the necessary legislation. And I believe my confidence is based on solid ground. For the past four years Congress has beaten off literally hundreds of efforts to eliminate or to cripple the price and rent control legislation. In one year alone 150 weakening amendments were offered. The fact that Congress has had the courage and the collective good judgment to maintain this legislation intact in the face of unbelievable pressures is a good omen for the months to come. It is also a tribute to the health and effectiveness of our democratic legislative system.

We need a Price Control Act free of weakening amendments. We need the subsidy payments necessary to hold down the prices of food and the prices of building materials. We need a further extension of the War Powers Act to allow us to allocate scarce materials to those sections of the economy where they are most needed to break bottlenecks.

When this necessary legislation is passed, I believe the last major stumbling block will be behind us. I believe that the country will settle down with renewed vigor to its job of all-out production. I believe the speculators will realize at last that they have been cheated of their opportunity for inflationary killings.

I believe that the flow of goods which is stepping up day by day and week by week to record levels will flood from our factories in even faster tempo. Within two to six months I believe the country will tend to stabilize and to settle down. While we will hold firmly in check the prices of all products which affect in any degree the cost of living of the average family or the cost of doing business, we will find ourselves able to suspend controls on more and more items. While our controls must remain firm where firmness is reasonable and proper to protect the consumer, price adjustments must be granted wherever they are really necessary to increase the flow of production.

Selected Price Adjustments

This program of selected price adjustments to increase production has been followed consistently in the past several months, with excellent results in the field of building materials and with increasingly good results on apparel.

During the next year, if all goes well, controls would be gradually relaxed and eliminated on most items. By June 30th, 1947, the great bulk of our task will have been completed. It would be my hope that by that time only rent controls and some last remnants of price control in a few isolated fields would remain as reminders of our difficult and stubborn fight against inflation.

But let me make it clear that my optimism is based on several vital assumptions. The first of these, let me repeat, is the passage in the very near future of the Price Control Act with the necessary subsidies to hold down the price of food. Every week the passage of this Act is delayed beyond May 1st will add immeasurably to the inflationary danger.

Predicts Wage Stabilization

The second assumption is that wages will be stabilized on the basis of the general patterns which have been developed since V-J Day. During my many talks with labor leaders, I have been reassured anew of their awareness of the responsibility which they carry and by their determination to play their part in helping to maintain stable costs in this critical period.

The third assumption is that the Russell Amendment to the Minimum Wage Bill is eventually cast aside. This amendment would cost American housewives 4½ billion dollars in higher food prices. It would sharply increase the cost of living. It would make our tasks of stabilizing the economy flatly impossible.

Fourth, I am assuming that Congress will extend the War Powers Act which is designed to support price controls by getting scarce materials into the channels where they are most needed.

Fifth, I am assuming that the Office of Price Administration, the Civilian Production Administration, the Wage Stabilization Board will be given adequate appropriations to handle their essential work.

Sixth, I am assuming that business will continue to cooperate with the stabilization agencies in living up to the regulations and assisting in every way to make them work effectively.

I wish I could promise you that the program which I have outlined could be administered without mistakes or errors or irritations. Let me emphasize, that I am only too well aware of the difficulties and problems which price regulations sometimes create for businessmen. I can well understand how many sincere people can rationalize their belief that somehow if price controls were removed, we could muddle through without disaster.

Hits Opponents of Price Controls

The National Manufacturers Association has proposed that we do just that. And they have proposed it from the housetops as well as in all the public prints and over all of the networks. The National Retail Dry Goods Association has been somewhat less direct. But they have advanced what amounts to the same proposal. Let there be no misunderstanding about that.

In officially advocating the abandonment of the cost absorbtion program, the NRDGA has in effect advocated the end of all effective controls over both prices and rents.

The amendment, which they proposed on March 13th, would increase clothing prices alone by $280 million at retail. It would increase food prices by more than 8 hundred million dollars at retail. The effect on manufacturers' prices generally would run into several billion dollars, which, with appropriate margins added, would be passed on to Mr. and Mrs. Average Citizen. If Congress ever decides to pass such an amendment, they would save time by openly wiping out price control and rent control and being done with it.

In my opinion, these recommendations to either wipe out price and rent control directly as proposed by the National Manufacturers Association, or wipe it out discreetly as proposed by the National Retail Dry Goods Association, are reckless in the extreme. Today I believe that the greatest single danger to the future health and prosperity of our free enterprise system comes from those who advocate such measures. I am confident that if they were as immersed in the problem as we are, and as aware of the pressures and problems which confront us, they would abandon their recommendations with dispatch.

In my opinion, the odds that they are wrong in their estimates and beliefs, run something like 100 to one. But for the sake of argument, let's assume that there is a 50-50 chance that they are right and that price and rent controls could be removed or weakened with only insignificant increases in price levels.

Under such circumstances if the inflation program which I propose is followed, we would be guilty of subjecting the American business to unnecessary controls for another year or so. We would be continuing unnecessarily some irritations and some occasional hardships.

But suppose the NAM and the NRDGA are wrong, and that we are right. Then to follow their advice could well bring us to economic disaster. Even if the odds were 50-50, we as a nation would be crazy to take a gamble like that.

Does any reasonable man who has the best interests of our economy at stake really believe that the American people would again go through the economic wringer as they did in 1929 and 1932? Does any reasonable man believe that our economic system would again survive the shock of two such experiences in a single generation?

Can Capitalism Survive

Twenty years ago we sometimes asked the question, "Can socialism survive in a single nation in the midst of a capitalistic world?" Today the question might very well properly be asked, "Can capitalism survive in a major nation in the midst of a rapidly expanding socialistic world?" In my opinion the answer is emphatically "yes"—unless capitalism is pushed into suicide by some of those among us who seek to disregard all the teachings of history.

We who have fought so hard to preserve our free enterprise economy against the danger of inflation have been accused of every conceivable crime including a plot to socialize the country and to set ourselves up permanently as an American Commissariat. I believe that the future will demonstrate that it is those who would gamble rceklessly with inflation who are today the menace to the future health and prosperity of our free enterprise system.

I for one have a deep and abiding confidence that our free enterprise system can continue to produce the highest standard of living, the most widespread economic security, and the greatest freedom for the individual of any system on earth.

I believe that in the future we can produce business opportunities and a standard of living that goes far beyond anything we have ever dreamt of in the past. I believe that in the next ten to twenty years, we can prove to the entire world that our road is the right road, not only to economic security and unlimited prosperity, but to all the human satisfactions that go with individual freedom and democracy.

But I am as equally convinced that this future under free enterprise can never be won if we indulge ourselves through ignorance or through the pursuit of narrow self interest in another inflationary boom and collapse of major proportions. And I believe that that is the course of events which would most certainly develop if we followed the advice which some groups have offered us. The fact that this advice with few exceptions is offered in all sincerity and even in all innocence does not alter the facts. The little boy who didn't know his big brother's shotgun was loaded did a lot of damage in the nursery nonetheless.

Let me repeat that the task that lies ahead is not an easy one even under the best of conditions. It will require good legislation from Congress. It will require the full cooperation of labor, management, businessmen, and farmers. It will require good sense, good judgment, and courage on the part of the governmental agencies which carry this huge responsibility.

I hope that you will agree with the program that I have offered. I hope that you will back it to the limit and give it your full support. But even though you fail to agree with me in greater or lesser degree, I hope that you will accept wholeheartedly my assurance that with good luck and provided we follow the program which I have outlined, we should be free of all

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Plea for Continued Price Control: Bowles

(Continued from page 1801)

controls except those over rents and a few individual scarce commodities by fifteen months from today.

At that point, as I see it, we should be ready to return to a fully free and competitive economy even though there may be some small risks remaining. It is possible then that some prices will move higher. That does not particularly concern me.

Price Level Not Sacred

There is nothing sacred about the present price level. Perhaps it should be a little higher. Perhaps it should be a little lower. I would not fight so hard to maintain it as it stands today if I did not believe that to depart from it at this critical moment would start us on a cycle of increasing prices, then increasing wages, then increasing prices and so on in an upward spiral which would soon cause disaster. Once production is going full blast and the danger of the spiral is behind us, we can afford to take more chances.

Again let me thank your organization for the help and support that you have given us and for the constructive point of view which you have brought to our conferences.

I have disagreed vigorously with many pressure groups and lobbyists. I feel that in many cases their efforts have been irresponsible, reckless and destructive. But during my nearly three years of service here in Washington, I have looked to such groups as yours, to the Grocery Manufacturers' Association of America, Inc., The National Association of Chain Drug Stores, the shoe and food retailers and to other business organizations for enlightened and constructive opinions and help.

In all earnestness I appeal now for your continued help and support. There is no group in America who has so much to gain from the stabilization of our economy during the years to come; or so much to lose through inflation. I am confident that the great majority in your organization will be willing to put up with us a little longer in the interest of a future of unlimited prosperity, security, and freedom for all of us.

Reappraisal of Easy Money Policy

(Continued from page 1782)

money would normally be spent. But who can assign the correct quantitative weights to each of the influences which produced the actuality? Who can even say to what extent the estimates of individual savings are representative of the actuality?

It will be noted that the reasons are not necessarily consistent with each other, even in theory. Again to cite but a single example: If low interest rates reduce savings, and increase borrowings and prices, is it not possible that rising prices will make it necessary for one to borrow so much more to pay for his house or farm that the actual burden of the interest and increased principal which he must amortize will be greater as a result of low money rates?

The reasons omit any reference whatever to many important collateral matters. Again to cite but a single example: low money rates lead to refunding operations whereby owners of obligations with a fixed return find that their investments are redeemed, and issues bearing lower rates are substituted. What one gains by this process, another loses. The income of financial institutions per dollar of their investments is reduced. The level of capital values may tend to rise. Maturities are lengthened. Financial institutions are thus weakened by (1) a level of interest return which does not reflect the risk, (2) the ownership of debts at the highest prices on record against capital values which may be or become inflated, and (3) a lengthening of the maturities of the investments held, the longer maturities being subject to the possibility of a relatively greater shrinkage in market values than shorter maturities. While money rates are low and business is active, this general weakening attracts no attention. Under different conditions, it might.

It will be observed that the realistic validity of the reasons for easy money depends entirely upon hypotheses as to a whole chain or net work of complex economic interrelations, most of which are variables incapable of isolation, visualization, accurate quantitative measurement or forecast, and incapable of accurate forecast as to timing. In a word these reasons are realistically valid only under certain conditions, and at certain times, and then only when due regard is given to degree. What is advocated for times of depression is not necessarily appropriate to times of activity, when the problem is one of checking undue price rises. What is advanced as a special war measure is not necessarily appropriate to peace. The reasons for easy money are now out of date.

Forecasting Effects of Interest Rates

No one can forecast the degree or timing of the effects of the maintenance of a particular level of interest rates, or of any given change in the level of interest rates upon the price of wheat, or any price index, or upon the degree of activity in any business, or any index of business activity, or upon the rate of savings or capital values. The effects of the maintenance of any particular level of interest rates, or of any given change therein, are different under different conditions, and at different times, and upon different economic factors. These effects are in short so variable and diverse that no board, however, expert, can tell what level of interest rates, or change therein, is for the best interests of the country, except in special circumstances, and then only in a very approximate and general way. The whole subject of interest rates has been greatly and inaccurately over-simplified in some cases, and rendered unnecessarily complicated in others. In view of the absence of specific knowledge and the power to appraise accurately all the effects of money policy upon economic interrelationships, and the impossibility of attaining one objective through money rates without producing by-effects which are not desired, it is clear that the money system should be so set up as to permit interest rates and all other economic interrelationships to adjust themselves as nearly naturally as possible.

Questions Regarding Policy

In connection with present policies, one is led to ask the following questions:

What will happen in the next counter attack of depression, if during the present period of activity—

(a) We have shot away all the ammunition of easy money? Will we lower money rates to zero?

Will banks and others lend money, if the return is zero or virtually zero?

If we do not lower money rates further, what will we substitute for the stimulation which comes from a reduction in interest rates? Will we embark upon the issuance of irredeemable paper currency?

If so, in what basic respect will this action differ from the errors of ancient France and modern Germany?

(b) We have shot away the ammunition of large public works programs, adding to the labor shortages and pressure for materials in this boom era?

Can we still sell more government bonds at new low rates to finance still greater public works programs, or will we simply pump out currency?

(c) We have shown that we do not have the strength of character to balance the budget?

If we do not have the strength of character required to balance the budget when conditions are active, can faith in the government's credit be maintained when things are bad?

(d) The combination of wage increases and OPA price ceilings restricts corporate profits in the active phase, and prevents the accumulation of reserves by corporations as a whole which will permit them to pay out $20,000,000,000 in excess of earnings as they did during part of the 1930's? (A proportionate amount in the next depression might be $40,000,000,000 or more.)

(e) Financial institutions should be weakened for reasons cited above, have become dependent to an extraordinary degree upon the value of their government bonds, but for reasons suggested as possible above, the credit of the government suffers, and its credit cannot be so conveniently used to bolster financial institutions as in the 1930s?

(f) A long list of enterprises has become dependent upon government subsidies of one sort or another used to keep prices down?

In the depression, will not the need of subsidies in all directions to keep business going be alleged?

How will these be financed?

(g) The tax level is already but slightly below the all time high, and every move of the government to combat depression, such as additional construction programs and subsidies, connotes future additional taxes?

What will happen if the penalties on industrial success, prospectively connoted by these measures, seem to preclude it altogether?

(h) We have extended through the Government, and otherwise, an unprecedented volume of foreign credits, which in the depression do not look very strong?

Will we be prepared to extend still further foreign credits at still lower rates in order to keep international trade flowing?

Distortion of the Money System

In recent years, we have been distorting the money system quantitatively and qualitatively, first as a remedy for depression, and second to pay part of the cost of war. In the earlier period the distortion occurred chiefly in the volume of reserves. In the later period it occurred also in deposits and currency. In connection with any large war effort, however, monetary distortion has rarely, if ever been avoided.

History is replete with examples of monetary distortion. Rare indeed are any prolonged periods without any appreciable monetary distortion. One such period occurred in England in the last decade of the 1890s and first decade of the 1900s, when the volume of deposits of the joint stock banks grew annually with an astounding approach to regularity, by amounts which appear to have closely approximated the long term rate of growth of British trade and industry. It was also a period of surprising approach to regularity in industrial growth and employment. Trade union employment figures did not show a maximum swing of more than 5.5% in either decade. It was not a period of stable money rates, nor were rates predominantly low, especially when judged by present standards. That dynamic regularity of industrial progress and full employment could have accompanied such monetary conditions appears to be entirely foreign to much present thinking. By accident or design, British policy of that era gave recognition to a far deeper and more inclusive principle—to the only sure basis or golden rule of monetary operations—namely, the avoidance of or the minimizing of quantitative and qualitative distortion within the money system—an ideal, which like other conceptions of perfection, is never likely to be fully attained in human affairs, particularly in time of war or in immediate post-war years—but, nevertheless, the yardstick by which the ultimate success of actual monetary policies always has been, and always will be measured by reason of the inexorable operation of forces inherent in the nature of the world.

Few indeed are the instances in which any political party has long survived the ultimate effects of any important departure from this principle. By the results of war time monetary and economic distortion, the Democrats were defeated after World War I. By the effects of distortion of the money systems of the world in the 1920s, (chiefly qualitative distortion in the United States) the Republican Party was all but obliterated. By gross distortion of the German money system and its collateral effects, German Democracy was wiped out, and Hitler rose to power. Monetary distortion facilitates the distortion of all economic interrelationships, and gives rise to industrial difficulties which few political parties have been able to survive in office.

Infractions of the basic monetary law are more numerous and dramatic than the cases, such as the British precedent cited above, in which the law has been strictly obeyed for a considerable period. There is a lure to "free silver," "easy money," and other get-rich-quick schemes of money management, which appeals to the public imagination and hence to political powers, and which leaves them both unemployed. The subject of interest rates is both infinitely complex, and essentially simple. We have already seen that no one can isolate and trace all the effects of different interest rates through all the complex details of the economic fabric, but that a simple basic policy followed by the British for 20 years produced very good results. It seems to be more fascinating to become lost in the obfuscations of half or quarter truths; to wander in the mazes of myth and the imponderables; and to try to beat the basic natural laws by the most complex and befuddled systems, exactly as some people like to try to beat the game at Monte Carlo; than to observe what is rather obvious but less exciting. And so it is in matters of monetary policy, that the simple and well substantiated general principle that monetary distortion maximizes and the avoidance of monetary distortion minimizes economic maladajustments is brushed aside in favor of complex schemes based on partial considerations, the final results of which are painful.

Effects of Price Regulations

During a war effort of great magnitude, expanded production for war purposes is likely to be financed only partially by taxation and by borrowed savings. An important part is more than likely to be financed by overexpansion of the volume of bank deposits and currency, created by or based upon government bonds. During the last war, interest rates were kept low in order to reduce the cost of governmental borrowing, and rationing, price and wage regulations were used to prevent the increase in the volume of deposits and currency from exerting their full effects. By comparing the course of prices during this war with their course in earlier wars, these measures appear to have enjoyed a substantial measure of success as war time measures. The continuation of of price regulations for particular commodities undergoing a very special and temporary post-war demand may be helpful in avoiding the creation of large credits against values temporarily and grossly inflated, and the losses which result therefrom. Price regulations are not, however, without their disadvantages. The slowness and uncertainty with which they are changed leave business in a constantly uncertain state. They put a high premium on dishonesty and black marketeering, so that many profits go to the least desirable elements in the community. They delay and spread out the effects of monetary over-expansion, but the extent to which they obviate or reduce basically inflationary influences is limited. Except as emergency measures for the war and immediate post-war period of special temporary demands, their general influence will be unsatisfactory. Successful as these new theories of war finance appear to have been so far, we will not be able to measure the degree of their success finally until they have become a thing of the past—until the upward spiral of monetary distortion has ceased, and until the monetary factors and other economic interrelationships have attained an excellent state of natural balance. This means, in effect, that the faster we are able to move away from these special war time measures, without undue immediate repercussions, the greater their ultimate success will have been.

Already we have a substantial distortion, both quantitative and qualitative, of the monetary system. It is possible to minimize further overexpansion in the future with good results, but it is not possible to undo overexpansion which already exists, without grave repercussions. From a practical operating point of view, the best results will be attained by a course of action designed to mitigate any further unusual growth in the volume of bank deposits and currency in circulation, and to permit other economic factors, such as the price level, to adjust themselves to monetary conditions.

What Change of Policy?

The main achievement which awaits us is a change of policy to one which seeks to avoid further monetary distortion for the sake of maintaining any preconceived level of money rates, or attaining any other limited objective at the expense of a general disarrangement of economic inter-relationships. Without predicting the course of future money rates, it is obvious that it is not safe to have so much of the government debt in short form, and a refunding operation is desirable to put a much larger part of it in long form. It is also necessary to establish some budgetary surplus and to effect some reduction of the debt, while business is active. It will then be possible and desirable to consider a change in money policy, and ways of implementing it.

The execution of a policy of avoiding, or at least minimizing future monetary distortion would be materially aided by changes in our monetary set-up, which would provide a basic reserve for the monetary system, consisting of gold, or in certain circumstances, of gold and paper, initially of sufficient size to carry about the then existing volume of bank deposits and currency, and so set up that it could thereafter consciously be caused to grow at an annual rate, which, in the opinion of the Federal Reserve authorities, seemed to represent about the average normal long term rate of growth of our industry and trade. Such a rate of growth would probably fall within the range of 2% to 3½%, compounded annually. Since the initial volume of the basic reserve, if set in accordance with the foregoing suggestion, would be rather large in order to ease the period of transition, and to provide a definitely large enough base for financing the special temporary demands of the immediate post-war era, the rate of growth set for the next few years might be somewhat less than the estimated average long term rate of growth of our industry and trade. It is obvious that the administration of this policy should not be purely arithmetic, statistical or mechanistic, and that latitude should be granted for appropriate changes and corrections. All the credit in the country is not extended by banks. Different deposits turn over at different rates. Habits as to use of deposits and currency can change. In determining the rate of growth of the basic reserve, latitude should be granted for consideration of such technical matters, without, however, destroying the fundamental conception of a basic reserve, which moves slowly and with some consistency in accordance with long term average needs, rather than in accord with short term variations from the average. No rate of growth would be prescribed by law, but the law would contain a statement of policy directing the Federal Reserve authorities to govern the growth of the basic reserve in accordance with average long term needs as indicated by the average long term rate of growth of the industry and business of the country, except in time of war. This basic reserve would be carried at the Federal Reserve Banks against member bank reserve balances and currency.

A Basic Reserve

In order that the size of the basic reserve could be so controlled, it would be necessary that gold withdrawals and deposits be credited and debited to a separate gold reserve at the Federal Reserve Banks. This is necessary to insulate the basic reserve from extraordinary international movements of gold under the unusual conditions likely to exist for many years. International influences would have to be controlled by special measures, if they appeared likely to overtax even the enlarged powers and added flexibility of this arrangement.

In order to meet actual departures of economic conditions from the long term line of trend (the minor distortions which are unavoidable, but may be minimized), no fixed ratio of member bank reserve accounts to the basic reserve would be prescribed by law, but it would be a stated policy for peace times, that whenever a tendency appeared for member bank reserve accounts to grow more rapidly than the basic reserve, money rates would become firmer in a degree which reflected the intensity and extent of the upward departure. In the reverse situation, money rates would be correspondingly lowered.

To make this system work at its best, still further refinements would be necessary or desirable, including the elimination of the pyramiding of reserves through interbank deposits, the establishment of new uniform and low reserve requirements (the reserves thus freed being used as an offset to the gold fund from which withdrawals and to which deposits would be made by the public), and universal membership of banks in the Federal Reserve System.

We would then have a system under which regularity in the growth of the basic reserve would tend to contribute to a similar regularity in the growth of member bank reserve accounts (but not without some flexibility) through the action of money rates, which in turn would tend to contribute to regularity in the growth of the volume of deposits and currency in circulation. Instead of distorting the reserve position and the money system in general to attain impossible objectives, such as a fixed level of interest rates indefinitely maintained, or a specific price level, or a specific degree of business activity, thus distorting all economic interrelationships, and producing recurrent troubles of great magnitude, the great imponderables, such as the proper level of interest rates, the proper price level, the proper level of capital values, the proper rate of savings, etc., would be given an opportunity to adjust themselves according to the natural law, an opportunity which they have never really had in all our history, either because of inflexibility of then existing banking systems or because of the lack of a set-up which made the status of the basic reserve controllable and orderly, or because policy was directed towards some unattainable partial objective, or because of war. By thus giving the natural laws a chance to work in an orderly manner, there is every reason to suppose that we could gradually bring about a condition of such close adjustment of economic interrelationships that continuous growth with only very minor and temporary readjustments would be within the bounds of reasonable possibility. As we have seen, such a condition actually was maintained in England for more than 20 years under monetary conditions reflecting the policy which we are suggesting, although not the precise mechanics for its

(Continued on page 1804)

Mutual Funds

A Stake in Capitalism

There is one aspect of mutual funds which seems to have been largely overlooked to date, but which could prove to be a major factor in support of our free enterprise system. It is a factor which deserves the attention of government and business as well as the sponsors of mutual funds.

As Eric Johnston said recently, "Every working man should have a stake in capitalism if we want capitalism to survive." And through the use of mutual funds every working man can be a "capitalist" on a thoroughly sound basis.

Through mutual funds it is possible for the individual with modest savings to acquire a carefully selected, professionally managed, diversified investment in American industry. He can put his modest savings to work through part ownership of our great corporations.

In fact, if he is a worker in one of our large companies, his mutual fund investment may give him a participation in the earnings of the very company for which he works. Four times a year he will receive dividends on his investment—and, once he gets a taste of the fruits of private ownership of industry, he will be a poor prospect for the advocates of state ownership.

The Modern Mutual Investment Fund

Under the title, "The Modern Mutual Investment Fund," **National Securities & Research Corp.** has prepared a new booklet which tells the story of mutual investment funds.

The special features inherent in mutual funds are set forth and explained and their application to the various National-sponsored funds are discussed in detail.

The following paragraph which appears in the Foreword of this booklet sums up briefly the service performed by such funds:

"The mutual investment fund is a practical and efficient method of combining the investable savings of thousands of investors to command the facilities available only to large aggregations of capital. Although many people are not familiar with the advantages of investment funds, shares of various types valued at over two billions of dollars are already in the hands of investors. These shares are held by individual investors, large and small, as well as by estates, trustees, insurance companies, corporations, schools, colleges, associations and religious and fraternal organizations."

A Thirty-Year Bull Market

Hugh W. Long & Co. has published a booklet for investment dealers entitled "A Thirty-Year Bull Market." As expressed by Mr. Hugh W. Long in a covering letter, "the story has startling implications to those who aid the public in managing investment funds."

Two theories of investment—timing the general market and industry selection—were studied on a "perfection" basis. For example, a hypothetical investment of $100 in the Dow-Jones Industrial Average was made, starting in 1915 and applying perfect timing of major bull market advances. The investment was worth $51,314.06 at the end of 1945. A second hypothetical investment of $100 was maintained continuously in the best performing industry group since 1915 and was worth $424,276,831 at the end of the period. The supporting statistics of these two investments are included in the booklet.

In conclusion, it is pointed out that although the study has no value as a practical estimate of attainable profits, its value is to stimulate reexamination of present methods of investment administration. "An investment dealer who is striving for better than average investment results for his clients cannot ignore the wide disparity between the potentialities of the two methods."

Surprise

In a current Investment Bulletin on **Affiliated Fund, Lord, Abbett** calls attention to the surprise behavior of the index of industrial production. Economists and statisticians have for a long time been practically unanimous in agreeing that once reconversion was accomplished, the happy combination of a strong demand for goods with an unprecedented ability to pay for them would bring to the country an extended period of prosperous times.

A chart of the Federal Reserve Board index of industrial activity from 1926 to date shows that previous periods of prosperous times such as 1929 and 1937 saw this index in the vicinity of 120.

Surprise, continues the bulletin, therefore has in many places greeted the behavior of this index, for reconversion has been proceeding apace and it has been marked by a succession of strikes in some of our major industries—yet the production index has dropped only to 150 and has apparently turned upward from there.

"Such a volume of production, which promises to grow now that most of the reconversion has been completed and many important strikes settled, provides a sound basis for confidence in the trend of security prices."

Hold the Line

Vance, Sanders' latest Brevits is devoted to a discussion of the tremendous growth of liquid assets held by individuals and businesses in the last six years. The problem, according to the analysis, is that if prices are allowed to rise in an inflationary spiral, a great deal of the latent purchasing power in the hands of the public may be destroyed with the ultimate result that our chances of a prolonged period of high business activity may be seriously impaired.

The bulletin concludes that, after weighing the arguments supporting both sides of the issue, the odds would appear to favor the retention of some kind of price controls. "The stakes are much too high, in our opinion, to take a chance on the possibility or even probability that full production would automatically follow the complete removal of price controls in time to stop a serious rise in prices."

$145 Billion to Spend

Commenting on a newly revised folder on **Merchandising Shares of Group Securities, Distributors Group** calls attention to the liquid savings of individuals now totaling $145 billion. This is equivalent to nearly $4,000 for every family in the United States and is almost double last year's total retail sales.

Never before in the history of this country has there been such a tremendous deferred demand for consumer goods—and never before has there been such a huge volume of buying power to make this demand felt as fast as the goods become available.

19 Times in Less Than Four Years

To the question raised from time to time about the cost or "load" contained in the offering price of an open-end investment company's stock, **Selected Investments Co.** offers an answer in its current Selections. The memo points out that the cost is justified by the diversification, elimination of burdensome detail, availability, high degree of marketability and numerous other important services performed. Moreover, in periods of rising markets, the cost can be made up quickly.

To support this latter point a table is used to demonstrate that in less than four years **Selected American Shares** made up the difference between bid and asked prices 19 times.

1946 Pocketax

Because of the splendid reception of the "1945 Pocketax" booklet by its dealers last year, **Wellington Fund** is making available a limited supply of the "1946 Pocketax."

Extra Pay Days

"Almost every month in the year," writes **Keystone Co.** in the latest Keynotes, "brings some additional demand on the family budget over and above normal expenses. . . . These 'bulges' in the monthly budget often prove a strain on the regular monthly income from salary, business or professional sources."

The bulletin suggests that investors would find it highly advantageous to set up a program so as to obtain a check each month in the year from their investment account. A planned investment program is used to demonstrate how this could be accomplished using the various Keystone funds.

Mutual Fund Literature

Calvin Bullock—Latest Bulletin entitled "What Management Means." . . . **National Securities & Research Corp.**—Descriptive folder on **First Mutual Trust Fund**; revised folder on **Industrial Stocks Series**; memo re special year-end distributions; current Investment Timing. . . . **Lord, Abbett**—Current **Abstracts**. . . . **Selected Investments Co.**—New Prospectus on **Selected American Shares** dated March 15, 1946; latest issue of "These Things Seemed Important." . . . **Keystone Co.**—New General Prospectus on all 10 **Keystone Custodian Funds** and supplemental Prospectuses on Series B-1, B-2, S-2 and S-3 all dated March 25, 1946. . . . **Distributors Group**—Revised folder on **Railroad Equipment Shares of Group Securities**; reprint of the March 25 Standard & Poor's Outlook entitled "How Long Will the Boom Last?"

Dividend

Manhattan Bond Fund, Inc.—An ordinary distribution of 9¢ per share and an extraordinary distribution of 5¢ per share, payable April 15, 1946, to stockholders of record April 5.

Reappraisal of Easy Money Policy

(Continued from page 1803)

execution. No such results were ever attained by contrary policies.

Although the management of the money system by the Federal Reserve authorities would not be without its discretionary phases, even in peace times, since movements of the basic reserve would reflect the degree of growth in the monetary factors which they considered to be permanent, and the departures of the course of member bank reserve balances from this rate of growth would reflect the variations which were regarded as temporary, the field in which discretion would be allowed would be narrowed by statements of policy. The general effect of the policy and the means of implementing it would be to provide a means by which the natural laws would, to the greatest possible extent, be permitted to express themselves in an orderly fashion in the determination of interest rates and other economic interrelationships.

Having thus established a policy based on a full consideration of all the effects of monetary influences, rather than on some of them, and having recognized the golden rule or essential basic principle at the root of central money operations, we would be in a much better situation to consider further refinements. We could, for example, consider what additional measures, if any, might be desirable from time to time to encourage a closer correspondence between the rate of growth of the volume of deposits and currency, and the rate of growth of the basic reserve through action supplementary to changes in interest rates. But as long as there is no basic reserve, the growth of which can be kept orderly, when gold movements are free, and the volume of member bank reserve accounts is controlled on the basis of temporary expediency to maintain low rates on government bonds, or to maintain in a boom era money policies which are appropriate to a severe depression, or to attain other predetermined objectives based on some partial idea of monetary influences, we are so far off base at the bottom of things, that the refinements of coordinating government building programs, and government surpluses and deficits, with a money policy designed to promote steady dynamic progress are beyond any hope of well ordered accomplishment.

Whoever undertook to establish and adminster the suggested policy would inherit the distortion of the money system and collateral economic distortion which already exists. He would also be faced with the necessity of financing a very special and temporary post-war demand for merchandise, arising from shortages built up during the war and from war damage. He would be faced with the necessity of easing the pain of the disappearance of this special and temporary demand. The practical task of mitigating monetary distortion under such conditions will not in any event be simple or entirely possible of accomplishment. Complete realization of the aims of the policy outlined would necessarily be a matter of some years. But every day of delay in seeking its objective postpones in geometric ratio the day of its accomplishment, and also aggravates in geometric ratio, the difficulties of establishing a basis for relatively uninterrupted advance.

Fuqua Director

B. E. Fuqua, Secretary of Edward R. Parker Company, Inc., 165 Broadway, New York City, investment bankers, has been elected a Director of Frailey Industries, Inc.

Calls Bank Nationalization A Phase of Socialism

Publication of New York Trust Company Sees Danger of Political Control and Maintains That Independent Banks Are Essential to Free Enterprise. Says Public Will Suffer if Competition Among Banks Is Eliminated.

Independent banks are essential to the free enterprise system and the public has a very real stake in their preservation, "The Index," quarterly publication of the New York Trust Co., declares in a study of bank nationalization in other countries.

"Throughout the world, banks are being nationalized," the study points out. "In England, Russia, France, Canada, Australia and many other countries, the governments have acquired the central banking systems. In Russia and Czechoslovakia, all banks have been nationalized; while in France and New Zealand some of the large commercial banks, as well as the central banks, are being brought under government ownership and operation.

"Bank nationalization is only the initial step toward the acquisition of other controls by governments. The first of these controls sought is that of the instruments of production, the control of the inherent collateral industries. For instance, in England transportation, power, mining and other basic industries and services are to be socialized. In Russia, of course, not only the basic industries but even the agricultural production facilities were confiscated by the Government.

"The ultimate objective of nationalization is political control. Once this has been obtained, the power of the Government may be exercised without restraint, either through a dictator or a political oligarchy. Thus, the nationalization of banks is a serious threat to free men and free institutions."

The two chief claims to economic benefits of bank nationalization, the article notes, are that it gives to the government control over the allocation of capital, both as to its employment and as to individual firms, and that it transfers the control and creation of credit from privately owned banks to the government. It is contended that these factors affect directly the level of production and employment, and therefore the government should control banking.

"Mere availability of money, credit and capital," says "The Index," "by no means assures either production or employment, which are influenced by non-monetary as well as monetary factors. Spending and investment policies of businessmen and the general public also bear directly upon the volume of production and employment.

"An illustration of the effects of these factors is furnished by the experience during the 1930's in this country. The money supply in this period was larger than ever before in the history of the United States, while satisfactory borrowers could obtain ample funds at low interest rates, yet the volume of production and employment remained below the level of the 1920's.

"This experience indicates why further controls are sought, and why nationalization programs may result in a condition under which the government decrees the job at which each man must work and the amount he shall be paid.

"Nationalization of commercial banks would remove the element of competition which is of distinct advantage to the public since the banks are now competing keenly for deposits and loans. Moreover, it would tend to put the borrower completely in the hands of financial bureaucrats and would transform the banking system into a gigantic government monopoly open to manipulation for political expediency and subject to political control. Under such arrangement, it would be possible for the government to siphon off the resources of some areas for the benefit of others."

Nationalization of commercial banks would also endanger the confidential relationship now existing between the bank and the depositor. As an example of how this might be brought about, it is pointed out that the Bank of England, under the act which accomplished its nationalization, is empowered to "request information from and make recommendations to bankers," and with the authorization of the Treasury to "issue directions to any banker for the purpose of securing that effect is given to any such request or recommendation."

Critics say that British bankers fear the Bank of England under Government ownership will be a politically dominated institution, and that the intimacy which once existed between that bank and the commercial bankers will be lost.

"With independence being taken away from central banks all over the world," the analysis concludes, "it is a tribute to the banking system of the United States that efforts to bring the Federal Reserve System under public ownership have made little headway. One principal reason undoubtedly is that the system has operated so successfully in financing the Government during two great wars and a world-wide depression. Further, our present banking system, with its thousands of individual institutions, is peculiarly well adapted to our industrial and agricultural economy.

"It is worth remembering that in the conflict just ended, when production became a matter of national life and death, our free enterprise system not only produced enough to fill our own needs but to supply a part of the needs of the countries that are now exponents of Communism and State Socialism—needs they could not fill themselves. Our production structure which made this possible was built up under free enterprise, of which banks are an important part."

Chemical Bank Opens Branch at Hunter Coll. to Serve UNO

N. Baxter Jackson, President of the Chemical Bank & Trust Co. announced the opening on March 25 of a branch office at Hunter College, the Bronx, to serve the United Nations Organization. The office will be in charge of Alfred E. Tree, Assistant Manager of the Foreign Department of the Bank and widely experienced in foreign banking. Services of the office are limited to providing deposit, withdrawal, check-cashing and foreign exchange facilities and will be available to persons connected with the United Nations Organization exclusively.

Economic Policies for Peace and Prosperity

(Continued from first page)

but I wish to emphasize, in turn, that the world does not stand a chance of having a stable economy unless this country has a sound, high-level economy. Other countries recognize the major impact that our domestic policies and achievements have upon the condition of the world. Let us recognize their importance at least as much and put our domestic economy into high gear.

The second basic part of our job is to cooperate with other nations in building a sound world economy. We must do our part or more in making international cooperation work and in establishing healthy economic relationships among nations. Such a course will mean much to other peoples, but it is not simply, or even primarily, a matter of altruism. Assisting in the building of a sound world economy is in our own self-interest. A world economically healthy means that all nations can produce more. It means also a large flow of trade among nations. That means more markets for American products. That means we can buy more goods to improve our standard of living. A high level of foreign trade is a vital and integral part of our domestic program of full production and employment, with a higher national income and a better standard of living.

Obtaining the Objectives

Our basic economic objectives can be stated simply: vast production, a good job for every man seeking employment, a high national income, and a full American standard of living. To find and carry out all of the ways and means to these simply stated but most important objectives will require attention and action on many fronts.

During the war our people learned what it is like for the job to seek the man, and they also learned what a terrific productive capacity this nation has. Our people want this high-level economy duplicated in peacetime. They will feel that something is wrong, as indeed it will be, if it takes war to make a full economy.

Our people wish to reach these economic objectives under the system that built us a great nation and will build us a greater nation—the system of free enterprise. Again they are right, for the system of free enterprise not only preserves the human values we hold dear, but it affords the best opportunity of material progress. There are, of course, threats to the system of free enterprise. The biggest threat is mass unemployment.

The great depression proved that mass unemployment could topple our system. The pleas of the false prophets were strong. It is ever to the credit of the American people that they did not succumb to the starry-eyed plans of men with liquid promises. Strong as we are, it is the wiser course to avoid the danger of over-temptation.

Today we have the best opportunity that we have ever had for mass production and employment. During the war a tremendous demand was built up for most consumers' goods. At the same time a large reservoir of savings to back up that demand was created. Industry is eager to match that demand with production and it is eager to try out its newly-learned production know-how. We certainly have a made-to-order opportunity to reach a high level of production and employment. This can be one aftermath of war that is pleasant.

Favors Price Controls

This good fortune, however, is not inevitable. We could dissipate quickly our energy and our reserves in spiralling prices and speculative markets. We must continue the fight against inflation. All through the war we bested this insidious enemy. Let us win the tenth and final round.

We must maintain our program of preventing inflation not only through direct controls such as price ceilings but also through less direct deterrents like taxation. We need large revenues not only to help the battle against inflation, but also for the very practical purpose of meeting our expenditures.

Our nation should strive to make both ends meet just as every family that composes that nation must do. The postwar budget will be large. The legacy of the war—in debt, obligations to veterans, and maintenance of sufficient armed strength — accounts for most of the increase in our expenses.

Budget to be Balanced

We mean to balance the budget as soon as possible. We mean to reduce the public debt whenever possible and as much as we can. On both scores I can report we are well on our way.

Since the President transmitted the budget to Congress in January, experience has shown our receipts to be higher and our expenditures to be lower than was estimated at that time. Our receipts have been greater than estimated because our national income has remained at a very high level. Our expenditures have been less than estimated because all of Washington is working to cut back to a peacetime basis. In the eight months between June, 1945, and February, 1946, the rate of our expenditures was decreased nearly two-thirds. We are on the road to a balanced budget. In view of the fact that our current expenditures are much less, the Treasury does not need to maintain as large a cash balance, and we have twice made substantial reductions in the public debt. Each reduction of the debt means the carrying charge is less and our expenditures in turn go down. Yes, the different factors of a sound, prosperous economy can influence and strengthen each other for good just as during a depression general contraction can lead us into a vicious downward cycle.

The only desirable and long-term solution of our tax problem and our debt problem is a high level of production, employment, and national income. A large tax from a high level of income is less burdensome than a small tax from a low level of income. We can have that high level of income. The war has demonstrated that this is a 200-billion-dollar nation. It has also been demonstrated that we can have mass employment. We are on the road to a sound, expansive economy under the system of free enterprise.

Foreign Economic Policy

Our foreign economic policy goes hand-in-hand with our domestic program. For some time this country has stood for international economic copoeration. It is a good thing to learn from experience. No one will gainsay that, but people and nations have been known to fail in the practice of it. The policy of cooperation among the nations is in large part a frank recognition that the breakdown in world economic relations was an important factor in intensifying, here as well as abroad, the great depression.

There is, as well, a frank recognition that the economic warfare of the 1930's was part of the master plan for aggression by Germany and Japan. The United States wants the United Nations to adopt a comprehensive policy of international economic cooperation to restore world trade and to establish standards of fair currency and trade practice.

We have made much progress. At Bretton Woods representatives of 44 countries agreed on the establishment and principles of two great institutions, the International Bank for Reconstruction and Development and the International Monetary Fund. These two institutions were conceived to help promote good economic relations among nations, and to remove as far as possible the economic and financial irritations that feed the greedy god of war.

Bretton Woods is perhaps the best example this old world has seen of so many nations putting their heads together to solve their common problems in the interest of economic peace among nations and in their own self-interest. The representatives of 44 countries not only agreed on the fact that these economic problems should be met but also agreed on a complete and basic constitution of principles for the two novel institutions. By the end of 1945 more than enough countries ratified this work so that it could become effective. We have just been to Savannah, Georgia, and there we established the World Bank and Fund as living organisms. Again at this meeting there was a re-dedication to the efficacy of effort and again there was a solemn resolve to make the discussion process work. Again, as at Bretton Woods, there was not only a meeting of the minds, but also a meeting of our hearts. The spirit of these meetings builds a firm foundation for faith in the future.

Through the International Bank, countries will find it possible to reconstruct and develop their economies. They then can produce more. Through the International Fund, they will remove monetary restrictions and substitute fair standards of currency exchange. All countries, then, can trade more. And the United States has proposed that an International Trade Organization be established to reduce other barriers and discriminations that hamper the growth of trade.

Through this program, the United Nations can put into effect the fair currency and trade practices which will be conducive to a full flow of trade among the nations. The expansion of world trade will benefit all countries. It will make it possible to maintain high levels of production and employment, and to raise standards of living. The adoption of fair currency and trade practices will give all countries access to world markets on fair and equal terms.

We believe that such a program is necessary for world recovery. We know that it is good for American business. It is because of no sordid motive, however, that we urge this program on the United Nations. We want a prosperous world, not just for the resulting material benefits, important though they are, but even more because a prosperous world is likely to be a peaceful world. In contrast a world raked with economic warfare and depression cannot be a world of security and stable enduring peace.

We have reached the stage where much of our international economic program can be, and is being, put into effect. The big danger is delay. If we wait too long, continued reliance on wartime currency and trade restrictions may make it much more difficult to remove those restrictions later. That is why the success of our program depends in large part on securing prompt adherence to these fair currency and trade practices. Unfortunately, England will not be able to put these principles into effect until she is assured, in one way or another, of necessary food and raw materials to feed her people and her factories.

The Loan Agreement with Britain

England's international economic position was disrupted by the war. In 1944 her exports were only 40% of her prewar volume. Her production was diverted from goods for export trade to the materiel of war. England sold many of her foreign investments. She has lost the income from these. Similarly she has lost much of her income from shipping, insurance, banking and other services. In addition to this she incurred a tremendous foreign debt among the sterling area countries amounting to some $13,000,000,000 measured in our money. For some time what England sells will be far short of what she must buy, nor will she have sufficient income from other sources to make up the difference. That creates a difficult problem for the people of England. It is an urgent problem that they cannot decide on the basis of abstract principles. To assure the flow of essential imports during the next few years, they must have some help from abroad. To restore their wartime economy to high standards of efficiency they must increase their export trade. The policy that England chooses must have the very practical effect of assuring her people that they can eat and work in the five critical years ahead. It must offer the opportunity of expanding England's export trade to the level necessary to maintain the living standard of her people and the operation of her industries.

One choice is for England to accept fully the program of the United Nations. She would do this by cooperating promptly with the fair currency principles of the International Monetary Fund and with the fair trade principles of the proposed International Trade Organization. This would mean that England would remove her wartime currency controls without waiting for the end of the post-war transition period. Then as world trade grows England would share in this growth and her increased exports would in time pay for her essential imports.

This is the choice that the people of England would prefer. England's economic and political traditions and interests argue for her to find a solution to her problem within the framework of a world economy. The difficulty is that the effect of expanding world trade on her exports may not come for a few years. In the meantime, she must find some means for continuing her essential imports. She needs help to follow this course.

The second choice is for England to continue and even extend her wartime currency and trade controls. She would form a British economic bloc. Countries that wish to sell to England would be compelled to take payment in British exports. The countries to whom she owes $13,000,000,000 in blocked sterling would be compelled to take British goods in payment of the debts. Our trade with England would be a trickle under such conditions. In fact the formation of a British economic bloc might exclude us from trade with most of the British Empire, the sterling area, and the countries with which England has established trade and payments agreements.

England's choice is very important to us. Our program for international economic cooperation depends on having England adopt the fair trade and currency practices for which we stand. England's action will set the pattern for the whole British Empire and the sterling area and for many countries in Europe. These countries account for nearly one-half of the international trade of the entire world. The continuation of currency and trade restrictions in England will necessitate their continuation in large areas of the world. Their practical effect would be to isolate the United States from an enormous trading area. Our position in world trade would be threatened. We would have to defend ourselves. We would retaliate.

That would be economic warfare. Probably we would win, but it would be a pyrrhic victory. World trade would be destroyed, and all countries would suffer. If England and the United States should drift into such a policy it would be a tragedy for all. We would find our trade decreased and our people unemployed. England would find her standard of living deteriorated and her people impoverished. And other countries would be unable to reconstruct their bombed and wrecked economies. The hope for international economic cooperation might be lost forever. The consequences to world prosperity, and even to world peace, would be disastrous. That is not the kind of world our people want.

Our basic goal is to establish a world in which countries can live and work together in peace and prosperity. International economic problems can no more be solved by economic force than political problems can be solved by war.

Out of discussion and agreement between the representatives of the United States and of England came the proposed Financial Agreement now before Congress for approval. We found a way to help England meet her problem within the framework of the fair currency and trade principles that have been accepted by the United Nations.

Our representatives agreed that subject to the approval of Congress we would open a line of credit of $3,750,000,000 to be used by England to pay for her most essential imports. Their representatives agreed, in turn, that subject to the approval of Parliament they would commit themselves to remove various wartime restrictions and discriminations.

What England Undertakes to Do

In brief, this is what England undertakes to do under the Financial Agreement:

1. Within a year, unless we agree to a temporary extension, England will make all sterling arising from current trade convertible. England will thus return to the free use of sterling in international trade that she permitted before the war. If Mexico and Egypt export to England they will be able to use the money they receive in any country. That means they could convert the sterling into dollars and buy radios or refrigerators in the United States.

2. Within a year, unless we agree to a temporary extension, Britain will dissolve the sterling area dollar pool. During the war, under the dollar pool, when a sterling area country received dollars they were pooled in London. These dollars could be used only if allocated, and London did not allocate unless the goods wanted could not be obtained in any sterling area country. American producers lose markets, and fast, under that system. Under the provisions of the Financial Agreement, every country in the sterling area will have complete freedom to use its dollars as it wishes. All dollars that the sterling area countries receive for their exports could be spent in the United States without obtaining an allocation from England. That means India could use dollars to buy American machinery instead of being forced to buy English machinery.

3. Current exports of goods and services from the United States to England will be paid for in dollars, or if paid in pounds, the money can be converted into dollars by American exporters. That means that American companies which in the past have experienced considerable difficulty in getting their earnings out of England will now be paid in dollars. For all practical purposes American businessmen can be just as sure of payment for their sales in England as they were before the war.

4. The blocked sterling balances will be settled by England and the countries concerned. Any payments on these balances, made now or later, will be free for making purchases in any country, including the United States. That means England will not force these countries holding more than $13,000,000,000 in sterling to buy British instead of American goods. This large debt will not be used to exclude American products from the sterling area, or to put our exporters at a disadvantage in competition with British exporters.

5. England's import controls will be administered in a manner which does not discriminate against American products. That means England will not keep out American cotton, tobacco, grains, fruits and nuts, or our industrial products in order to buy these same goods in other countries. Any quantitative limitation that England finds it necessary to impose on her imports will be applied on an equal basis toward all countries.

6. England will support the American proposal for an International Trade Organization to reduce trade barriers and eliminate trade restrictions. In this way, England supports our policy of expanded trade, with all countries having access to world markets on fair terms. England's support of our proposal augurs well for the success of the United Nations Trade Conference to be held later this year.

We have asked England to adopt these principles because they will help world trade and American trade. In the long run, these fair trade and currency practices will help England, too. With expanded world trade, British exporters will find better markets. But it will take several years before British exports are increased sufficiently to make good her heavy foreign exchange losses during the war. In the meantime, England needs credit if she is to secure the imports essential to her people and to her economy.

Part of the credit England needs she will get from other countries. Canada has a vital interest in securing British agreement to these principles and she will help England adhere to them. Much of the credit England can get only from us.

Under the Financial Agreement, England can draw upon the line of credit of $3,750,000,000 until 1951. The money is to be used to pay for her imports and other current needs. Any part of the credit not used by then will reduce the amount owed by England. Beginning in 1951, England is to repay the credit with interest at 2%. She will do this in 50 equal annual payments.

The principal of the credit due each year must be repaid without qualification. Under conditions of severe depression in world trade, and under objective standards written in the Agreement, the interest due in any given year would be waived, but payment of interest would be resumed as soon as trade recovers. Such a provision to take care of an emergency situation is certainly preferable to forcing a default.

The greater part of the credit will be used to pay for exports from the United States. Directly and indirectly nearly all of the money will ultimately be spent in the United States. The credit to England will enable her to maintain her essential imports on a modest level. I should like to emphasize that England will still have to enforce an austere standard of consumption, little different from that of the war years.

This credit is not a gift. It is a loan, a loan which England is to repay. It bears interest at 2%, a rate comparable to the Government's cost of borrowing money. It is not an unconditional credit, it is a credit which must be used only to meet Britain's current payments and to enable her to remove her wartime currency and trade restrictions.

This Financial Agreement is good business for the United States. The credit we extend may prove to be one of the most important investments we have yet made in world peace and prosperity. Not only is the $3,750,000,000 to be repaid, but American business will reap rich dividends through its access to world markets on a fair and equal basis.

The expansion of international trade will be a great help to this country in carrying out our own policy of maintaining high levels of production and employment. Foreign trade is an important factor in our national economy.

I suppose all of us, at one time or another, have thought of the great turning points of history and wondered: Did people know then that what they were doing would decide the fate of nations? We live in just such a critical time. The decisions we make now may shape the destiny of the world for generations.

We have one more chance to build a world in which countries can live and work together in peace and prosperity. We are determined that the United Nations shall do everything in their power to build such a world.

We have started with the proposition that if conflicts between nations are not to be settled again by fire and sword, some other way must be found to deal with international problems. The common-sense way is to deal with such problems through discussion and agreement—through international cooperation. Cooperation on political problems that affect world security is essential. But it is not enough. We must provide a sound economic foundation for peace.

We have made good progress on the road of international economic cooperation. We have made good progress in building a sound and expansive economy at home. If we continue to apply ourselves, if we exercise the same intelligence and unity of purpose that we did during the war, we can look forward with full faith to a bright future.

Redemption of Banco Nacional (Panama) Bonds

Holders of guaranteed sinking fund 6½% 20-year gold bonds, series B, due May 1, 1947 of Banco Nacional (de Panama) are being notified that all of these bonds outstanding will be redeemed on May 1, 1946 at 102½% and accrued interest. Redemption will be made at the office of Trust Company of North America, 115 Broadway, New York 6.

Non-Coercive Government Action in Labor Disputes

(Continued from page 1784)

the fiscal year ending June 30, 1945 the Conciliation Service handled 19,537 labor disputes including 2,868 threatened strikes and 3,085 actual strikes or lockouts. Of all of these disputes only 5,691 were referred or certified to the War Labor Board.

The mediator can work to obtain a settlement of the dispute either on a substantive basis, in terms of particular conditions of employment, or on the basis of agreed to procedures which will be followed by both parties in finally resolving the dispute.

If the mediator fails to arrive at a settlement of the dispute he may recommend that the parties accept some other procedure rather than resort to strike or lockout. During the war about one-fourth of all the cases to which Conciliators were assigned were referred to the War Labor Board for decision by what was in effect, **compulsory arbitration**. Since the war many difficult cases have been finally resolved by the agreement of the parties to submit some or all of the issues in dispute to final and binding arbitration—that is, **voluntary** arbitration.

For example, during the week ending Feb. 16, 1946, except for the Steel and General Motors disputes, the three strikes which attained the greatest nation-wide attention were those involving the New York tugboat operators affiliated with the International Longshoremen's Association of America, AFL, the strike of the Transport Workers Union, CIO, Philadelphia, and the strike of the Independent Union of the Duquesne Light and Associated Companies in Pittsburgh, Pennsylvania. These strikes vitally affected the lives of all the inhabitants in three of the country's largest industrial centers. All three strikes were settled during the week by voluntary means, and while they undoubtedly resulted in some hardship, no instance of loss of life or serious damage was reported as due to these work stoppages. The New York Tugboat strike and the Philadelphia transit strike were settled by the employers and the unions agreeing to submit the issues in dispute to final and binding arbitration. Thus, while the parties were not able to agree on the provisions to be included in their contract, they did agree to a procedure by which the contract provisions could be modified without further strike action. In the Pittsburgh situation the union agreed to go back to work without a final resolution of its demands, merely on the basis of the appointment of a three-man mediation board. Subsequently, the efforts of this mediation board were unsuccessful and the union again threatened strike action to take place on Feb. 26. On Feb. 25, however, the Secretary of Labor and other public officials were able to persuade both parties to submit the issues in dispute to arbitration and the strike was averted.

Fact Finding Boards and Coercion

As against these voluntary procedures, other measures have been proposed of a more or less compulsory nature. The President's proposal to the Congress for authority to appoint **fact-finding boards** to make public recommendations barely skirts the corner of compulsion. The only coercive features of this recommendation are the proposed requirements that union members continue work while the Board is carrying on its investigation and that employers make any information required available to the Board. This suggested procedure is not new. Labor economists have referred to it for many years under the title of **compulsory investigation**. Advocates of this procedure argue that it is as far as one can go in a democracy toward compulsion, but usually agree that its effectiveness is probably limited. The use of this technique during recent months also indicates that it can be used effectively only in a very limited number of cases and primarily where the conditions under which the fact-finding boards will operate have been largely agreed to in advance by the disputants. Some opponents of this procedure feel that it is in effect compulsory arbitration since it is difficult for either of the parties to resist public pressure to accept a Board's public findings and recommendations. Others feel that even a temporary restriction on the right to strike is unwarranted.

There are persons who argue that strikes in particular industries may have such a grave impact on the public welfare that **compulsory arbitration** should be required. Although most suggestions of this kind indicate that its application should be limited to only a few rare situations, experience indicates that where such a technique is available for the settlement of disputes public pressure and the pressure of the party in dispute who is economically weakest makes it difficult to avoid its extension to labor disputes generally. Compulsory arbitration machinery may take the form of single umpires, boards or labor courts. Whatever the specific nature of the machinery the essential characteristic is that a third party makes a decision which is binding on the parties in dispute.

Mediation Philosophies

To appraise the effectiveness of these different types of procedure there must also be some agreement on the desired goals. If one means effective in preventing all strikes or lockouts the answer is necessarily different than it would be if one meant effective in maintaining sound labor-management relations consistent with a dynamic and developing economy. On the one hand, it can be, and has been, stated that no strike should be tolerated; more frequently, efforts are made to distinguish between "permissible" strikes and those which represent a crime against society; some people agree that the merits of each strike differ and that everything possible should be done first to avert, and second, to minimize the ill effect of strikes, but that attempts to rule any strike "out of order" are apt to result in a tyranny with more far-reaching undesirable effects than any strike could have; and at the opposite side, there are revolutionists who look with favor on any form of strike action. Any answer to the question posed must be in terms of one of these four different philosophies.

Solomon Blum stated, "A strike may be less harmful to the State and to industry than peace maintained either by statutory tyranny, legal usurpation, or overwhelming economic domination."[1] I would argue that at this point in history we are not prepared to question the right of an individual, or a group of individuals, to stop work whenever he considers the terms or conditions of his employment unsatisfactory, nor are we prepared to question the right of an employer to refuse the workers' terms at any time he sees fit and close his plant. Too often, I am afraid, the average newspaper reader is inclined to believe that the use of the strike weapon, particularly in a period of emergency like the present, is an unmitigated evil. Not only is the right of wage earners to refuse to work a legal right, it is also a fundamental human right, and it can be argued further that the exercise of this right is a necessary ingredient of a vigorous economy. William H. Davis has said, "The creative adventure of the conference table loses all color of reality if the workers have been deprived of their right to reject management's offer and quit, or if management has lost its right to refuse the workers' terms and close the plant. It is, in the last analysis, the pressure of this right to strike or to lockout that keeps the parties at the conference table; that tests their courage, resourcefulness and decision."[2]

Function of Mediation

I would first then want to obtain agreement that the function of non-coercive methods of adjusting labor disputes is not to avoid all strikes but is to bring to the conference table a reasonableness on the part of both parties so that the use of the strike weapon can be kept at a minimum and violence resulting from its use can be avoided. In more detail, I believe that the function of conciliation and mediation is to make certain (1) that each issue in dispute is considered on its merits and as dispassionately as possible by both parties; (2) that the divergent points of view of both parties are thoroughly understood by each other; (3) that all possible means including (a) compromise proposals (b) suggestions based on analogous situations (c) the submission of the dispute to fact-finding or to voluntary arbitration, have been thoroughly explored; and (4) that both parties realize the implications in terms of economic consequences of their failure to arrive at some kind of a settlement.

If we agree that this is the function, and the only function of non-coercive methods, and that in a democratic society Government intervention should go no further, then the question posed can be answered with the emphatic reply that these methods are highly successful. To the extent that one feels that the Government has some further responsibility in the prevention of work stoppages, then it must be admitted that conciliation and mediation are not wholly successful.

In terms of the situation existing in the early part of March 1946 there are a large number of strike situations, or at least a number of situations involving a large number of employees in key industries, where it is felt that conciliation and mediation have failed.

During this same period, however, hundreds of disputes were being settled every week, and while emphasis in the press was placed on the unsettled strikes the great proportion of employers and unions were working out their problems by normal negotiations.

Where Mediation Failed

It is true that non-coercive methods, which were applied to the full limit, did not immediately result in a termination of some of the most important work stoppages during the early part of the year. For example, in the General Motors case and the General Electric case, the positions of the parties were deadlocked for a long period of time and both sides appeared determined to use the existing situation as a test of strength. This apparent deadlock still exists in the Westinghouse situation. Conciliation or mediation can only be successful if at least one of the parties is anxious to obtain a settlement, and, of course, the appropriate time for such efforts is when both sides have a real desire to settle.

This situation has been complicated by the fact that the employers at least have felt that a third party—the OPA—is involved in obtaining a settlement of the disputes. Whatever the reason, it is clear that one or both of the parties have either had no basic desire or have lacked the ability to settle these wage disputes. The solution would appear to lie in efforts that can be made to establish an atmosphere conducive to settlement. This could have been accomplished by guaranteeing price relief, but it is difficult to imagine that such a guarantee would be the only method. I believe that an understanding of the economic problems involved and an attitude of tolerance toward the views of each other, on the part of the general public as well as on the part of the parties in dispute, would aid in creating an atmosphere conducive to settlement. When this atmosphere is present mediation efforts can be effective. Compulsion, on the other hand, creates an atmosphere of animosity and even if it should result in a settlement of a dispute such a settlement will not serve as a basis for lasting industrial peace.

To condemn voluntary methods of settling labor disputes under such circumstances is to lack understanding of the fundamental and long-range problems involved. To urge coercive methods is to argue that we should not continue to permit employers to be free agents with respect to the employment of their workers, or the employees to be free agents with respect to the conditions under which they are willing to work. It is, in effect, to argue that the price one has to pay for democracy is too high.

* * * * *

On the day following the foregoing address, Mr. Warren spoke before the national convention of the American Public Relations Association regarding the U. S. Conciliation Service as follows:

Labor-management relations are an important phase of public relations. I am glad that your association has seen fit to give some time and thought to this subject. I am glad also to have this opportunity to discuss briefly some aspects of labro-management relations problems, particularly as they relate to the work of the Conciliation Service.

This Service, as you know, has the responsibility for maintaining labor-managament relations on a peaceful basis. It is the sole Federal agency with this responsibility aside from the National Labor Relations Board, which has a quasi-judicial function, and the National Mediation Board, which has jurisdiction in the field of railway labor disputes.

The authority for the Service was established in the organic act creating the Department of Labor in 1913, which stated, "the Secretary of Labor shall have power to act as mediator and to appoint Commissioners in labor disputes whenever in his judgment the interests of industrial peace may require it to be done." The size of the Service has grown but that purpose has not changed. The Service rests entirely on voluntary procedures—either party in dispute can reject the intervention of a conciliator. It is entirely informal—it issue no directives, no orders. It stresses the human element in industrial disputes.

Procedure of Conciliation

When a Commissioner is assigned to a case his first job is to get a clear picture of the whole situation, both the formal issues and the human angles that may stand in the way of real negotiation. He begins this all important spade work by talking privately with spokesmen for each side. It often happens that repeated interviews are necessary before the picture is clear enough for the Conciliator to suggest that the parties get together in a joint conference. These separate and private discussions are normally followed by a joint conference of management and union representatives.

This conference table method, which gives labor and management a chance to talk things over before an impartial "master of ceremonies," is one of the key steps in Conciliation. It sounds very simple yet actually the role is far from easy. Even after he has created a "climate" of conciliation, wherein both sides are willing to bargain frankly and openly, the Conciliator must be ready to bridge the gap if negotiations bog down. He must endeavor to bring about a gradual narrowing of the disputed issues, or to bring one of the parties to the point where he will agree to the reasonableness of the other's position. The Conciliation Service seeks to persuade the parties to settle their differences by compromise rather than by an appeal to strike or lockout. The Service has no enforcement authority nor is it in a position to determine the merits of any issue in dispute.

There could be no better quick description of the work these Concilators perform than—industrial relations is primarily a problem in human relations. That may surprise many people who think of industrial disputes as centering entirely on such economic issues as wages and hours or union security. Of course these issues are important, but underneath them Conciliators nearly always find a human equation which must somehow be brought into balance before an agreement can be reached.

Service Successful

The long record of cases settled offers abundant proof of the success of this technique. Since the U. S. Conciliation Service was established in 1913 more than 100,000 situations have been disposed of by voluntary methods of conciliation and mediation. At present some 300 Commissioners of Conciliation carry on this work. I would like to look at the record for the calendar year recently ended for a few minutes. From Jan. 1 to V-J Day Conciliation Service disposed of 15,167 cases involving some 8,800,000 workers. This total included 1,886 strikes with just over a million workers. Threatened strikes numbered 1,415 also with a few more than a million workers involved. Another 10,000 cases were controversies embracing 5,717,000 employees. Arbitration, technical services and other situations accounted for the balance.

From V-J Day through Dec. 31, 1945 the Conciliation Service disposed of 7,288 cases involving more than 2,900,000 workers. This total included 1,199 strikes and lockouts embracing about 707,000 employees. Theatened walkouts numbered 1,453 with nearly 650,000 workers involved. Controversies accounted for another 3,540 cases affecting about 1,400,000 employees.

These are impressive figures especially when we remember that Commissioners of Conciliation have no enforcement authority; that they never issue orders, mandates or decrees. Whether we look at the record before V-J Day or since, it is plain that each week has seen hundreds of industrial disputes settled without fuss or fanfare. Moreover, this healthy democratic process has taken place against a background of changing national policies and economic uncertainty.

Regional Organization

To handle this case load the Service has been decentralized into seven regions, each with its own Regional Director. Cases are assigned at the regional level and in at least 99% of the cases settlements are reached at that level. An administrative staff in Washington coordinates the overall work of the Service and determines broad matters of policy.

Many proposals have been presented in recent months for some additional type of machinery to be established to handle industrial disputes. These proposals have been largely due to the fact that a few difficult strikes of long duration have been spotlighted and the day-to-day settlement of labor disputes has been played down. Most of these proposals are based on the feeling that the Government should take a more positive position in settling

[1] Labor Economics, H. Holt and Company, 1925, p. 268.

[2] Testimony before the Senate Labor Committee, Washington, D. C., January, 1946.

strikes. While the term may not have been used, most of them involve "compulsory arbitration" in one form or another.

As distinguished from compulsory arbitration, where the parties are required to accept a decision of a third party, the function of conciliation is to bring to the conference table a reasonableness on the part of both the employer and the union so that the use of the strike weapon can be kept at a minimum and violence resulting from its use can be avoided. In more detail, the function of conciliation or mediation is to make certain: (1) that each issue in dispute is considered on its merits and as dispassionately as possible by both parties; (2) that the divergent points of view of both parties are thoroughly understood by each other; (3) that all possible means including compromise proposals, suggestions based on analogous situations, or the submission of the dispute to voluntary arbitration have been thoroughly explored; and (4) that both parties realize the implications, in terms of economic consequences, of their failure to arrive at some kind of settlement.

I would argue that in a democratic society, Government intervention should go no further. It is true, of course that non-coercive methods which have been applied to existing and recent strikes have not resulted in the prompt termination of all work stoppages. However, as Solomon Blum stated in 1925, "a strike may be less harmful to the State and to industry than peace maintained either by statutory tyranny, legal usurpation, or overwhelming economic domination."

To condemn voluntary methods of settling labor disputes merely because these methods do not always prevent strikes, is to lack understanding of the fundamental and long range problems involved. To urge coercive methods is to argue that we can not continue to permit employers to be free agents with respect to the employment of their workers or the employees to be free agents with respect to the conditions under which they are willing to work. It is in effect to argue that the price one has to pay for democracy is too high.

Firm Cited by NLRB As Being Pro-Union

The St. Louis office of the National Labor Relations Board, reversing its usual action in such cases, has charged the American Car & Foundry co. with pro-union activity for dismissing a workman from its Madison, Ill., plant because he refused to join a union, according to an Associated Press dispatch on March 27, which further adds:

"The Board ordered the company to offer reinstatement to the employe, Preston W. Roper, who asserted he was fired for refusal to join the Brotherhood of Railway Carmen (AFL), and directed the company to 'cease and desist from encouraging membership' in that or any other union.

"The Brotherhood was the designated bargaining unit in which Mr. Roper was employed, but the union did not have a closed shop clause in its contract. Mr. Roper was discharged on July 12, 1944, after a brief work stoppage in the plant which the Board decided was caused by the refusal of other men to work with Mr. Roper because of his non-membership in the union.

"The Board rejected the company's contention that Roper was fired for leaving work early in violation of company rules.

"Harry Carlson, NLRB attorney, said this was the first time the local office has issued a ruling of this nature."

Cost Absorption in Textile Industry

(Continued from page 1784)

standards which were developed were examined in minute detail by both houses of Congress on at least two occasions and received their approval. They were also reviewed by the courts and upheld.

Price ceilings were imposed in the beginning where there were clear indications of trends to inflationary price levels. Most of the early schedules of ceiling prices stabilized commodities at the level of October, 1941 or at those of later months of that year. The big freeze of GMPR selected the level of March, 1942.

Once ceiling prices were established for the bulk of commodities the problem was to have a uniform standard to determine when they might become no longer "generally fair and equitable." In other words — to determine **when and how much they should be increased.**

The "Industry Earnings Standard"

This led to what is known as the **"Industry Earnings Standard"** which is the basis of cost absorption. This standard provides —simply—that ceiling prices are no longer generally fair and equitable if they yield industry an overall return on its current net worth which is less than the industry's overall return in a normal peacetime period. Thus, the test compares an industry's earnings in the most recent fiscal period with earnings (before taxes, of course) in a base period. For most industries the period of 1936 through 1939 is used as the base period. This corresponds with the base period chosen by Congress for the excess profits tax.

Let me cite a simplified example of the application of the industry earnings standard. Suppose we examine the consolidated financial statements of the entire industry which manufactures product A. We have current data and reports for 1936, 1937, 1938 and 1939. Here are the facts:

Base period (1936-1939). Average net profit before taxes, $2 million; Average net worth, $25 million; Average net sales, $50 million; Current period net profit, $2 million; Net sales, $65 million; Net worth, $50 million.

Note that current net worth is double the base period while profits are the same as in the base period. Base period profit of $2 million, adjusted for a 100% increase in net worth, becomes $4 million. Since current net profit is $2 million ceiling prices must be advanced and in an amount sufficient to raise net profit up to $4 million.

This is done by adding $2 million (the amount of additional profit to be allowed) to net sales and then computing this increase as a percentage of net sales. The price increase percent can thus be measured accurately. In this example it is 3% which is derived by dividing $2 million by the current net sales figure of $65 million.

If this example had shown that the industry's current earnings exceeded base period earnings adjusted for increases in net worth, no price increases would be required. Thus the "Industry Earnings Standard" requires cost absorption by an industry up to the point where current earnings fall below the base period earnings adjusted for increases in net worth. Most of the textile and garment industries and the wholesale and retail sellers of their products were earning considerably in excess of their base period earnings when initial ceilings were set. In some cases price increases were later required when the limit of cost absorption was reached. There have been other cases where cost decreases have offset cost increases and the limit of absorption has not yet been reached. In such cases no price increases have been granted.

Effect of Costs on Chain of Prices

It is a truism that one man's price increase is another man's cost increase. Hence price increases granted at any one level of industry inevitably raise questions of cost absorption at the next level. These are reviewed in terms of the industry earnings standard and some related tests which I cannot develop in detail now. Thus if a fabric manufacturer's price for a commodity is advanced, this increase becomes a cost increase to converters. If the converter's price is advanced, this becomes a cost increase to the garment manufacturer. If the garment manufacturer's price is advanced, this becomes a cost increase to the wholesale or retail distributor. OPA examines the possibility of securing cost absorption at the next level before passing through price increases granted at any prior level.

There is no doubt that if this policy had not been followed, the increases in the cost of living resulting from price advances on textiles and apparel would have been far greater than those which have occurred.

Since the General Maximum Regulation was issued in the spring of 1942, with the exception of occasional individual adjustments, there have been no general price advances on rayon fiber, yarn, or fabric. The same is true for wool. (Surely there have been cost increases in these fields in the form of labor costs and in indirect costs.) This is not true, however, for cotton. The cotton textile industry has been the beneficiary of special legislative standards required by the Bankhead Brown Amendment to the Stabilization Act. This Amendment provided that the Administrator must set ceiling prices for each major item made in whole or major part of cotton or cotton yarn so that the ceiling reflected at least parity for cotton, conversion cost, and a reasonable profit. It is apparent that such a standard is far more liberal than the "Industry Earnings Standard" in that the Bankhead Amendment restricted the amount of cost absorption that could be required. The results are self evident. Cotton textile prices have advanced on the average over 20% since GMPR was issued, practically all of which occurred since June, 1944, when the Bankhead Brown Amendment was passed.

In the garment field, although almost all important items are under margin types of regulations, cost absorption is nevertheless applied in one of several forms — either through margin rollbacks, or absorption of wage increases granted since the issuance of the regulation.

Absorptive Capacity in Textile Industry

Absorptive capacity of the textile and garment industries has in some cases virtually been reached. We have considered seriously the inadvisability of requiring absorption to the maximum extent required by law and in most cases have left a cushion over base period earnings for industries in the textile and garment field. If any general price increases are hereafter granted for fabrics some of them may be passed through at the converting level, the manufacturing level and where absorption has already been required of distributors, may be pyramided right through to the consumer. This is a serious problem from the standpoint of price control. The cost of living in general has risen 23.5% since 1941 and 40.6% for the clothing and apparel component alone. This segment accounts for 13% of the cost of living and further significant advances on clothing and apparel will mean a dangerous trend to inflation.

In my opinion, cost absorption, as I have endeavored to explain it to you—simply and in barest detail—is synonymous with price control itself. Unless we follow such a plan we cannot avoid an inflationary boom of serious proportions. Those who are critical of price control today may well heed this proposition. I believe that every sensible business man wants to protect his own investment and the future of his own business as well as the entire economy of this great country. I believe that he must therefore want to continue price control until the danger point is passed. I believe he may question (and perhaps properly so) the advisability of adhering today to 1936-1939 as a base period in every case. Perhaps he may find other detailed points on which adjustment is needed. But I do not believe he can achieve price control if he is willing to pyramid every cost increase from its source through every successive level of markup to the consumer.

Irving Savings Bank Opens Life Ins. Dept.

According to an announcement made by Robert A Barnet, President, the Irving Savings Bank of New York is opening a Life Insurance Department under the provision of the New York State Banking Law and planned to start issuing Life Insurance policies about April 1. According to the announcement, the Irving has been an Agency Bank for life insurance departments of other savings banks since July 1, 1940 and during that period has placed approximately $1,000,000 in life insurance policies at its two offices, 115 Chambers Street and 81st Street and First Avenue, New York.

Mr. Barnet also reports that work has started on its new branch office at 111th Street and Broadway and the contract to alter the building has been awarded to the Edward Corning Company. The new building will provide deposit box facilities in the vault with elevator service. As a special feature the Bank is making provision in the alteration for a room to be available for use or for meetings of community organizations and civic associations in the neighborhood. It is expected that the New Branch will open for business late in the summer or early fall.

National Fiscal Policy

(Continued from page 1782)

with accuracy when or where this spendthrift policy, with its insidious, widespread, and deep-seated corruption, will end. Perhaps the best we can do is to scrutinize some of the basic features in this Federal fiscal policy, and then watch them as they unfold day by day, adjusting our plans and affairs as best we can as we think we understand what the future is likely to bring.

2. Departure from the gold-coin standard deprived the people of direct control over the public purse.

It is important to realize that when we departed from the gold-coin monetary standard in 1933 the people in this country lost control of the public purse. So long as a country is on a gold-coin standard the people have a direct and an automatic control over the unwise or improper use of paper money and credit, whether issued by banks or the Government, and consequently over the use of the public purse. This direct and automatic control by our people over the public purse was swept away when specie payments were suspended in March, 1933.

Such controls as remain must be exercised through less reliable and less effective channels. And these channels have proved ineffective indeed.

There are probably no basic principles underlying the nation's fiscal and monetary affairs that even begin to approach in importance those involved in depriving a people of control over the public purse by abandonment of the metallic currency standard. When, for example, a government is free to issue money not merely against a nation's gold and silver assets but against debt, it is necessary to realize that there is no limit to debt and, consequently, no limit to the supply of money that can be issued against it. Germany presented the world with a shocking illustration of this great truth.

It is worth while to consider just what the abandonment of the gold-coin standard has meant to the American people in connection with the fiscal policies developed by the Federal Government from that date until now.

If, when a gold-coin standard is at the disposal of the people, banks should issue notes or create deposits of questionable value, the people would demand payment in gold, and, by this action, they would reveal their fear of the banks' notes or deposits. This would force the banks and perhaps the Government to correct the situation. Such demand for gold is a reflection of popular judgment regarding the state of the banks' money and credit; it is the red flag of warning to the banks and to the Government; and it is the people's direct and automatic check on bad banking practices. When they are deprived of the right to demand gold, this direct and automatic check is gone; all they can do is to accept what the banks give them. This is the position in which our people have found themselves since March, 1933, and find themselves today.

If, when a gold-coin standard is at the disposal of the people, the Government should issue a currency of doubtful value, the people would demand gold rather than this currency and thus reveal the extent to which the Government's currency lacks the value of gold. This manifested preference for gold would compel the Government to correct the situation.

Thus the existence of a gold-coin standard, which requires the Government to maintain all its currency on a parity with gold, through convertibility into gold at par, guarantees at all times the quality of all circulating Government currency.

The inability of our people to obtain gold coin domestically deprives them of the power to test the quality of our Government-issued paper and silver currency, as it would otherwise be tested, and to force the Government to avoid an inflationary procedure in its issuance of currency.

If, under a gold-coin standard, the Government should attempt to issue securities at prices deemed too high, or if they bore a rate of interest deemed too low, by investors, many people would invest in gold rather than run the risks involved in investing in such securities—they would prefer the safety of gold and loss of interest to the small interest return on securities and the risk of a drop in their price. Such preference for gold would compel the Government to pay a higher rate of interest and to sell its securities at lower prices in order to induce savers to invest their savings in Government securities. This would have the virtue of making Government borrowing more difficult which, in turn, would put a brake on Government spending. This enforced higher interest rate would also have the additional virtues of providing investors with a better return and enable them to purchase securities at more reasonable prices, thus reducing the risk of a drop in their prices.

Since people cannot obtain gold, many of them invest in what is widely regarded as the next best thing—Government securities. But many private savers do not invest in these securities for the reason that they do not think they can afford to accept the low interest, especially in the light of the fact that they are not certain that important risks are not involved; they prefer to let their funds lie idle. A large proportion of these securities is taken by institutional investors which must earn such interest return as they can; and since many of them are restricted by law or policy to such investments or cannot find other adequate outlets of a satisfactory nature for their funds, there has been a great demand for these securities. But if we could compile the losses suffered by savers and these institutional investors, as a consequence of this money and credit policy of the Federal Government, we would find that the costs to these savers and investors have been appalling.

The gold-coin standard, as the people's automatic brake on their banks and Government, places limits on the speed and recklessness with which the Government proceeds to spend the people's money. And that is as it should be. But apparently most politicians, here and abroad, do not like such a brake, and, in general, they have sought to keep themselves free from its restraining influences.

It ought to be instructive to us in this country to read what a highly reputable European economist had to say about the gold standard as a brake—Wilhelm Ropke in his "Crises and Cycles" (*William Hodge & Co., Ltd.*, London, 1936). He said (p. 175): "The automatic safety brake provided by the gold standard has to be considered as an indispensable part of our economic machinery if we want to be safe against real disaster. We do not even trust the locomotive engineer to forego automatic safety appliances in spite of the fact that there are no personal economic interests of his at stake, and that his own personal safety depends on his sense of responsibility. How much less can we do without automatic safety appliances in the case of governments whose affairs are conducted in an atmosphere not entirely free from personal economic interests, and whose leaders are responsible only 'before God and history,' writing their memoirs if anything has gone wrong! It is desirable that all planners, all popular writers on the 'end of capitalism,' and all despisers of 'orthodox' economics should take this to heart, and as far as the policy of trade-cycle control shares some of the dangers of economic planning, here is a lesson also for the more enthusiastic advocates of monetary management."

But this automatic brake is off our Government. It was removed in 1933, and the Administration has freed itself from its restraints. The controls were placed in the driver and the accelerator, and the people have been, and are being, taken for a wild ride.

We now have a monetary arrangement which probably can be called a form of "managed" currency. And "managed" currencies of this type and of the types now popularly advocated are but one feature of dictatorship and Socialism in which political valuations are substituted for objective nonpolitical valuations, which are inherent in the gold standard, and for the true values reflected by the free operation of the forces of supply and demand in the market place. To have objective values requires that a nation have an objective standard, such as gold, which is free from the notions of politicians as to what its value should be. Just as we make the bushel an objective unit of measurement, so should the people have an equally objective monetary standard of value. We do not let the politician decrease the size of the bushel when the apple crop fails!

When a nongold "managed" currency is substituted for a gold standard and the management appropriate to it, political values replace true economic, objective values, and when this is done the people suffer as a consequence. And one of the most fundamental and far-reaching of their losses is the fact that control over the public purse passes into the almost unrestrained hands of politicians.

There is apparent today something like a fanatical determination to try expedients which experience has demonstrated cannot work. Though the people who pursue these plans know full well that there is after all such a thing as the impossible, they will not recognize that it can apply here. They will not admit that they cannot make something out of nothing; that a stable objective unit like gold is as desirable as an unchanging bushel; that the gold-coin standard has not been the primary cause of the great fluctuations in prices and the wide swings in business activity and prosperity; and that the present world-wide suspension of specie payments is nothing more than a fairly-common, but always temporary, episode in the history of metallic currencies.

In addition to the fact that the agitators for a "managed" currency, cut loose from a gold-coin standard, are definitely wrong in their fundamental contentions as to the virtues of such a system, they rarely make clear to the public the fact that, by the abandonment of a gold-coin standard, the people of a nation have been deprived of control over the public purse and the Government is left free to run without any important brakes being placed on its spending activities. One noteworthy exception has recently appeared. Beardsley Ruml, Chairman of the Federal Reserve Bank of New York, in an address before the American Bar Association in 1945, stated the point of view of those who wish to free themselves from the restraints of a gold standard. In this address, published in "American Affairs" (National Industrial Conference Board, New York, January, 1943), Mr. Ruml said: "Final freedom from the domestic money market exists for every sovereign national state where there exists an institution which functions in the manner of a modern central bank, and whose currency is not convertible into gold or into some other commodity.

"The United States is a national state which has a central banking system, the Federal Reserve System, and whose currency, for domestic purposes, is not convertible into any commodity. It follows that our Federal Government has final freedom from the money market in meeting its financial requirements. Accordingly, the inevitable social and economic consequences of any and all taxes have now become the prime consideration in the imposition of taxes."

Mr. Ruml stated a fundamental truth indeed when he said that it follows that our Federal Government has final freedom from the money market in meeting its financial requirements. He should have gone on to say that the Federal Government is practically free from any restraints which the American people might have wished to place upon it; that Congress alone can institute restraints which the people themselves can no longer exercise directly; and that, up to date, the majority of Congress has shown no important disposition to check the orgy of spending and waste which has devastated this nation since 1933.

3. Low interest rates have removed another brake on government spending and profligate waste.

Another brake is removed from profligate government spending when interest rates are low and do not, or cannot, rise. The development and persistence of abnormally low interest rates in this country, particularly since the middle 1930's, have contributed greatly to the loss of control by our people over the public purse.

These low interest rates are fundamentally a feature of a government-managed economy. Interest is a price for loanable funds; and the price has been fixed by the government at a very low level with the resulting distortions and artificialities which accompany price-fixing. With such price-fixing, the borrowers and the lenders, especially the latter, have lost their bearings. The familiar landmarks of a normal and free market place are missing.

Although a slow decline in interest rates on government securities began as far back as 1921, the business recession beginning late in 1929 contributed much to a further decline. During the 1930's especially from 1935 on, a series of governmental policies, of a managed-economy type, had the net effect of disturbing and depressing normal business activities. This situation revealed itself chiefly in two ways: (1) In the reduction of the flow of capital into new enterprises to a level that amounted to little more than a mere trickle, and (2) in the abnormally low velocity of bank deposits which prevailed during practically all the years of the 1930's and up to and even after the period of our entrance into the second World War. The velocity of bank deposits probably is in general the best single index of people's activities. If people are reluctant to act, the velocity of their deposits drops. If they are optimistic and are anxious to embark upon enterprises, the velocity of their deposits rises.

For most of the years and months following 1935 the velocity of bank deposits fell steadily. After 1937 it fell below the low point reached in the depth of the depression in July, 1932. Thereafter, and on up to and after our entrance into the war this velocity remained at the lowest levels on record.

One consequence of this situation was a hoarding of unused funds in banks; and since the banks could not find a normal outlet for them in business channels, and since these banks and other investing institutions had to do the best they could to earn a return on their capital accounts, they naturally turned to government securities.

On the other side of the picture the government found this abnormally large volume of unused funds available and could therefore borrow them practically on its own terms. These were, in brief, the major factors which initiated our abnormally low interest rates in this country.

A vicious cycle of Treasury-bank relationships was thus set in motion, and it is still running its course: Because of the great supply of unused funds in banks and other lending institutions, the government could borrow at abnormally low rates. Because these rates were abnormally low banks were compelled to build their investments in these government securities, and consequently their deposits, to an abnormally high level as against their capital assets in order to obtain a reasonable return on their capital investment. The consequence has been that today the ratio of the banks' capital accounts to their deposits has fallen to an abnormally low and dangerous level—to a level of approximately 6 per cent—, and t ratio of their capital accounts to their investments in Government securities is down to approximately 10 per cent.

Out of this situation is emerging a variety of proposals to maintain bond prices and to protect the banking structure against the possible serious consequences which might result from the abnormally small proportion of capital to Government securities and deposits.

Accentuating the dangers in which the banks find themselves is the fact that, with a sharp reduction, which is anticipated, in Treasury war loan deposit accounts in the banks — deposits against which reserves are not required—, pressure will be exerted on the liquidity of the banks either through loss of reserves or an increase in commercial deposits which will require reserves. A warning on this matter was issued by Frank C. Rathje, President of the American Bankers Association, in an address at Sioux City, Iowa, Feb. 12, 1946.

4. Congress has provided no important brakes on profligate spending.

Another factor in the situation, and one which, like the others, is still running its course, is the utterly bad procedure in Congress in voting appropriations. Since the people themselves have lost all direct control over the public purse through the Government's departure from the gold-coin standard and its maintenance of a very low interest rate, the last instrument of control at the disposal of the people is Congress. But Congress has demonstrated that it has not been organized so that those who would conserve our incomes and national patrimony could exercise any effective control against a majority intoxicated by the spending disease; and this majority has not been disposed to tighten up its machinery of control. About all that Congress has done has been to vote away taxpayers' and lenders' money. It has seemed that no plan for spending could be too ridiculous to embarrass the majority. Kotowing to every pressure group that had an important voting strength, playing demagogic politics day in and day out by spending the people's money to corrupt them, subsidizing practically everything and everybody without shame, spending and wasting and wasting and spending—these have been the order of the day. Federal fiscal policy since late 1933 has been little short of fiscal insanity. The world probably has never seen anything approaching it. The spirit and good sense of the majority of Congress and perhaps of the majority of the American people have revealed a corruption never before seen in the history of this nation. When farmers, for example, are paid a subsidy to mow their weeds under the guise of conservation of natural resources, we have some measure of the depths to which our fiscal insanities have fallen.

Before we entered the war we developed a multitude of subsidies for a multitude of absurd and uneconomic reasons. Then, when we entered the war, we devised some new subsidies because we had entered the war. Now that the war is over we are devising postwar subsidies; apparently we can devise reasons for subsidies for anything for any occasion and for an indefinite length of time. Certainly we can do it so long as Congress is in the grip of the spending disease which has blighted and is still blighting this nation.

The catalog of fiscal waste has grown so great that the public can no longer grasp its contents. When a horrible example is pointed out, people simply shrug their shoulders and consider it a mere incident in the Federal picture. The general lethargy regarding this matter is a problem worthy of the attention of our social psychologists.

5. Proposals for better organization of, and supervision by, Congress.

Various individuals and groups have been fighting and are still fighting to turn this tide and to save this nation, if possible, from further pursuit of this mad course. In respect to the inefficient and loose organization of Congress and its bad procedure in voting appropriations, some very special attention has been given by various individuals and organizations. Outstanding have been the Citizens National Committee in Washington and the Tax Foundation of New York City, both of which have worked closely with and have been aided greatly by various state taxpayers' associations, among which the Ohio Public Expenditure Council (Edward W. Wolfe, Executive Director) is playing a most helpful part.

For example, just recently the Citizens National Committee of Washington has issued a series of recommendations designed to improve the Congressional organization and procedure in an effort to obtain arrangements that will make clear to the general public what Congress is doing and also to encourage and to aid Congress to correct a system which in itself contributes to waste and inefficiency in the management of our fiscal affairs and in the voting of appropriations.

For some time, also, Congress has had a Joint Committee on the Organization of Congress—the so-called LaFollette-Monroney Committee of 12 — which has studied this particular problem along with other plans for streamlining Congress. Recently it made a report, and its Section IV contains five major recommendations "designed to strengthen the position of Congress in relation to fiscal affairs."

For two years the state taxpayer organizations and the Citizens National Committee have studied the methods by which Congress might strengthen its fiscal controls. Out of this study came nine major recommendations submitted to the Joint Committee on the Organization of Congress by Carter W. Atkins, Executive Director of the Connecticut Public Expenditure Council, when he testified in behalf of the state taxpayer organizations on June 8, 1945. These recommendations are contained in a publication of the Citizens National Committee called "Congress and the Public Purse." Recently—that is, on March 4, 1946—the Citizens National Committee issued an analysis of the recommendations in Section IV of the Report of the Joint Committee of Congress and of related portions of the study "Congress and the Public Purse." The two sets of recommendations are so similar that it probably is not important to attempt to distinguish between them here. Perhaps if the major lines of thought are given, we can see reasonably well the situation in which Congress now finds itself, and also what these investigating bodies think should be done to obtain better organization and a more responsible procedure in Congressional control of appropriations and of Federal fiscal policy.

(a) Recommendation of an over-all fiscal plan.

One proposal is that there be an over-all fiscal plan adopted in advance of appropriations; in other words, a system of annual Federal budget totals. The recommendation of the Joint Committee of Congress is "That by joint action the Revenue and Appropriations Committees of both Houses submit to the Congress within 60 days after each session opens (or by April 15) a concurrent resolution setting over-all Federal receipts and expenditures (estimated) for the coming fiscal year. If total expenditures recommended exceed estimated income, Congress should be required by record vote to authorize creation of additional Federal debt in the amount of the excess. All appropriations, excepting those of a permanent nature, interest on the public debt, veterans' pensions and benefits, trust expenditures, and public-debt retirement, would be reduced by a uniform percentage in case total appropriations exceeded the amount of the approved budget figure."

As pointed out by the Citizens National Committee, "Congress now supervises the world's largest enterprise without any coordination between its revenue-raising and appropriating committees. Neither, so far as Congressional machinery is concerned, gives any consideration to the relationship between income and expenditures. . . ." ("'Round Washington," Citizens National Committee, Wash., D. C., March 4, 1946.)

(b) Recommendation for better organization and staffing of appropriation committees.

The second recommendation provides for the organization and staffing of appropriation committees. For example, the Joint Committee of Congress recommends "That all appropriation bills be fully and carefully considered by the full Appropriations Committees of both Houses; that the present practice of holding all Appropriations Committee hearings in executive or secret sessions cease; that committee hearings and reports on appropriation bills be laid before the House and Senate a minmum of three legislative days before their floor consideration; that a uniform appropriation classification be devised and incorporated in the hearings; that four qualified staff assistants be assigned to each of the Appropriations Subcommittees to serve both the majority and minority members; and that modern accounting machinery and equipment be provided for each committee staff."

(c) Recommendation of audits by the Comptroller General.

A third recommendation by the Joint Committee is "That the General Accounting Office be directed to submit each year a general service audit of each agency of Government (including Government corporations), furnishing information to the Congress on the general financial operation of the agency and its care in handling Governmental funds." It may be recalled that on Dec. 6, 1945, the Government Corporation Control Bill became law and that, with a few exceptions, it brought all government corporations (including those of mixed ownership), which had been free from any independent auditing, under the supervision of the Comptroller General who is responsible to Congress.

(d) Recommendation of discontinuance of indefinite appropriations.

A fourth recommendation involves the discontinuance of indefinite appropriations. This recommendation reads as follows: "That all appropriations be in definite amounts and that the custom of reappropriating unexpended balances be discontinued except for continuing public works; that transfer of funds between agencies and departments be discontinued; and that all regular governmental agencies and departments be placed on a uniform basis of returning to the Treasury income from sales or services." On this point the Citizens National Committee said: "One of the first requirements of a proper appropriation is that it be definite and specific as to the exact amount being appropriated. For many years Congress has been departing from this well-recognized rule of legislative control in several ways which in effect deny to the Congress the full control of the purse strings of government. . . .

"Therefore, we recommend that the practice of reappropriating unexpended balances be discontinued, except in the case of continuing appropriations for public works, and that unexpended balances revert to the Treasury as provided by law."

(e) Recommendation that legislation not be attached to appropriation bills.

The fifth recommendation of the Joint Committee of Congress is "That the practice of attaching legislation to appropriation bills be discontinued; that the rules be tightened effectively to prevent under the parliamentary guise of 'economy limitations' amendments which are, in fact, designed to effect legislative changes; that the Comptroller General survey various limitations on appropriation bills to determine those which require more money to carry out than they save; and that the Appropriations Committees study means for limiting any increase in permanent appropriations."

In addition to these five recommendations, the Joint Committee's report contains other recommendations some of which should have a beneficial influence on Congressional management of the nation's fiscal affairs. They are: (1) Reorganization and reduction in the number of the House and Senate committees, and improvement of committee procedure; (2) establishment of majority and minority policy committees; (3) enlargement of research and staff facilities for Members of Congress; (4) more efficient use of Congressional time; and (5) registration of organized groups.

"The report," says the Citizens National Committee, "is the result of a thorough and careful study by the Joint Committee and its staff. It constitutes one of the most complete documents ever issued on Congressional procedure, its weaknesses, and the need for strengthening the Congress." ("'Round Washington," March 4, 1946.)

Mention should be made, also, of S.-J. Res. 8, introduced by Senator Tydings of Maryland in January, 1945. That resolution provided in brief that, except in time of war, Congress shall not appropriate money in excess of estimated receipts, except by a vote of three-fifths of each House. Thus far the resolution has not been enacted. Then there is the helpful and informing work done by the Joint Committee on Reduction of Nonessential Federal Expenditures, popularly known as the Byrd Committee.

If Congressional responsibility and procedure can be improved in some such manner as that suggested by the Joint Committee of Congress or the Citizens National Committee, a new element of health should be injected into our Federal fiscal policies. But even with changes such as these, profligate spending could continue unless the complexion of the majority of Congress so changes that this majority is disposed to turn from irresponsible wastefulness to economy and conservation of our national patrimony.

6. Other basic problems provide great difficulties.

The other basic problems provide great difficulties. We have run so far beyond the red lights and have been running so long and so rapidly without brakes that serious questions arise as to what saner drivers can do to slow down this free-wheeling machine of reckless spending without causing a wreck.

(a) Two suggestions.

Two simple and safe things suggest themselves at once: (1) All nonessential expenditures should be ended at once—and the nature of these nonessential expenditures should be examined fearlessly and honestly. The Federal budget should be brought into balance; and, when receipts exceed expenditures, the surplus should be used to retire a corresponding amount of debt.

(2) Federal policies should be geared to encourage freedom of enterprise and production. As soon as the budget is brought into balance by lopping off all unnecessary expenditures, taxes should be reduced in order to provide this encouragement. If one must choose between the encouragement of production through the reduction of taxes, among other devices, and the collection of enough revenue to retire part of the debt each year, it would seem much more desirable to adopt a policy of a permanent

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National Fiscal Policy

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debt in deference to the reduction of taxes as an encouragement to greater production. Since a policy of a perpetual debt, as against one of debt retirement, would provide a new lease on life for the Congressional free spenders, it probably would be safe only if it is under the control of men who would not be disposed to embark upon programs of wasteful public expenditures or programs of governmentally-managed economy which invariably involve heavy and wasteful public expenditures.

(b) **On returning to a gold-coin standard.**

A return to a gold-coin standard would restore one of the missing brakes on fiscal policy and return to the American people a direct control over the public purse. The desire to be free from such control is so deeply imbedded in government circles, and the general public has so little, if any, understanding of the connection between a gold-coin standard and popular control over the public purse, that at present there seems to be little desire to return to this standard. There is a widespread fear of a hoarding of gold should we return to such a standard; and it is a fact that our system of indirect conversion of our domestic currency into gold, under our international gold-bullion standard, has, since Jan. 31, 1934, maintained the parity of our domestic currency to the gold dollar. The basic issue is whether we wish to run the risks of a hoarding of gold and restore to the people direct control over the public purse or whether we prefer to have a system in which the people cannot obtain gold and at the same time lose all direct control over the public purse.

It is my judgment that we should return to a gold-coin standard not only to restore to the people a direct control over the public purse but also because our gold reserves really belong to the people rather than to the government. There are various devices that can be employed to make hoarding uninviting. But should hoarding nevertheless deplete bank and Treasury gold reserves, we could revert to our present system again and be no worse off than we are now—that is, we would slip again from the best to a second-rate type of monetary system. Then there is the further basic consideration that under our present system foreign countries can get our gold while our own citizens cannot. It would seem difficult to find any logic in such an arrangement.

(c) **As to the matter of low interest rates.**

Up to date there seems to be little if any agreement among the most competent authorities as to the best method of restoring to the people in general that part of the control over the public purse which has been lost as a consequence of the evolution of our abnormally low interest rate structure without at the same time jeopardizing the banking structure. Numerous suggestions, including some pretty wild ones from supposedly reputable authorities, have emerged without any one having gained wide support in responsible circles. The sum and substance of the situation seems to have been stated rather well by one Sam Green (of Tennessee) in "The Wall Street Journal" of Feb. 8, when he said that "... It is to be feared that the genius of our money czars has landed us in a heck of a mess."

It probably would be futile at this time to attempt any review, which of necessity would be brief, of the various corrective plans that have been offered. Perhaps one suggestion can be made which would hardly be open to serious question: It is that the banks enlarge the proportion of their capital as against their deposits and be better prepared than they are now to meet any adverse situation that might well develop. This opinion was also held by the Federal Deposit Insurance Corporation when Leo Crowley was its Chairman.

My other suggestion is that the Federal debt, with the exception of a small proportion of Treasury bills and certificates, be funded into a perpetual debt, like the British consols, at a rate of interest that will be attractive to our institutional and other savers, using such surpluses as the government might receive from time to time to reduce the debt.

Until reform along these or some better lines is effected, about all we can do with wisdom is to give support to various organizations and individuals that are fighting for fiscal sanity, watch events as they unfold day by day, and adjust ourselves to them as best we can.

Argentine 4½% Bonds Called for Redemption

Holders of Argentine Republic 10-year sinking fund external loan 4½% bonds, due Nov. 1, 1948, are being notified that $1,612,500 principal amount of the bonds have been drawn for redemption on May 1, 1946, out of moneys in the sinking fund. Upon presentation and surrender on the redemption date at the office of J. P. Morgan & Co., Inc., New York, or at the principal office of the National City Bank of New York, or at the principal office of the First National Bank of Boston, payment will be made of the principal amount of the bonds. Interest on the drawn bonds will cease on the redemption date.

On March 25, 1946, $424,500 principal amount of the bonds previously called for redemption had not been presented for payment.

"Road to World Peace"

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country. I spent nearly three hours with Generalissimo Josef Stalin in his apartment in the Kremlin. We talked largely about postwar economic relations between Russia and the United States.

The time I spent with him, the weeks I roamed around and the miles I traveled are not sufficient to make me an authority on what Russia wants, what Russia intends or where Russia thinks she's going. Furthermore, what any outsider knows about Russia probably consists of only a few scraps of facts, but that is all we can hope to have about a land which has less contact with the outside world than any other major nation. But there is an old saying that in the land of the blind a one-eyed man is king.

I know very well that no matter what I say about Russia now that I will be accused on the one hand of being a warmonger, and on the other hand of being an appeaser. But those accusations aren't going to trouble me. This is a time for blunt speaking.

In all my talks with Russians I talked as a capitalist, and I talked bluntly then. The Russians talked as Communists, and they talked bluntly. I broke tradition over there. The Commissar of Foreign Trade gave a dinner for me. We were supposed to toast each other. I gave a talk with my toast. I talked about the difference between our two economic systems. I told the Russians some direct, hard, tough business truths from the viewpoint of an exponent of the capitalist system.

The core of what I said was this: I told them that in economic ideology and practices, my country was not only just different from theirs. I said it was more different from theirs than any other country in the world. I told them that they were the most state-minded, most collective-minded people in existence. And that we, on the other hand, were the most private-minded and the most individual-minded. And I said this, too: "Gentlemen, make no mistake. We are determined to remain so—and even to become more so."

Communism in U. S.

I told them that each of our two countries should be allowed to pursue its own unique economic experiment, unimpeded by the other. I assured them that we weren't going to send capitalist agents into their country to interfere with their system, and I also assured them they would find no profit in sending Communist agents into our country to interfere with our system. As best I could, I tried to make them understand how completely American Communists had been wasting their own time—and Russia's time. Our American Communists then as now haven't caught on to that fact. I said to the Russians that American Communists lack originality and realism. That they still follow and imitate what they think is Russia's current policy—the party line of the moment. In fact, I said, and I'm quoting myself: "If you take pepper, they sneeze. If you have indigestion, they belch."

I wound up my talk by saying that both of us should resign ourselves to the fact that for a very long time to come the Russians and ourselves are going to live in two different economic days—under two different systems.

My thought then is the same as it is now. The two systems can live side by side. Once we are convinced that Russians feel the same way, we ought to be able to get along with each other very easily.

After that I saw Stalin.

Two things he told me come forcibly to my mind at this particular time. I'm going to quote them. One was this:

"Foolish Hitler has done one good thing. He has brought the American people and the Russian people together. We must never allow anything to come between us again. We must work together after the war."

And then in a lighter mood, he said: "I like to do business with American businessmen. You fellows know what you want. Your word is good, and best of all, you stay in office a long time—just like we do over here. But a politician is here today and gone tomorrow, and then you have to make arrangements all over with a new set."

I made some jottings in my notebook as the result of Stalin's comments. "Yes," I wrote down, "Stalin was right. War has brought us together. But the sand traps of many difficult problems lie ahead. Will we be able to stay on the fairways of cooperation and friendship after we have crushed the common enemy? The destiny of the world may be at stake in that answer."

Such were my notebook comments almost two years ago. They are amazingly fresh to me at this moment, for it is a fact, that the destiny of the world does depend on our cooperation. And I refuse to believe that we can't find a way to cooperate.

Don't Cooperate in a Vacuum

But we don't cooperate in a vacuum. Cooperation must be based on the mutual trust and mutual acceptance of principles. Sure, there must be give-and-take but there are basic principles in cooperation between nations just as there are between individuals, which cannot be violated if cooperation is going to mean anything or work at all.

If a man gives his word that he will do a certain thing on a certain date, he is expected to live up to it.

If a nation gives its word that it will do a certain thing on a certain date, that nation is expected to live up to it.

Russia promised to withdraw her troops from Iran on March 2. She hasn't done it.

And that's why we're worried.

We can't have a world community unless nations keep their word.

The principle of keeping our word is the foundation of American foreign policy. At this very moment, we are heading toward fulfillment of the commitment we have with the Philippines which guarantees them their independence. We are keeping our pledge to the Philippines.

That is principle No. 1 of our foreign policy—keeping our word.

Settling Differences at the Conference Table

Our second basic principle is the settlement of differences at the conference table. In a magnified way, it is the same principle we employ in disputes in industry, and it is traditional with us like the town meeting, from which, in great degree, it is drawn. The conference table is the setting wherein democratic peoples resolve their disputes.

It is inevitable that misunderstandings should arise among nations, and that is why we have established a new international conference table. That is the United Nations Organization. There will be all sorts of differences and disputes. What one nation may think is necessary for its security, another nation may regard as aggression. Such disputes don't have to lead to war. That's why we and Russia and the other nations created UNO. That's why America gives her full support to UNO. She gives moral and physical support to it.

Don't Sell UNO Short

This is not the time to sell the United Nations short. UNO is young, it needs more ardent, more whole-souled, more enthusiastic support now than it will require when it has proved its strength and when it has become a world habit to regard it as a permanent fixture in the lives of all of us.

If UNO is young, we are all young in international collective bargaining. It takes time to rid ourselves of thinking and acting in terms of spheres of influence and in terms of international power politics.

Perhaps it is relatively easier for us Americans to adopt the new concept. We have never had much to do with spheres of influence and international power politics. We have been able to place our reliance in UNO without any hangover in our thinking from earlier and outmoded practices. We believe in UNO. We believe it will work.

We're going to help make it work.

In fact, we are determined that it *shall* work, because it is the only hope in sight for a peaceful world.

We here believe that the plain people everywhere share our faith and hope in UNO. The plain people all the world over are weary of war and all the woes of war. They have been told before this that they can look ahead to an era of reconstruction. They have been promised a time of peaceful building. They have been promised a better living. They have been promised a better world.

And that brings me to what I regard as the third pillar of American foreign policy.

We can't have world peace without economic well-being abroad as well as in our own country. If it is true that we can't have a prosperous world without a prosperous America, it is equally true that we can't have a prosperous America with the rest of the world in rags and tatters. We have pledged ourselves to a freer flow of world trade, and we have pledged ourselves to help the undeveloped countries of the world to help themselves. We have learned that where goods flow freely across international boundary lines, the tramp of invading troops is seldom heard. Trade, in other words, is the token of peace. Peace is the inevitable partner of trade.

This, in simple, layman's language, is our policy. These are the principles on which we stand. It is simple, definite, practical. And it is fair.

There can be no appeasement of these principles. Appeasement is weakness, and we are not weak. The spirit of compromise, however, can exist between men of common sense, and ours is a government of common sense. It is only common sense with us that we keep our word, and it is only common sense that we expect other nations to keep theirs.

We Must Make Our Policy Work

Naturally, it isn't enough just to have a policy. We've got to effectuate it.

A policy is one thing. Making it work is another. Our Government can originate policy but it will work only if our people support it. Our foreign policy should be fair, friendly and firm towards all nations. That kind of a policy the American people will support.

Iran today has become a symbol to the American people. Iran is a long way from the American people. But as a symbol, nothing could be closer. It is a test of whether nations, like people, will keep their word.

The American people want the Russian Government to meet that test by withdrawing its troops from Iran. The Russian leaders boast that they always keep their word. Here's a chance to make good their boast. It may not come again.

When the Russians withdraw their troops from Iran, we should support their request for prompt hearings before the UNO involving any complaints or grievances which Russia may have in the Iranian situation.

We are willing to hear Russia's side of the story. If Russia is right, we ought to see that her rights are protected. The place to put Russia's case is before the UNO. We should tell them that we will demand fair treatment for them as we now demand that they be fair with the rest of the world. This is the force of right and not the right of force. Other nations would never join us in the right of force, but all nations who believe in right and wrong will rally to us in the force of right.

Our Attitude Toward Russia

The pages of history are cluttered with ruins of those who thought that might makes right. Nations that have lived and prospered are those who put right above might, and then were able to enforce it. I would suggest that present day statesmen read history before trying to make it.

We want to be friends with Russia. We hope Russia wants to be friends with us. We don't want Russia to fear us physically any more than we want to fear Russia physically. Democratic America has no designs on anyone.

We want to see a prosperous Russia, developed peacefully with a higher standard of living for her people. Russia needs a long period of peace to produce the consumer goods essential to a high standard of living.

I also want to see a prosperous America, developed peacefully with higher standards of living for her people. America also needs a long period of peace to do this.

I want to see America exert her leadership for peace in the world. To do this it must be prosperous and strong. It is only the strong who lead. A strong foreign policy demands a strong America.

If Russia has a party line, so have we.

Our party line is one on which all Americans can unite. It means an America strong in every sinew. We must be strong scientifically, militarily and industrially.

Scientifically, we must continue to lead the world, science is the key to production.

Militarily, we must have a strong army, a strong navy and a strong air force. The whole strength of all three must be backed by our inexhaustible capacity to supply them with the most modern equipment.

Industrially, we can never be strong without production. American production, which has been the decisive factor in winning two wars, is the best guarantee of peace.

We Americans must show the world that there are no partisan politics in our foreign policy. It has always been true and I hope always will be true that our internal differences end at the water's edge. In our drive for a fair peace throughout the world a just and lasting peace, there are no Democrats, no Republicans, only Americans.

The Road Ahead

There is a road back and a road ahead. The road back is paved with threats of force, with weasel words, broken promises and brutal treatment of the weak and helpless That road ends in war.

The road ahead is paved with strength, tempered with justice, with honest words and honest dealings—above all, with faith that the plain peoples of the world want peace. That road ends in peace.

America has chosen the road ahead. It has chosen to be strong; to insist on justice; to speak honestly. It has chosen through UNO to test the principles of all nations by the actions of the men who lead them. If all nations will choose the road ahead, there will be no spectre of a third world war.

Shepard and Aiken Are With Morgan & Co.

LOS ANGELES, CALIF.—Saul J. Shepard and Jared C. Aiken have joined Morgan & Co., 634 South Spring Street, members of the Los Angeles Stock Exchange, it is announced.

Saul J. Shepard was formerly a member of the New York Stock Exchange and New York Curb Exchange and is still a member of the Commodity Exchange of New York. He has a background of over fifteen years of investment experience. He is well known as an analyst and writer, many of his articles having appeared in leading financial publications. Mr. Shepard's chief interest at present is in the field of aircraft securities.

Jared C. Aiken has a wide background of experience in insurance circles and has been a partner for many years in one of the largest firms of insurance agents in California.

John R. Downing Joins Staff of Laidlaw Co.

Laidlaw & Co., 26 Broadway, New York City, members of the New York Stock Exchange, announces that John R. Downing, Major AUS, has become associated with the firm in its municipal bond department. Mr. Downing was with the municipal bond department of Lehman Brothers from 1933 until he entered the Army in 1942. During the war he was assigned as instructor and chief of the cannon and turret division at the Armored School, Ft. Knox, Ky.

Railroad Securities

The market did not appear particularly disturbed over the pessimistic tone of the Alleghany statement as to what the future held for holders of the Nickel Plate preferred. Many question whether the market enthusiasm for the stock had been based on prospects of a merger with Chesapeake & Ohio. As a matter of fact, only a week or so earlier in appearing before an Interstate Commerce Commission examiner, in connection with application to purchase Wheeling & Lake Erie common, an executive of Nickel Plate had pointed with pride to the advance in the stock from the 1938 low to the 1945 high as a measure of the improvement in the status of the company in the intervening years. The rise in the value of the stock was pointed to as the reward of the holders for foregoing dividend payments in favor of utilizing the large earnings for debt retirement, property improvements, and financial rehabilitation.

Even with the vast improvement in Nickel Plate's status during the past few years it is apparently the intention of the management to hold as long as possible to a niggardly dividend policy. This was indicated in the action of the directors at their March meeting in declaring only $1.00 a share on the preferred, thus continuing to increase the arrears. Such action was particularly surprising in view of the fact that the road had net working capital of over $20,000,000 as of the end of 1945 and financial officers of the company have stated that $5,000,000 is adequate. Also, it is proposed to use somewhat over $5,000,000 of the treasury funds to purchase the Wheeling common from the parent company, Chesapeake & Ohio.

It is notable that some years ago when Nickel Plate first tried to buy this stock the application was turned down, at least partly on the basis that if the company had excess cash of that amount it should be paid out to preferred stockholders. The suggestion was never carried out and followers of the road's fortunes are now wondering whether under similar conditions in the pending application the company will be able again to find some pressing need for the cash if it is not used to purchase the Wheeling stock.

Be that as it may, many rail analysts still look upon the Nickel Plate preferred as one of the most promising speculations to be found in the rail field. Although the company was subject to heavy excess profits taxes during the war period aggregate earnings on the stock for the past 10 years topped $171 a share. During this interval debt retirement and refunding operations have resulted in a reduction of about 50% in fixed charges. These charges will be further reduced by refunding of the outstanding 3¾s in April. Vast sums have been spent on the property, and a substantial amount of new motive power has been installed. It is assumed that the physical program was well conceived and should therefore result in important operating economies.

With the lower charges, and with the increased efficiency as an important offset to higher wages and material costs, estimates of postwar earnings generally run from $25 to $30 a share on the preferred, although naturally they will be considerably lower in the current year. With this background it is considered that the pressure on the management at least to avoid any further increase in unpaid dividend arrears will be well night irresistible. As a matter of fact there will presumably be increasing pressure to at least make a start towards whittling away at the arrears already accumulated, an aim with which the management has stated it is in full accord.

United Nations and American Foreign Policy

(Continued from pge 1785)

our way to Tokyo and we were forced to sacrifice the lives of thousands of gallant Americans before we were able to wrest them from the enemy. For that reason, I am not in favor of relinquishing our control over them. I am not in favor of giving them up. I am, however, in favor of placing those Islands under the trusteeship system of the United Nations provided we can do so without jeopardizing the vital security interests of the United States, and provided there is a full understanding that we may use the military establishments and the bases we have built there for the protection of the United States and the maintenance of world peace.

By such a move we would be taking our stand — along with Great Britain, France, Australia, Belgium and New Zealand—more squarely behind the Charter. By such a move we would be making a mighty contribution to the cause of democratic government throughout the world.

I attended regularly the meetings of the Security Council, and it is my belief that the Council acted as it was directed to act by the Charter. Whenever a dispute arises, its first and foremost duty is to encourage the disputing parties to settle the affair by peaceable means of their own choice.

The Current Security Council Meeting

This week in New York City the Security Council convened for the first time on American soil. Not since the Constitutional Convention met in 1787 has the new world witnessed such a momentous meeting so fraught with hope and so important for the future of mankind.

By insisting that we stand firm on our principles I don't mean to suggest that we do like Tom Sawyer when he drew a line in the dirt with his big toe and then dared the new neighbor boy to step over it. Our policy, in other words, must be flexible enough to meet new situations as they arise. Every nation, including our own, must be willing to give up things —to make real sacrifices—so that our goal of world peace can be realized.

Within the week two important developments give us assurance that the Soviet Government intends to live up to its obligations under the Charter.

Premier Stalin's statement applauding the United Nations and expressing his conviction that neither the nations of the world nor their armies are seeking another war, was entirely in harmony with the principles and purposes of the Charter. His message came as a reassuring note in the midst of the confusion and the misunderstandings which have arisen during the past few months.

Even more important are the reports that Russian troops are withdrawing from Iran. I interpret this action as a real victory for the United Nations and for the impelling force of world public opinion. It is a hopeful augury that the Organization may emerge from its first serious test with increased prestige and power.

Russia's Withdrawal Action

Yesterday (March 29) the Russian delegate left the United Nations Security Council with the statement that Russia could not take part in the Iranian-Russian dispute unless debate were postponed until April 10. This action does not mean that Russia withdraws from the Council meeting. It is said that it will return today. In any event Russia must not withdraw. Russia cannot defy the public opinion of the World. Russia cannot defy the United Nations, of which it is a member and to whose Charter it has subscribed. There is no isolation to which a nation can withdraw that is impervious to the force of world opinion. There is is no power that can withstand the impartial and conscientious judgment of peace-loving nations in their noble quest for World Peace.

Regardless of Russia's presence or absence, the United Nations will go forward on its career of service to mankind. Russia was gallant on the battlefield—she was not a deserter in war. She must be gallant in the cause of peace—she must not be a deserter from the Charter.

Townsend, Graff & Co. In New Location

Townsend, Graff & Co., members of the New York Stock Exchange, announce the removal of their offices to 15 Broad Street, New York 5.

Current Chills and Market Outlook

(Continued from page 1783)

no intention of defending all of the equities recording sensational gains. The point we want to emphasize, however, is that the prices at which stocks sold on certain previous occasions have no bearing whatsoever as to their present intrinsic merit. Stocks sell at different levels at different times because of different conditions. The fact that St. Paul Gold 5s due 1975 sold at 4 in 1940 and are now selling at the equivalent of 125, or that Standard Gas & Electric $7 Preferred stock in 1942 sold at 6 and now sells at 140, or that Raytheon in 1937 sold at 50 cents and now sells at 26, or that Radio in 1929 sold at 114 and now sells at around 15 may be interesting, but nevertheless irrelevant in reaching a decision as to whether to buy, sell or hold.

The important fact to realize is that the test of the value of a stock is not the historical one of where it sold or what it earned in 1929 or 1937 or 1940 or 1942, or even 1945, but rather what the selling price is in relation to current and prospective earning power.

The essence of successful speculation is not only a correct appraisal of the present situation but of the visible future—and it should not be forgotten for a minute that every investment is a speculation although, of course, there are varying degrees.

How Pin-Sticking Selections Work

Granting that the broad underlying market trend remains upward there is no assurance that selection of stocks by the pin-sticking method will produce satisfactory results from here on.

As a matter of fact, while the latter stages of all bull markets characteristically show the widest advances, these are not indiscriminate by any means, as we shall demonstrate. For instance, it was possible to have held stocks after 1927 and, despite the swift uprush in the following year or two, to have sold at a loss at the top of the market in 1929. To be specific, a price index of woolen goods common stocks hit a high of 305 in 1927 but the best price reached in 1929 was 218. Likewise an index of rayon and silk shares touched 342 in 1927 but reached a peak of only 320 in 1929. Numerous other similar situations we might mention would include cotton goods, leather, shipbuilding, coal. Even a price index of the popular tobacco shares at the peak in 1929 reached only 118 vs. 118 in 1927. All of this was going on while the Dow Jones industrial index advanced from a 1927 high of 202 to a 1929 high of 381, or about 179 points.

The foregoing should not be construed as indicating that history is going to repeat in detail. We are not predicting that the same groups will perform in the same manner—as a matter of fact we think that things this time will have a somewhat different twist. Be that as it may, the point we want to emphasize is that eternal vigilance is the price of investment security.

Short and Long Boom Industries

At the present time "sellers" markets exist for practically all kinds of goods. To repeat what we have pointed out before, "sellers" markets mean good volume and good profit margins and, in turn, large dollar earnings and large dividends, while "buyers" markets mean intense competition and restricted profit margins and, in turn, lower earnings and lower dividends for many companies.

Some months ago we classified herein various industries according to the probable duration of present "sellers" markets. During the past week Standard & Poor's published an interesting study showing in rough measure the probable duration of the postwar boom in various industries. For instance, the study estimates the boom in textiles and apparel industry will last about 18 months, electrical equipment from one to two years, tires two years, office equipment three years, farm equipment three years, automobile and automobile parts three years, and building ten years. These are the so-called deferred-demand industries and will furnish the greatest impetus to the post-war boom. Profits will be large while the boom is on, but when the deferred demand has been met there will be intense and perhaps even dangerous competition.

Other industries are classified into other distinct categories, such as the growth industries, including, aircraft, air transportation, chemicals, cigarettes, petroleum, and utilities, which over a longer term may be expected to reflect in greater or lesser degree the cyclical impulses of other industries. Then there are those industries in which deferred demand cannot accumulate and which therefore have been forced to operate at levels lower than their markets could support. Such industries include beverage, finance, gold mining, paper, printing and publishing, retail trade, and sugar. Volume expansion in these industries will also contribute to the boom. Another group is classified as those industries which will benefit from the deferred demand industries and may be expected to move more or less in harmony with over-all industrial activity. These industries include brewing and distilling, coal, container, drugs, foods, leather, machinery, metals, motion pictures, railroads, shipping and shipbuilding, and steel.

Balancing the short - boom against the long-boom and growth industries and by adjusting normal replacement expectations and the accumulation of savings and increase in population, one arrives at the conclusion that the general boom should last approximately three years. Be that as it may, a warning to look out for the short-boom equities may not be amiss, even though it may be premature just now.

What's Coming

Article 102 of the Revenue Act, providing severe tax penalties for corporations failing to pay out a substantial part of their earnings in dividends, we venture to say, will produce more or less startling developments later in the year.

The law states that returns filed by the following classes of corporations will be given close attention to determine whether Section 102 is applicable: Corporations which have not distributed at least 70% of their earnings as taxable dividends; corporations which have invested earnings in securities or other properties unrelated to their normal business activities; corporations which have advanced sums to officers or shareholders in the form of loans out of undistributed profits or surplus from which taxable dividends might have been declared; corporations the distributions of which, while exceeding 70% of their earnings, appear to be inadequate when considered in connection with the nature of the business or the financial position of the corporation or corporations with accumulations of cash or other quick assets which appear to be beyond the reasonable needs of the business.

The foregoing will ultimately have quite a pronounced effect on some dividends—in fact, many stocks, such as Pfizer, McCrory, McLellan and many others which seem very high on the basis of last year's dividends, are really being purchased on a very liberal future income basis, to say nothing of the future income basis on which some of the non-dividend paying stocks, such as Willys-Overland, are being bought.

American Nat'l Bank Of Miami Acquires First Nat'l of Miami

First National Bank of Miami and three affiliates taken over by Reynolds of American National.

The sale of the First National Bank of Miami, Fla. and its three affiliates to Wiley R. Reynolds, Chairman of the American National Bank of Miami, was announced on April 2 by E. C. Romfh, pioneer Miami banker and former Mayor, who said he was retiring from business. Associated Press advices from Miami, Fla. April 2, appearing in the New York "Times" of April 3, from which we quote, also said:

The First National group includes the First Trust Company of Miami, the Little River Bank and Trust Company and the Coral Gables First National Bank. Deposits in the First National Bank exceeded $100,000,000 on Dec. 31.

Stephen Merselis Dies

Stephen Merselis, Comptroller of J. P. Morgan & Co., 23 Wall Street, New York, when it was a private banking house, died at his home in Passaic, N. J., on March 28. He was 78 years of age. In reporting his death special advices from Passaic to the New York "Herald Tribune" said:

"Mr. Merselis retired in 1937, three years before the firm was incorporated as J. P. Morgan & Co., Inc. He joined J. P. Morgan in 1912 and became Comptroller in March, 1931.

"He was a member of the Passaic City Club, a former director of the Passaic National Bank and Trust Company, a former member of the Board of Governors of the Passaic General Hospital and former treasurer of the Lying-in Hospital in New York."

Irving Galpeer Quits SEC to Join Law Firm

Irving J. Galpeer has announced his resignation as Assistant Regional Administrator of the New York office of the Securities and Exchange Commission, to become a partner of the law firm of Jaffin, Schneider, Kimmel and Galpeer.

Irving J. Galpeer

Mr. Galpeer, graduate of Harvard College in 1930 and Harvard Law School in 1933, where he was an Editor on the "Harvard Law Review," joined the SEC in November, 1935. As an attorney on the staff he handled many of its important litigations and investigations, including the well known case of McKesson & Robbins, whose President at the time was Philip M. Musica under the assumed name of F. Donald Coster.

In December, 1942, Mr. Galpeer was appointed Chief Attorney in Charge of Enforcement at the New York office, and in May, 1945 he was appointed Assistant Regional Administrator. During the war he helped establish the SEC's Economic Warfare Unit and for a time was in charge of its liaison office in Washington, D. C.

In making public Mr. Galpeer's resignation, Mr. Peter T. Byrne, Regional Administrator, commended Mr. Galpeer on his excellent and loyal service to the SEC, and wished him every success in his new undertaking.

Canadian Securities

By BRUCE WILLIAMS

What is the status of an unregistered Canadian internal bond held in this country? In the first place such a security can not be exported to Canada and it is thus divorced from its natural market. Furthermore, as it is a Canadian dollar obligation it is also not a natural security when traded in this country, and the exchange risk can not be hedged in the foreign exchange market. Consequently its liquidation value depends on its income return as a permanent investment.

The demand however for these securities has been largely based on the expectation of an early return of the Canadian dollar to its old parity. This supposition appeared vrey logical when it was thought that Canada had temporarily established her currency at a 10% discount only as a wartime measure, and that almost immediately after the war the Dominion would restore the old parity.

Today however it seems very evident that Canada will not risk unsettling the hard-earned balance of her economy until world conditions become decidedly more established. The Canadian dollar has always had to preserve a somewhat precarious balance between the U. S. dollar and sterling, and now more than ever with its even greater stake in world trade the Dominion will not jeopardize its current favorable position.

Even in the light of the unexpected event of an upward revaluation of the Canadian dollar what would be the effect of a change in the official rate in Canada on the market situation of an unregistered Canadian internal bond?

The market for free funds would no doubt initially improve in sympathy, but as the huge bull position in Canadian internal bonds was largely established for this very event, the previous best buyers would automatically become the best sellers. Therefore, it is likely that even the holders of registered internals will meet considerable competition in their efforts to liquidate profitably. It is very unlikely that the Canadian authorities will immediately lift the exchange restrictions to permit external access to the official market and their recent action in removing the registration privilege suggests a contrary attitude with the possibility of temporarily further divorcement of the external from the internal market. The position of the unregistered bond is even less favorable as there is no question of its severance from any association with the market in Canada.

During the past week the high grade external market continued very firm but there was little activity in view of the scarcity of supply. Albertas were dull and quotations were slightly lower. The internal section was inactive and free funds eased slightly to 9 5/16%.

A recent interesting development in the domestic market was the issuance by the Province of British Columbia of 20 year 2¾% bonds which were sold at a small premium. Thus a province has forestalled the Dominion in being the first to sell a long term public issue below the 3% level, and estimates of a 2¾% coupon on the next Government loan in the fall will probably be revised downwards.

With regard to the immediate market outlook everything points to a continuance of strength in the high grade externals. Albertas are likely to remain a dull feature but Saskatchewans should be favorably affected by the settlement of the "Seed-grain Case." The internal bond section is likely to continue in the doldrums and caution should still be exercised in taking extended commitments.

First Southwest Co. Formed in Texas

DALLAS, TEX. — Announcement is made of the formation of the First Southwest Company to engage in investment banking as originators, underwriters, distributors and dealers in municipal and corporation securities. Offices will be maintained in the Mercantile Bank Building, Dallas, and in the Fort Worth National Bank Building, in Ft. Worth.

Principals of the firm are William C. Jackson, Jr., recently in the U. S. Navy, and prior thereto of Callihan & Jackson; Thomas Beckett, Jr., formerly a principal of Beckett, Gilbert & Co.; Winton A. Jackson; James F. Jacquest, previously an officer of Dallas Rupe & Son; and William P. Smallwood, proprietor of Smallwood and Company of Ft. Worth, who has recently been on war duty.

Charles E. Bailey Co. To Open in Detroit

DETROIT, MICH.—Charles E. Bailey & Co. has been formed with offices in the Penobscot Building to engage in the investment business. Officers are Charles E. Bailey, President, and Nathan Z. Greenhouse, Secretary and Treasurer. Both were formerly associated with Smith, Hague & Co.

The new firm, which will hold membership on the Detroit Stock Exchange, will conduct a general investment banking business dealing in stocks and bonds, specializing in Michigan securities.

Bailey & Gately Are Dayton Haigney Officers

BOSTON, MASS. — Dayton Haigney & Co., 75 Federal Street, is now doing business as a corporation, with Dayton P. Haigney, formerly proprietor, as President and Treasurer. Benjamin Bailey, who has been with the firm for some years in charge of the bond department, is Vice-President; and William J. Gately, formerly Comptroller, is Assistant Treasurer.

New Proprietorship

STOCKTON, CALIF. — Otto E. Sandman is now sole proprietor of Holmes & Sandman, Bank of America Building. He was formerly a partner in the firm with Horace T. Holmes.

Our Trade Outlook In South Africa

(Continued from page 1785)

We do not wish to create the impression that gold and diamond mining dwindled to insignificant proportions after 1910. Nor would we convey the idea that their influence upon the development of the region thereafter was inconsequential. However, to appreciate the present-day situation in this market and to weigh its prospect for us, we must take into consideration the struggle between the mineral and non-mineral interests and their inter-relations.

Whereas the gold output concentrated largely in the world-famous Witwatersrand field on the 6,000-foot plateau of the Transvaal at first amounted to about 3,000,000 ounces annually, it has reached practically 12,000,000 fine ounces in recent years. In value, this impressive production has amounted to nearly 90% of the total mineral output. In fact, the importance of the position of gold throughout the life of the colony may be observed in production figures for the entire period. These show the value of gold to have equalled 75% of the total value of the major minerals mined. Its value also was nearly five times the total value of diamonds. We have not included manufactures in these comparisons because until quite recently they have been of little significance. We shall have more to say about them later.

While gold production with occasional exceptions has increased since 1910, the diamond output has declined. In 1936 the volume in carats was roughly only 10% of that in 1910 and the value about 25%. In 1936, this latter value, compared with the total value of the mineral output, ranked a very poor third to gold, with a ratio totaling only 2.4%, compared with 89.8% for gold. The value of the coal output was greater than for diamonds, representing 4.5% of that for all minerals.

The gold mining industry employs over 400,000 persons and contributes to the maintenance of perhaps 4,000,000 persons or very nearly one-half the population. The Union of South Africa had the distinction during the war of declaring gold an essential rather than a luxury. For had gold mining been stopped the nation would certainly have collapsed. The number of workers employed in the diamond industry today compared with the gold mining industry is about 25,000 to 30,000. Competition from the Belgian Congo, Angola and other parts of Africa has been quite severe.

Diamonds, such as have been mined in the Union, have been of the precious stone variety and therefore essentially luxuries. Like most luxuries they have faced an uncertain and varying market. Hence it is not surprising to find that investors in the diamond industry have always flirted with a somewhat hazardous business and have experienced all the joys and travail that accompany this type of sensitive economic activity. The practical world monopoly enjoyed by South Africa back in the early 20th Century has now disappeared. In pre-World War II days production had fallen to 10 to 12% of the world total. Diamond deposits are still abundant but mining is restricted by the Government in an effort to maintain prices. Incidentally, since the United States has been the primary market for these diamonds, the vicissitudes of the diamond-mining industry in the Union show a very close correlation with business variations in our country.

Diamonds and Gold, The Economic Backbone

In spite of the variability of the gold and diamond industries, they must be recognized as still constituting the economic backbone of the Union. They have been and are important not alone for the value of their own production but for their attraction of other industries essential to supply their respective needs. But gold above all still "pays the way" for the Union. Before leaving our consideration of minerals we should note that in addition to gold and diamonds, small quantities of copper, asbestos, manganese ore, chrome ore, platinum, silver and tin are mined, as showing in the following table:

Mineral Production According to Value £'s (000) in 1936

Gold	79,495
Coal	3,950
Diamonds	2,125
Copper	386
Asbestos	337
Platinum	176
Chrome Ore	175
Silver	136
Manganese Ore	128
Tin	115

Mineral production has stimulated the development of a railroad network and a few miles of improved roads. The national Government derives the greater part of its revenues from the products of the mines and affiliated activities. However, it is not without significance that industrial growth has been aided by tariffs. The local high cost of production as well as limited facilities could not withstand competition with commodities which would otherwise have been imported. Among these industrial products may be listed clothing and textiles, leather products, ceramics, wood products including furniture, vehicles, books and printing. In consequence, the kinds of manufactured goods imported in increasing quantities have been luxuries, motor vehicles, electrical equipment, the latter two mostly from the United States, clothing and cotton piece goods, iron and steel products (largely machinery) and a miscellany of many other items which a frontier country has little or no time to produce or is unable to produce owing to the lack of certain raw materials.

Agriculture

The many uncertainties associated with the mineral industries might cause one to suppose that agriculture would attract increasing interest. The fact is that it has, but unfortunately for the people of the Union the climate and soils are not everywhere favorable to a lrage development or even a stable one. Then, too, the non-Europeans who far outnumber the Europeans are rather primitive farmers. Nearly 80% of the non-Europeans are classified as rural, numbering nearly six millions, whereas only 35% of the Europeans are recorded as rural, numbering just under 700,000. Due to much maladministration and oppression by the Government, the natives have farmed largely upon a mere subsistence basis which in turn has provided a life of alternating famine and survival and a rather wretched existence generally. On the whole the native is a good worker properly instructed and given the opportunity to work. He could prove an asset to the country both as a producer and consumer and thereby add to the wealth of the nation, but thus far the Europeans who dominate the scene do not see fit to allow of this transformation. The setting is not unfamiliar. It is common to most other parts of the world where white man and black compete.

The primary plant crop production focusses upon corn, wheat, potatoes, tobacco, oats, citrus fruits, the vine, peanuts and wattle bark. Corn production is far ahead of wheat and becoming increasingly important in the natioml economy. Cotton, sugar cane and tea are steadily expanding. Pastoral activities hold an importnt position too. In fact, South African agriculture is often interpreted as largely pastoral. Cattle, swine, and sheep production are important but like other crops are not yet adequately supported although encouraged by the Department of Agriculture as deserving of increased concentration of effort.

Leaders in the Department of Agriculture have for some time directed public attention to bad farming procedures such as burning of pastures to increase soil fertility, inadequate weed eradication, methods permitting of excessive erosion and overstocking of the land. Lack of funds has handicapped this division of the Government from putting into effect all the projects it would like to have introduced. Even so, the Government has estimated that only about 15% of the land can ever be cultivated, most of it being more suited for pastoral farming. In fact, the unsatisfactory status of agriculture has led the Government to provide bounties on food production, more especially on corn.

We note the agricultural situation because it has a bearing upon the standard of living of the peoples both in rural and urban areas, upon industrial developments and consequently upon the nation's import and export activity. With nearly two-thirds of the total population engaged in agriculture, they produce only one-eighth of the national income.

Manufacturing Industries

Manufacturing industries have gone forward rather vigorously since the depth of the worldwide depression, although they had done very well from 1914 to 1929. In 1934 a steel mill was opened in Pretoria, fostered by the national Government, marking a distinct advance in this field. Other industries are chemicals, textiles, furniture, leather goods, ceramic and food products, as well as many secondary ones, at least in point of quantity of goods produced. By 1936 over 300,000 persons weer employed in all industries. This number is less than the total employed in the mines, indicating something of the continued dominant position of the mineral industries. Nevertheless, it is a figure whose curve is moving upward at an accelerated rate. The Union has endeavored to stimulate manufacturing by the standard practice of protective tariffs, sometimes to the immediate disadvantage of the mass of people because many items could be imported for less money than they can be produced and sold at home. The natives, whose weekly income is only a few dollars, can buy few of these goods.

Of the total merchandise trade, the United States businessman did pretty well by way of selling the Union. He sold her about 20% of her imports, ranking next after the United Kingdom, which sold between 40 to 50%. Germany supplied about 5%. On the other hand, we absorbed little of South Africa's production, taking less than 4% of her exports, whereas the United Kingdom took about 40% and Germany 8 to 13%.

Outlook for U. S. Exports

Naturally we ask what is the outlook for increasing our sales to the Union of South Africa? We have supplied a considerable variety of goods, but mostly automobiles and parts, electrical goods, machinery and apparatus, iron and steel products more particularly sheets and plates, chemicals, lumber, gasoline, lubricating and other oils, clothing and food stuffs. All of these were competitive products with those of the United Kingdom and Germany. We ought to be able to replace Germany in part. What we can do in competition with the Empire preferential tariff enjoyed by England is less certain. Of course if this arrangement is removed in exchange for the proposed loan to Great Britain, we may be able to increase our sales at the expense of the United Kingdom. We can not ignore a sentimental preference in the Union for British goods. On the other hand we should not fail to recognize a growing spirit of goodwill toward us and a recognition among many if not all of the people, of the worth of "American" goods. Furthermore, the Afrikaners, supporters of the Nationalist movement, according to some observers, are showing a strong inclination toward United Staets products as a means to defeat British Commercial Imperialism, which they interpret as merely a form of political imperialism.

Unfortunately, South Africa does not offer much for our consumption. Diamonds, gold of course if we want still more than we have, angora hair, wattle bark, sheepskins and perhaps a few odds and ends in native handcraft, are about the only items unique to the region which might appeal to us. We have bought, in addition to these items, wool, asbestos, chrome ore and a few other commodities, but all in small quantity. In fact, our imports in 1936 totaled only about $5,000,000 and in 1937 just passed the $6,000,000 level. On the other hand we shipped to the Union in 1936, $78,000,000 of merchandise and in 1937 nearly $98,000,000 worth. These amounts are by no means negligible and apparently can be increased as we enter a new period of perhaps less competition from England, and certainly less from Germany and Japan. Our much vaunted sales ability, clever advertising and originality may also make an effective sales appeal to a people still possessing something of the frontier progressive spirit. Progress in manufacturing industries which should increase purchasing power might be expected to add to the size of the market. There is hope that Government unsettlement often involving arbitrary controls in the past, may move toward a stage of greater stability and of certainty. While all of these things may provide an improved outlet for the goods of many United States manufacturers, we need to recognize that the advance will be slow so long as the mineral industries, and gold in particular, dominate the life of the nation. Furthermore, we shall have to try to find more products of the Union to buy what we now import, in greater quantities. We need not balance our trade in merchandise but we need to bring our exports and imports into somewhat better alignment. That obviously will not be easy.

Foster & Marshall Opens Spokane Branch

SEATTLE, WASH.—Foster & Marshall, New York Stock Exchange members, opened a new branch office in Spokane, April 1. The new office and boardroom will be located in the Title Building in Spokane. Albert O. Foster, senior parter of the firm, is President of the Seattle Bond Traders' Club. Other general partners are George W. Marshall, L. Brooks Ragen and James C. Robinson. Mr. Robinson will manage the new Spokane branch temporarily.

The firm also has branches in Portland and Eugene, Ore.

J. Kirk Milnor With Mellon Securities

Mellon Securities Corp., 2 Wall Street, New York City, announce that J. Kirk Milnor has become associated with them in their municipal bond department. In the past Mr. Milnor was Manager of the trading department of the New York office of Van Deventer Bros., and conducted his own investment business in New York City.

Reed Re-Elected Director Of Nat'l Sec. & Research

MUST MUTUAL Fd Page

National Securities & Research Corporation, 120 Broadway, New York City, announces that Francis C. Reed has been re-elected a director of the corporation. Mr. Reed resumes the practice of law as a partner in the firm of Hughes, Hubbard & Ewing after serving over three years as Colonel on the War Department General Staff."

Business Man's Bookshelf

INDUSTRIALIZATION AND FOREIGN TRADE—Series of the League of Nations Publications (II. Economic and Financial 1945. II.A.10) — Columbia University Press, New York, N. Y.—paper.

SHOULD STATE UNEMPLOYMENT INSURANCE BE FEDERALIZED? — Herman Gray — American Enterprise Association, Inc., 4 East 41st Street, New York 17, N. Y.—paper—50¢

WINGS OVER AMERICA, The Future of Air Power — John Stuart—Public Affairs Pamphlet No. 114—Public Affairs Committee, Inc., 30 Rockefeller Plaza, New York 20, N. Y. or Aircraft Industries Association of America, Inc., 610 Shoreham Building, Washington 5, D. C.—paper—10¢

Edmund Brown, Jr. Now With Clark, Dodge Co.

Clark, Dodge & Co., 61 Wall Street, New York City, members of the New York Stock Exchange, announce that Edmund Brown, Jr. has become associated with the firm. Mr. Brown who has a Ph. D. degree from Columbia University, has been with Lehman Corporation since 1929, doing investment and industrial research, and for the last five years has been a Vice-President of that organization.

Securities Salesman's Corner

By JOHN DUTTON

This Dealer Is Looking Ahead

Those who can remember what happened in 1929 and again in 1937, are aware that it is not so important where you are today, but where you are likely to be several years from now. Many a fellow who counted his assets up, and smiled in satisfaction at the top of some of the memorable market sprees of the past, lived to see the day when he was glad to have a few customers, on whom he could count for some orders and some commissions. And what kind of customers were they Were they the "free riders," the "quick turners," and the "get me rich quick" boys? No, they were the kind of security buyers that were more interested in the old fashioned triumvirate, that all of us learned about years ago—SAFETY OF PRINCIPAL, INCOME, AND MARKETABILITY IN KEEPING WITH THE NEEDS OF THE INVESTOR. They were the kind of people that were *not* interested in watching the market every other minute of the day.

And the woods are full of this type of security buyer—even today. All you have to do is to go after them. The investment trusts are proving, through sales running into the hundreds of millions, that people will buy securities for income today. The savings banks are loaded with cash. Most of it is earning not over 1½%. Even a four percent return looks high when measured against such a low yield. Of course, people in the higher income brackets are not interested in income. That is only natural under today's penalizing tax laws which lay an inordinate burden upon those who have large incomes.

But there are more investors with sums ranging from $3,000 to $10,000 seeking investment today than any other time that we can recollect. Mortgages are being repaid, frozen real estate is thawing out, and this too is piling up cash for investment.

One dealer in a northern city in New York state, decided to find a method of uncovering some of this income seeking cash. First, he hired two new salesmen. He gave them enough small accounts of his own so that at the beginning they were able to get into production promptly. Next he secured a list of BUSINESS and PROFESSIONAL women who are reputed to have incomes of $2,500 per year and above. He also acquired another prospect list of several thousand persons in his community that had an annual income of $7,500 and above.

He devised an attractive printed card that folded over and could be mailed by using one cent pre-cancelled stamps. This card had a perforated return that the recipient could use for reply. The offering was based upon INCOME. A strong local company, that was well known to everyone in that city was briefly described, and the opportunity for securing four percent return was emphasized by contrasting this income return with prevailing interest rates of about 1½%. The new salesmen are beginning to do business because they are working the leads that have been brought in by this mail campaign.

This dealer is building his business the right way. He is adding small investors that are primarily concerned with getting a fair return on their investments. They are the kind of clients that you can count on in bear markets—they aren't watching the world go to hades on a ticker tape. What they want to know is where is my dividend check; and as long as they get it THEY'RE HAPPY.

Western Development Corp. Open in N. Y.

Announcement is made of the formation of Western Development Corp. to deal in investment securities from offices at 120 Wall Street, New York City.

Sidney H. Fischer, formerly with Strauss Bros., is associated with the firm as manager of the trading department.

J. Lee Peeler Forms Own Firm in Durham

DURHAM, N. C.—J. Lee Peeler has formed J. Lee Peeler & Co., Inc., with offices in the Trust Building to engage in a securities business. Mr. Peeler, who will be President and Treasurer of the new organization, was formerly an officer of the First Securities Corporation.

Lion Oil Common Offered by Blyth & Co.

An underwriting group headed by Blyth & Co., Inc. offered to the public April 3 150,000 shares of Lion Oil Co. common stock at $34 per share. Of the proceeds from the sale, the company expects to spend approximately $1,250,000 in the construction of a still at its refinery at El Dorado, Arkansas, for the manufacture of petroleum products by catalytic cracking and treating by the use of the Houdry Process. The remainder of the proceeds, with treasury funds, will be used for expansion of drilling and exploration activities. Lion Oil Co. is engaged in the production, purchase, sale, transportation and refining of crude oil and its products. Crude oil is produced in Arkansas, Kansas, Louisiana, Mississippi and Texas. The Arkansas production is run to the company's refinery through its own pipe line system.

Gross operating income of Lion Oil Co. in 1945 amounted to $22,963,713 and net profit was $1,670,689. The company paid dividends on the common stock amounting to $1.40 per share in 1945 and for several prior years dividends were paid at the rate of $1 per share annually.

Bradford Eyman With The Marshall Company

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, WIS.—Bradford Eyman has become associated with the Marshall Co., 762 North Water St. Mr. Eyman has recently been engaged in the manufacturing industry. In the past he was with Wm. P. Harper & Son & Co. of Seattle and was an officer of Patten, Eyman & Co. in Seattle. Prior thereto he was with Drumheller, Ehrlichman & White.

John A. Eifert, previously with A. C. Allyn & Co., has also joined the firm's staff.

New Bond, McEnany Partnership Formed

As of April 11th, a new partnership will be formed under the firm name of Bond, McEnany & Company, with offices at 60 Beaver Street, New York City. Partners will be Allan Bond, Bernard J. Conlin, Clarence A. Millner, Benedetto Lopinto, Richard A. Springs, Jr., Sterling S. Beardsley, member of the New York Stock Exchange, general partners, and W. E. Cliff-McCulloch, limited partner.

Mr. Beardsley was formerly a partner in Hazlett, Burt & Watson; Mr. Bond in the past was a member of the former partnership of Bond, McEnany & Co. Mr. Springs at one time conducted his own investment business in New York City. Other members of the new organization were members of the former partnership of Bond, McEnany & Co.

New York Stock Exchange Weekly Firm Changes

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

Privilege of Daniel G. Condon to act as alternate on the floor of the Exchange for Henry S. Allen, Jr., Garvin, Bantel & Co., was withdrawn on March 31st.

Privilege of Edward Gutekunst to act as alternate for Harry I. Nicholas, Jr. of Benton & Nicholas was withdrawn March 31st.

Dana S. Lamb retired from partnership in Ingalls & Snyder March 31st.

Interest of the late Marian B. Heath, limited partner in Thomas Marsalis & Co., ceased on Feb. 21st.

Holds Manufacturers Reluctant to Produce

(Continued from page 1783)

many others are known to have shifted to new models and products which offer better prospects of profits than some of their regular lines. The distinct possibility of further upward price adjustments, in fact, is in itself an important hindrance at present to large-scale production and distribution of goods.

At the time the war with Japan ended, there were widespread predictions that new all-time records in production, especially of consumers' durable goods, would be established during 1946 because of the greatly expanded productive capacity available, plus a considerable backlog of effective demand. In recent weeks, however, many firms have lowered their sights for 1946 as delays caused by strikes, material shortages, and labor shortages have become increasingly serious. Many businessmen in this district now report that this year's production may not even reach the best prewar levels attained in 1941, if current industrial uncertainty and strikes are prolonged much further. The farm equipment industry, for example, had planned a new record volume of farm equipment in 1946, but major firms now hope only to be able to equal 1945 output, which was considerably under the record high of 1941. Automobile manufacturers, moreover, who early last fall believed they could attain a rate of 5 to 6 million cars a year by this spring, currently have lowered their expectations to 3 million vehicles.

"While businessmen continue to have utmost confidence in the existence of a huge backlog of demand for many of their products, some questions are now being raised as to the ability of most consumers to finance more than one important consumer durable good purchase at any one time, especially at present and expected price levels. In other words, while most consumers may be anxious to own a wide variety of new products, including automobiles, furniture, and appliances, it is highly unlikely that the bulk of them will be able or willing to finance from current income, or buy from accumulated savings, more than a very limited number of items at any one time. As a result, more attention is being given to the probable order in which these purchases will be made. Industries and firms which have the earliest production may have certain marked advantages over others in tapping the so-called backlog of demand, as it applies to any particular family unit. The necessity for consumers to buy many goods in sequence rather than all at once promises to level off, and probably to extend the duration of, the backlog of demand as it is now viewed by some business firms. This foreshadows a return to active sales competition in many lines perhaps sooner than now expected."

Effect of Labor Disputes

Continuing its analysis, the bank notes that "Not only has Seventh District production declined and the number of idle from strikes and demobilization mounted since the first of the year, but the effects of wage-price-profit controversies can also be seen in the financial status of some business firms, accumulated savings of many individuals, and consumer expenditures, particularly in the industrial areas most seriously hit by work stoppages.

"At the end of 1945, some four months after V-J Day, business firms in the nation and in this district on the average had a stronger liquid position than they did the month following V-E Day. This average betterment of current position was due in no small measure to the speed with which war contract terminations have been handled. A sample study of over 4,000 terminated contracts reveals, moreover, that requests for advance payments of any kind were made in less than 10% of the cases. T loans through the Federal Reserve Banks and partial payments by the armed services have been available within an average of two weeks after application, so that companies have not been obliged to wait for actual terminations to receive cash. In addition, in January and February of this year business firms in the nation cashed over a billion dollars in excess profits tax refund bonds.

Financial Positions Weakened

"The average improved financial position of businesses between June and December, 1945, however, should not obscure the fact that some companies have behaved counter to trend, particularly during the last few months. Companies whose financial position weakened after June, 1945, fall into two main groups, namely (1) those which were inherently weak throughout the war, and (2) those, mainly in metal working, which expanded considerably during the war and which have since been shrinking back to their prewar size. The general weakening in financial status in the last few months is due largely to the slowing up of reconversion progress attendant upon strikes and uncertainty over the Government's wage-price-policy. For most companies the recent common decline in current assets is by no means serious, but a number have begun to experience some financial difficulties. Curtailed production and output for inventories rather than sales, pending reconsideration of price requests by OPA, have caused recent financial statements of many companies to show losses and a deteriorating current position.

"The cushioning effect of accumulated savings upon individual expenditures and community business life during periods of work stoppages has been amply demonstrated during the current unsettled phase of reconversion in the Seventh Federal Reserve District. Equally apparent, however, is the fact that accumulated savings, once used to maintain families and communities affected by work stoppages, cannot be counted upon later for purchases of consumers' durable goods or for support during any future periods of unemployment. Gary, Indiana, District steel center, and Flint, Michigan, key city in the UAW-General Motors controversy, are two important illustrative Seventh District industrial areas which have experienced widespread strikes in their principal manufacturing plants. The steel strike extended 28 days from Jan. 21 to Feb. 17 for the basic metal producers, and is still in progress for steel fabricators. The General Motors strike continued 113 days, from Nov. 22 to March 13. Primarily because of accumulated savings of workers and their families, the extension of considerable credit by business firms, and the availability of some funds from public and private sources to aid destitute workers and their families, general business activities in Gary and Flint have been maintained at unexpectedly high levels despite the complete shut-down over extended periods of basic income-producing plants."

"Our Reporter on Governments"

By JOHN T. CHIPPENDALE, JR.

The statement last week by Secretary of the Treasury Vinson that the preferential discount rate should not be abolished at this time, bolstered a confused and jittery Government securities market. . . . The announcement that one of the large New York City banks would increase the acceptance rate from ½% to ⅝%, was all that was needed earlier in the week to soften up a rather thin, inactive and uncertain market. . . . Why the increase in the acceptance rate should have had a dampening effect on the whole Government market is not readily understandable. . . . It only affects the short-term part of the market, and more particularly the large money centers' deposit institutions. . . . By increasing the rate by ⅛%, the large commercial banks or others that may follow this policy on bankers' acceptances will be in a position to increase their earnings very slightly. . . .

The short-term section of the Government market has been, and still is, in the process of adjusting its position to the new conditions created by the Government's debt retirement program and the regaining of control by the Federal Reserve Banks over the money markets. . . . It is apparent that the minor stiffening of short-term rates will affect all factors in the near term market, but these elements will sooner or later become adapted to the new developments without too much disturbance in the market. . . .

NOT IMPORTANT

Although the opposition of the Secretary of the Treasury to a change in the preferential discount rate had a good effect on the Government securities markets, it is believed in some quarters that this rate could be eliminated any time without causing more than very temporary uncertainty in the market. . . .

The borrowings for one year or less are not large and it is very doubtful that the big banks would borrow for any great length of time. . . .

About the only effect the abolition of this rate would have would be on the borrowings of brokers and dealers on Government obligations and loans to others for carrying Government securities. . . . The rate of these loans would no doubt be increased with the elimination of the preferential rate. . . . It would hasten the stiftening of short-term rates and would be beneficial mostly to banks in the large money centers. . . . It would not have any lasting effect on long-term rates. . . .

TO CONTINUE PAST POLICY

Secretary Vinson's reluctance to discuss the future level of interest rates and his stand that he would rather see the suggested changes in reserve requirements before commenting on them, indicate no immediate change in the Treasury's method of solving the debt problem and this means low interest rates and no increase in the debt burden. . . .

While short-term rates will rise, there will not be enough change, at least in the immediate future, to result in an increase in the debt cost. . . . The ⅞% certificate rate will continue to be used as in the past. . . . Long-term rates should not be affected by changes in the near-term rates. . . .

The position that Mr. Vinson took on proposed changes in reserve requirements indicates that no legislation on this subject is likely during 1946. . . .

QUESTION AND ANSWER

Reserve balances of the member banks will be reduced by the refunding operation and the action of the Federal Reserve Banks, which are again in a position to control the money markets because of the debt retirement program. . . . This poses the question will long-term rates be affected by changes in the short-term rates? . . . With reference to the bank eligible bonds of longer maturity it seems as though the deposit banks will not sell obligations that show them a yield of 2.00% or better. . . .

There is nothing these institutions can buy to replace the longer-term Government bonds they would sell, and the pressure to maintain earnings means very little liquidation of long-term bank eligibles by the commercial institutions. . . .

SUPPLY AND DEMAND

With reference to non-bank investors and their holdings of bank eligible intermediate- and long-term bonds the amount of liquidation of the eligibles by these owners will depend largely upon what the Treasury will do in the way of new offerings to ultimate investors. . . . There are still very large amounts of funds seeking investment and this money exceeds the available supply of securities which, unless something is done to increase it, will result in higher price levels. . . .

This probably means that non-bank investors will not be heavy sellers of bank eligible bonds, unless they can get very fancy prices for their issues or are preparing their short-term position for possible new financing by the Treasury. . . . Cash funds will be used up first for purchase of restricted bonds by institutional buyers, although some very satisfactory switches out of bank eligibles into restricted bonds, which have improved income, have been and are still being made. . . .

WATCH FOR WEAKNESS

As to the restricted issues, the insurance companies and savings banks will not be interested in selling any of their obligations, since the funds they have for investment are very substantial. . . . They are always on the lookout for buying opportunities. . . . There has been some liquidation recently by ultimate investors, corporations and speculators of restricted issues, and this selling will probably be more pronounced after May 15, when their positions in the bonds purchased in the Victory Drive become six months' holdings.

This could result in some minor price adjustment in the most recently issued 2¼s and 2½s. . . . It should be a good buying time if any price weakness should develop in these bonds. . . .

As a whole it seems as though the demand factors are greater than the supply factors in the long-term Government bond market and therefore prices for these obligations should be stable to better. . . . It seems as though the change in short-term rates will have no important effect on long-term rates. . . .

MARKET PERFORMANCE

The combination of a good institutional demand and small offerings have again resulted in a sensational spurt in the restricted bonds. . . . The full daily limit gains of 8/32nds are again in style for these obligations, which continue to make new all-time highs. . . . The so-called strike of institutional buyers has now given away to the usual scramble to buy up the available supply before prices move higher. . . .

The extent of the rise in price and decline in yield, whether it be to a 2.15% basis or 2.00%, is now largely up to the institutional buyers of these securities. . . . The Treasury cannot lose by doing nothing and watching the show since the continued decline in yields of restricted bonds means that new financing when it does come along will be at a lower rate, which decreases the debt burden. . . .

Aside from the demand which exists for the longest bank eligible bond, these obligations still continue to be under pressure as non-bank investors move out of these securities into the ineligible issues. . . .

Schram Calls Attention of Listed Companies to Listing Requirements

President Emil Schram of the New York Stock Exchange, in a letter March 21 to the President of all companies with securities listed on the Exchange, called attention to its listing agreements, and in particular to one relating to "prompt publication of any action taken by companies with respect to dividends, the allotment of rights to subscribe or other rights or benefits pertaining to the ownership of listed securities. Mr. Schram added:

"I am sure you agree that when such action is taken the public generally has the right to know of it at the earliest practicable moment.

"As indicated in the agreements themselves and the accompanying guide, the Exchange interprets 'to publish promptly' as meaning an immediate release to the public through the press services by telephone or telegraph. Prompt notice to the Exchange is also required."

It was stated in the New York "Times" of March 22 that the action was prompted by delay early that week of the announcement by a corporation that it would omit the dividend on a particular class of its stock.

In part Mr. Schram's letter said:

The rapidity and variety of events incident to the change-over of American industry from war to peace, and the consequences of this readjustment in the programs of many businesses, prompt this letter in regard to some of the matters which are of special interest to all listed companies, their security holders and the New York Stock Exchange.

As you are well aware, your Company and others listed on the New York Stock Exchange have adopted numerous policies in the interest of security holders and the investing public generally. Many of these policies are not codified by any set of rules, but represent the application, by progressive management of publicly owned companies, of the principle of prompt and full disclosure of important corporate developments. Some of these policies have been incorporated in the agreements which companies have made with the New York Stock Exchange at the time of listing their securities.

In view of general conditions today, and the resulting changes in financial policies on the part of a considerable number of listed companies, and, further, because of changes in personnel coincident with the return of former service men and women, I believe it would be helpful to listed companies to have the enclosed up-to-date copy of the current form of the Exchange's listing agreements, together with a guide which has been prepared to facilitate the work of those in your organization charged with day-to-day relations with stockholders and the New York Stock Exchange.

Mr. Schram stated that he "did not wish to overemphasize" any particular feature of the agreements but wanted to explain particularly that which we indicate further above.

Publicker Industries Stock Marketed

Offering of 400,000 shares of common stock ($5 par) of Publicker Industries, Inc., was made April 3 by an underwriting syndicate headed by Merrill Lynch, Pierce, Fenner & Beane. The stock was priced to the public at $23 per unit. The offered shares are issued and outstanding and are being sold for the account of certain stockholders. No proceeds from the sale will accrue to the company.

The company was incorporated in 1913 in Pennsylvania under the name Publicker-Ward Distilling Co. The present name was adopted in 1945. Business of the company may be divided into two principal lines—production and distribution of industrial chemicals and the production and distribution of alcoholic beverages and, in connection therewith, distillers' dried grains and solubles. The company also is engaged in the shipping business through a subsidiary, Paco Tankers, Inc., and it has a 50% interest in two ship management companies.

Consolidated net income of the company and subsidiaries for the year 1945 amounted to $3,558,336, compared with $3,715,904 in the previous year.

Goverment Cooperation With Small Business

(Continued from page 1787)
you start beating the drums for any group, be sure it's free and not monopoly.

Your real self interest lies in working night and day at making our economy freer than it is today. You, along with other like-minded groups and all units of government, should deliberately encourage the enterprise of the many.

You have an abiding interest in the policies and actions of your Government. Even the most reactionary conservative agrees that fiscal, taxation, tariff and monetary problems must be lodged with the Government and decided by the elected representatives of the people. No government can escape its responsibilities in these fields. Up to 1860 the main struggle in American politics was over the distribution of powers in the American system of government. These years were spent in consolidating the constitutional system upon a broad democratic basis. From 1860 to the present the great debates in American politics have been concerned less with the form of government than with the functions of government, such as regulation of railroads, corporations, money, taxes, wages, in short, things that affect the economic welfare of the people. How much regulation — how much freedom — has been the question. How to balance public welfare and individual liberty. Although the debate still goes on the people have decided that they expect to protect their economic freedom as well as their political freedom through their government.

You should remember that government is you. It is a cross-section of society and its composition and conduct are likely to be that of the social force and attitudes from which it comes. Charles E. Merriam, the distinguished University of Chicago political scientist, says, "Government is the oldest and in some ways the best tried, agency of mankind and whatever its temporary aberrations may be, and they are many, there is no reason to conclude that government cannot be kept abreast of the advancing waves of human progress . . . the aim of government is freedom and order."

You are bothered most by regulations of government that are a hangover from wartime controls. Price and wage regulations and some allocations and rationing remain. Even though these controls are irksome and you may not like them and think them unnecessary, remember that in the face of violent and intemperate opposition they have been continued because the unusual war conditions that made them necessary are still present and the Congress has decided up to now that they are in the interest of the country. Price control will pass along with allocations and rationing when supply and demand again assert themselves in a normal fashion.

It is probably fair to say that minimum wage laws and participation of government in wage regulation and conditions of work will continue because they are wanted by the people.

If monopoly and undue concentration of economic power did not exist in this country there would be much less demand and need for regulation of business and labor. Big business and big labor are probably here to stay and because of their far reaching effect on the lives of millions of our citizens there is and will continue to be demand for Government intervention in their relations. The freer we keep businesss enterprise and the greater the competition, the less demand there will be for Government regulation.

Government Regulation With Reference to Small Business

Such Government regulation as we have and what may be necessary in the future, I believe, will be planned and administered to take into account the problems of small business. A lot was learned during the war. The Congress, the Administration, and both major political parties, have declared themselves for policies that will foster the development and growth of small business. Small business has a better chance to grow and prosper under some regulation by a government responsible to the people than it would have under the regulation of great corporations that have no responsibility to any one. If there were no regulation, monopolies or near monopolies could decide at will which businesses should live and which should die. Government regulation has two sides—what we should strive for is a reasonable balance between the public good and individual business freedom. As a citizen of a country where responsible democratic government exists, you can help determine what that reasonable balance shall be. What the proper balance is will vary from decade to decade—the only thing certain is change. Small business and government must keep abreast of human progress.

Government policy has far reaching effects on our economy—the Homestead Act following the Civil War and the building of the railroads in that era brought immeasurable benefits to the development of our country. The public road policy following World War I made possible the great automobile industry and the development of business along highways—including restaurants. Future Government policy on airports and airlines and in fostering the development and application of new scientific knowledge may open new horizons for business. This may be particularly true in the further development and application of atomic energy and radio-active materials involved in nuclear physics. Because of the untold business, medical and other civilian possibilities in the field of atomic science, the control must rest with a civilian agency of government and not the military who in their zeal for secrecy will stifle further development of both the military and civilian applications of this new science. No great scientific advance has ever been made under military control and none is likely. It is against every American tradition of 150 years to turn over to the military the control of such an important economic, scientific and military discovery. The bomb is only a by-product—the least important of the scientific possibilities. To argue that the military should control atomic science is like saying they should control steel, oil, medicine, and food, because these things are also vital to military operations. Small business — the restaurant business — has a real stake in this new science and you should insist that Congress provide for complete civilian control that will encourage the fullest realization of all its possibilities.

I would like now to turn from this general discussion of your relation to consumers and your Government, in order to outline to you our general views on what we think is the task ahead. I will also give you the plans the department is making to play its part with business in this task.

The Job of Department of Commerce

It is the job of the Department of Commerce to provide all possible services that business can't provide for itself, to speak for business in Government, and to work for a climate of public policy favorable to business expansion.

I am happy to inform you that the Department of Commerce has recently been reorganized by Secretary Wallace to implement vigorously this general program, with special emphasis on aid to small business. I shall speak in more detail about this later.

As has been shown by economists in the Department of Commerce and elsewhere, it is vitally necessary in the postwar period that business prosperity be sustained at a high level so that we will have a period of stable, full employment—and that means that business must be able to provide 50% more jobs than it did before the war.

We all want a sustained high level of investment, of production, of employment, of profits. The question is, how are we going to get it? Obviously, the answer isn't the simple one of raising wages, then raising costs, then raising prices, and going on into a vicious spiral of inflation. What we do not need is a genuine increase in mass purchasing power. We are up against nothing less than the necessity for raising the American standard of living well above prewar levels—and that means making more goods and selling more of them to more people than ever before.

It is our belief in the Department of Commerce, and I am sure that you people share this belief with us, that there is a very definite and very close relationship between high wages and general business prosperity. When wages drop, purchasing power declines, business falls off and depression sets in, which, as you know, works a particular hardship on the small businessman.

Conversely, when the people have money to spend and prospects of steady employment, the nation's economy expands, and this means increased profits not only for big business, but for little business as well. When our economy expands, the opportunities of small business multiply.

We must be careful here to distinguish between an expanding economy and a short-lived "business boom." And this is where the question of relation of wages, prices and profits comes in. A business boom, built upon inflation, is like a house built upon the sand. It cannot last. It soon collapses. And when it does collapse it is the small businessman who feels the pinch first and hardest and who is the last to recover from its effects.

Inflationary Boom Can Be Avoided

We believe that an inflationary boom can be, and must be, avoided if our system of free enterprise, of opportunity for small business, is to survive and flourish. The path that we must follow in achieving this aim of an expanded economy, without an inflationary boom, is not easy. To begin with, we may as well agree that the Government can't get it for us. We can't spend our way into good business conditions just by dipping freely into the Federal treasury. We can't legislate full employment and full production into existence.

At the very most, government can do no more than make it possible for our free economy to operate at full speed. What government does in that field can be extremely important, and I doubt that we can get a sustained level of prosperity unless government does its part wisely and efficiently. But in the last analysis of a free competitive economy has to be what its name implies—an economy that depends for its dynamic power on the free play of market forces to effect the best utilization of the nation's resources. It must be an economy that is determined to the utmost, and it must find within itself the leadership that will carry it on to higher levels of production.

When we talk about moving ahead to a higher and more permanent kind of prosperity than we have ever had before, we are talking about a program in which business must take the initiative and bear certain risks. It is up to government to encourage that initiative and to cushion those risks. The program of the Department of Commerce is based upon that assumption. We want to make it possible for business to do those things which only business can do.

If we follow the road to a more permanent kind of prosperity there are several sign-posts that we must heed. In the first place, inflation must be kept under control. This means that price controls must be maintained on many lines of goods where severe shortages now exist, and we must adhere to these price controls until production and demand are more nearly in balance.

In order that the nation's purchasing power will not decline wages must be kept at a high level. This nation's production machine is geared to a high level of consumer purchases and the machine cannot long function if the nation's workers cannot afford to buy the products offered for sale.

Satisfactory Profits Essential

At the same time, I wish to emphasize that satisfactory profits for stable enterprises and higher rewards for venture capital in new undertakings are indeed most essential.

All of which is simply another way of saying that the salvation of American industry—and of the American economy and our free enterprise system itself—lies in a process which is perfectly familiar to all of you: Technological improvement, greater productivity, expanded production, expanded consumption and higher profits based on high volume rather than high prices.

It has long been an axiom of American business that the genius of mass production must be coupled to the widest possible distribution through lower prices and mass markets. It is only through adherence to this essential American belief that sustained prosperity can be attained.

America has always been for its people a land of new frontiers. The very greatness of our democracy lies in the incontestible fact that nowhere else in this world has the equality of opportunity been so pronounced.

It is true that during the war the lot of many small businessmen was not a happy one. Many businesses closed their doors, and the reasons are not hard to find. For one thing, many a small businessman was called to war. He had no choice but to board up his business and take up the fight. Many a small businessman closed up his shop to take more profitable work in a war plant. And others dropped out of the race because the exigencies of the war imposed more restrictions than they could stand.

Business failures are not only a personal misfortune, but a public one as well. For the nation as a whole each failure means the loss of a certain amount of capital and credit; it means a lower standard of living for one or more people through unemployment; and to other businessmen with whom the failing company dealt it means the loss of a customer for goods, materials, products and services. A continued high rate of mortality among small businesses could rob our whole economic system of its vitality and ultimately of its freedom.

Early in the war the Government recognized the truth of this concept. Congress set up a Small Business Committee in both the Senate and the House and legislation was passed creating a Smaller War Plants Corporation to aid small concerns in procuring war contracts and obtaining materails and facilities necessary for fulfilling these contracts.

Now that the war is over every encouragement possible must be given to small businessmen, to retailers, distributors, factories, and operators of services. These small businessmen, who represent 93% of our business population, sell 30% of all the goods and materials we produce, service about 90% of the nation in countless different ways, and support big business by buying its raw materials and finished products for manufacture, distribution and sale—these small businessmen have as in the past, been left too much to shift for themselves.

Program for Small Business

It is the belief of the Department of Commerce that something realistic and concrete can and should be done for the small businessman. After making a long and careful study and with the help of the department's Small Business Advisory Committee, Secretary Wallace has submitted to Congress some very definite recommendations outlining a plan designed to serve business as fully and as effectively as possible.

In general, the plans submitted to Congress, calls for furnishing to all business, particularly small business, the following services:

1. General business information based on Census and Office of Business Economics data covering, among others, such subjects as: National income and product studies, business outlook reports, reports on state and regional economic conditions, a census of business every five years, annual sample business census, and monthly report on sales.

2. The most up-to-date management aids based on the experience of successful businesses covering such items as cost of distribution, display, pricing, trade practices, finance and tax problems, know-how for newcomers in starting a specific type of business (our bulletin for veterans prepared in cooperation with your association on "Establishing and Operating a Restaurant" is an example), marketing, production, methods of selling, training personnel, location, buying procedures, capital requirements and sources, general business policy and administration, and full and complete foreign trade information.

3. Technical assistance that will enable the small businessman to keep abreast of new scientific developments in his field. This service should be comparable to that now made available to farmers by the Department of Agriculture.

4. Every assistance possible in credit and tax problems. Although the Department of Commerce does not control Federal credit and tax matters, it proposes to use its influence to encourage the furnishing of adequate and reasonable credit to small business and the adoption of a Federal tax policy that will encourage the growth and expansion of small business. In this connection, the Small Business Advisory Committee and the Secretary have made recommendations on both credit and taxation.

5. An adequate field service to furnish the small businessman all these services at a convenient location in his own state as accessible to his own community as funds will permit. Through letters, telephone, and personal visits by our field staff the services of the Department will be as accessible to the small towns and cross-roads store as they now are to the big cities and the great corporations.

6. An Office of Small Business in Washington to organize and direct all services to small business utilizing all the facilities available in the Department and the Federal Government generally.

Some of these business services are now available while others cannot be completely available until approved and financed by the Congress. I am happy to say that Congress has given your Department a sympathetic hearing and we hope for the approval of most of this business service program. It is a program developed for business, with the aid of business, for the fullest use of business.

The small businessman is the very bone and sinew of our economic system. Our nation cannot prosper for long unless he prospers, and the converse is also true, that the small businessman cannot prosper unless there is maximum production and maximum employment in our land.

The welfare of the small businessman is so closely tied up with that of our nation, of our people as a whole, that I cannot urge upon you too strongly that his only salvation—indeed, the salvation of our economic system as we know it—is dependent upon our adherence to these principles that will lead us to a sustained high level of prosperity, namely, increased productivity, improved products, expanded consumption and higher profits based on high volume rather than on high prices. This is the key not only to your own success, but to our nation's prosperity.

We can achieve this prosperity we all so much desire if we can restore the unity between business, labor, agriculture, the consumer, and Government. A peacetime unity like the wartime unity between these principal segments of our national life can be achieved only if each understands the other and only if all can reach an understanding of common goals for America.

Let us all seek such understanding and reach agreement on common goals.

John Ott Rejoins Security Adjustment

BROOKLYN, N. Y.—Security Adjustment Corp., 16 Court Street, announces that John Ott, having returned from service with the armed forces in the Pacific, has rejoined their firm and has been appointed Public Relations Manager for the purpose of expanding the services to its clientele.

Hugh & Scholle Rejoin Warner Organization

Clinton J. Hugh and Jacques Scholle have returned from service in the Army and rejoined J. Arthur Warner & Co., 120 Broadway, New York City, in the firm's institutional service department.

Corwin Fergus Dies

Corwin A. Fergus, Vice-President of Institutional Securities Corp. of New York, and former Deputy Manager of the Federal Savings & Loan Insurance Corp., died suddenly in Philadelphia on March 31. He was 52 years of age. Born in Columbus, Ohio, he was a graduate of Ohio State University and a former President of the Columbus Real Estate Board. He served in World War I as a Lieutenant with two years of active duty overseas. He resided at Fleetwood Acres, Bronxville, N. Y.

J. O. Winston Partner In Rowles Co. of Houston

HOUSTON, TEX.—J. O. Winston, Jr., is a limited partner in Rowles & Co., Bankers Mortgage Building. Mr. Winston was formerly a Major in the Air Corps; prior thereto he was Vice-President of the Navarro Oil Co. Formation of Rowles & Co. by Russell R. Rowles was previously reported in the "Financial Chronicle" of March 28th.

Public Utility Securities

(Continued from page 1788)

Gas, Community Public Service, Florida Power, Idaho Power, Indianapolis Power & Light, Missouri Utilities, Mountain States Power, Pacific Gas & Electric, Public Service of Indiana, Public Service of New Jersey, San Diego Gas & Electric, Southern California Edison, and General Telephone. The list may not be complete, of course, and might be subject to change as further rate reductions are announced, but these stocks seem to be worth consideration by investors.

Alexander Smith & Sons Carpet Co. Preferred and Common Stock Issue in First Public Offering

In the first public distribution of the securities of Alexander Smith & Sons Carpet Co., an underwriting group headed by Morgan Stanley & Co. and Dominick & Dominick on April 3 offered 50,000 shares of the company's 3½% cumulative preferred stock ($100 par) and 156,312½ shares of new common stock. The preferred stock was priced at $103 per share and accrued dividends and the common stock at $31 per share.

The company, which was incorporated in New York in 1873, traces its history back more than 100 years to a business founded in 1845 by Alexander Smith in West Farms, N. Y. Proceeds of the present financing will be added to the company's resources to be used in part for additional working capital and in part for expanding and modernizing the company's manufacturing facilities and those of Sloane-Blabon Corp., its principal subsidiary. This program is expected to reduce manufacturing costs, provide for new developments in production methods and to increase the output of both new and established products.

The company's plant, located in Yonkers, N. Y., is the largest single unit in the country engaged in production of wool floor coverings. Sales of the company were $30,617,431 in 1945 and net profit amounted to $1,154,953. Sloane-Blabon, which manufactures linoleum and felt-base products, reported sales of $8,190,736 for 1945 and net profits of $352,455.

Standard Factors Issues on Market

A group of underwriters headed by Sills, Minton & Co., Inc., on April 1 offered on a unit basis a new issue of $750,000 4¾% 15-year convertible subordinated debentures and 22,500 shares ($1 par) common stock of Standard Factors Corp. Each unit consists of one debenture in the principal amount of $1,000 and 30 shares of common stock, at a price of $1,050 per unit plus accrued interest on the debenture from Dec. 31, 1945, to the date of delivery.

Opportunities in Latin America for U. S. and British Investment

(Continued from page 1786)

money hopefully placed in Latin American companies and lent to their governments or their corporations through dollar bonds issued in the U. S. For Great Britain the figures used as signifying British investments are, generally, those securities listed on the London Stock Exchange, supplemented by other information.

I.—Total British and U. S. Investments in Latin American Countries
($000,000)

	U. S. 1940-1941	British 1940	British 1944
Argentina	570	1,684	1,501
Bolivia	80	----	18
Brazil	468	1,029	925
Chile	593	332	202
Colombia	235	23	31
Costa Rica	31	15	18
Cuba	617	130	111
Dominican Rep.	49	----	----
Ecuador	5	17	15
El Salvador	15	5	6
Guatemala	71	43	43
Haiti	18	----	----
Honduras	*38	7	4
Mexico	358	695	556
Nicaragua	9	2	2
Panama	49	----	----
Paraguay	5	13	11
Peru	136	118	116
Uruguay	44	158	178
Venezuela	262	76	74
Total	3,653	4,347	3,811
†Other	66	64	39
Total	3,719	4,411	3,850

*Including British Honduras.
†For the U. S. this figure is called simply "South America and Central America." In the British figures it is called "Banks and Shipping." In no instances are these figures distributed by countries.

As shown in Table I, the investments of the U. S. and Great Britain are roughly comparable, and are **minimum** estimates. Since the British figures are available for 1944 as well as for previous years, an examination of these latest figures gives an up-to-date picture of that country's large stake in Latin America. It is obvious that British investments were larger than those from this country. (U. S. figures are for 1940-1941, while British figures are for 1940.) A large amount of this difference is due to the fact that defaulted Mexican dollar bonds were not included in the U. S. figures.

On the other hand, total British investments decreased in 1944, but too much emphasis should not be placed on this as a trend. For Bolivia was not included in 1940, and it was Bolivian tin which gave the highest yield to British investors. This important item appears in 1944, when the British money in Bolivia is shown at $18,000,000. Furthermore, the reduction of complex financial and industrial activities to dollar and pound figures can not always be confined within specific national boundaries. For this reason, doubtless, figures for both countries include undistributed amounts called "South America and Central America," and "Banks and Shipping." With all these and other possible qualifications, the fact remains that Latin America has received at least $8 billions of U. S. and British money.

To investors, important questions are: which individual countries have absorbed the greatest proportions of U. S. capital? And which countries account for the highest percentage of British capital? Which fields offer the largest returns?

Guides to the Future

The answers to these questions give guides to the future areas for venture capital expansion and for appraising present holdings. By arranging the Latin American countries by the size of amounts placed there, and limiting the table to the largest five countries, a comparison can easily be made of the favorite fields of investment.

II.—British and U. S. Investments in Five Latin American Countries
($000,000)

1940 Country: *U. S.—		1940 Country: British—		1944 Country: British—	
Cuba	617	Argentina	1.684	Argentina	1,501
Chile	593	Brazil	1.029	Brazil	925
Argentina	570	Mexico	695	Mexico	556
Brazil	468	Chile	332	Chile	202
Mexico	358	Uruguay	158	Uruguay	178
Totals	2,606		3,898		3,362
Totals per Table I	3.719		4,411		3,850
5% to totals	70%		88%		87%

*U. S. figures are for 1940-41.

As shown in Table II, the U. S. had invested over $2½ billions, or 70% of its total Latin American funds in five countries: Cuba, Chile, Argentina, Brazil, and Mexico, in that order. As mentioned previously, the U. S. figures do not include Mexican dollar bonds, and take no account of the agreement providing for cash payments to U. S. bondholders. If the Mexican dollar bonds had been included, Mexico would have been higher on the list; but nevertheless, it still ranked within the first five. Great Britain's five favorites in Latin America accounted for an even larger proportion: Argentina, Brazil, Mexico, Chile, and Uruguay, in that order, accounted for 88% in 1940 and 87% in 1944 for the total British investments in Latin America. Both investing countries, as is shown in the table above, have a high degree of concentration for their funds, although British funds are more concentrated than are those from this country. Consequently British funds are larger than those of the U. S. for these five countries, amounting to nearly $3,900,000,000 in 1940 and $3,400,000,000 in 1944.

To those who lightly dismiss the influence of Great Britain in international trade this table brings out another fact which indicates clearly the size of British investments, and the similarity of U. S. and British interests in Latin America. For Table II shows that U. S. and British investments lie chiefly in the same countries: Four out of the five main countries are the same for British and for U. S. money. Mexico, Chile, Argentina, and Brazil—these are the four countries where investments are concentrated; here is the area of identity of interest.

Differences Between U. S. and British Investments

After noting these similarities, the evidence then brings out the differences between U. S. and British investments. For Cuba, in the Caribbean, is the fifth main country for U. S. money, and does not appear on the British main lists; whereas Uruguay, in South America, was the British fifth favorite, and comes far down on the list of U. S. investments. This is a significant difference. It is highlighted by our tendency, in speaking of that large slice of the world known as Latin America, to divide it into two areas: first, the nearer (to us) region called variously the Mexico-Caribbean-Central America area, or generally, described more briefly as the Caribbean area (in spite of the Pacific coast-line which several countries possess); and second, the remaining 10 countries which comprise South America.

Due to the great interest evidenced by the U. S. in the affairs of the Caribbean area over many years, one would expect to find that its investments are concentrated more in that region than in South America. For the Caribbean countries have known frequent U. S. intervention in their internal affairs; different countries of the region have been occupied by U. S. forces. On the economic side we depend on this area for agricultural products and raw materials; and the reverse is also true, for these countries depend on us to import from them their main products.

U. S. and British total investments are divided into these two main areas of Latin America in Table III.

III.—Distribution of U. S. and British Investments by Areas
($000,000)

	1940				1944	
	*United States		British		British Only	
	Amount	%	Amount	%	Amount	%
Mexico-Central American-Caribbean	1,255	34	897	21	740	19
South America	2,398	66	3,450	79	3,071	81
†Total	3,653	100	4,347	100	3,811	100

*United States figures are for 1940-1941.
†"Other" not included; therefore totals are totals of individual countries only.

Actually, as shown in the table above, the U. S. had invested 34% of its funds in the Caribbean area, whereas only 21% of British funds in 1940 were located there. In 1944 British money had decreased, proportionately, to 19% in the Caribbean, leaving 81% for South America. Further emphasis is brought to bear on the South American interests of Great Britain by noting that in 1940 there were six countries where the size of British investments was greater in amount than were U. S. investments, and five of these countries were in South America—Argentina, Brazil, Ecuador, Paraguay and Uruguay. Moreover, in spite of the fact that in 1944 **total** British investments declined from the 1940 total, investments increased in Uruguay and Colombia (both in South America), and in El Salvador (in Central America, but with a coastline limited to the Pacific).

The Returns Received

The questions of what dividends have been received, and how returns on investments have held up, can be answered only by breaking these figures into two categories of which they are composed: direct investments, and portfolio or government bonds. For the returns from these two classifications vary widely. In Peru, for instance, the differences were glaring: on U. S. direct investments (that is, funds invested in foreign corporations or entities controlled or owned by U. S. citizens) the return in 1940 was very high—it was estimated to be 17.1%. But the return on the portfolio holdings which totaled $54,000,000 of dollar bonds in 1941 was nil, for all these issues were then in total default. British investors in Peruvian Government bonds were more fortunate, receiving ½% in 1940, which increased to 3.4% in 1944. But British investors in industrial securities received only 1½% in 1940, and only 1.9% in 1944. For Great Britain the categories of direct and government bonds are those securities listed on the London Stock Exchange, which have recently been amplified to include information garnered directly from companies' reports. Since, during the war, the London Stock Exchange removed from its published lists many securities in order to conserve paper, and therefor did not include securities which were, for instance, infrequently traded, these British estimates must be considered as **minima.**

By dividing the previous total investments into these two categories of direct investments and Government or foreign dollar bonds, the result shows clearly that the preponderance of funds from both countries was placed in direct investments, as seen in Table IV.

IV.—Direct and Portfolio Holdings
($000,000)

	United States—1940-1941	
	Amount	% of Total
Direct:		
1. Public utilities and rails	962	26
2. Petroleum	572	15
3. Mining and smelting	512	14
4. Agriculture	359	10
5. Manufacturing	210	6
6. Other	156	4
Total Direct	2,771	75
Portfolio	948	25
Total U. S.	3,719	100

	Great Britain			
	1940		1944	
	Amount	% of Total	Amount	% of Total
Direct:				
1. Railways	1,904	43	1,803	47
2. Miscellaneous	1,165	26	982	25
3. Banks and shipping	64	2	39	1
Total Direct	3,133	71	2,824	73
Government	1,278	29	1,026	27
Total, Great Britain	4,411	100	3,850	100

Portfolio or government holdings account for only about 25% of U. S. and also of British investments, the remaining 75% being invested in industrial securities. The decline in government holdings occurred because several Latin American governments are redeeming their obligations, while others have defaulted, and still others have made adjustments of the original terms. Does this decline mean that the time is now ripe for new government issues by the Latin American nations? Or will the investing countries concentrate increasingly on their direct investments?

The industries into which the direct investments have been placed are reported in greater detail for the U. S. But even after allowing for the fact that British investments are shown for only broad industrial groupings, the preponderance of British funds in **railways** is striking—nearly 50% of British funds in 1944 were located in this category. The yield on railways to British holders was low — 1% in 1940 and 1.1% in 1944. However, the yields on the other two large categories were much higher: the miscellaneous group yielded 2.7% in 1940 and 4.5% in 1944; banks and shipping yielded 4.5% in 1940 and this return increased to 6% in 1944, with **no** issues in default.

Similar details are not available for U. S. direct investments, but in general our experience was the same: the return on public utilities and railways (which accounted for 26% of U. S. investments in 1940) was lower comparatively than for other industries. Mining and smelting, and petroleum (both categories were included in the British miscellaneous group), yielded a much higher return.

The Impact on Individual Countries

After making these detailed comparisons between U. S. and British investments in Latin America, a further factor, inherent in the figures presented, is of great importance: what of the impact of the combined U. S. and British investments on individual Latin American countries: An investment totaling at least $254,000,000 in Peru has an important bearing on the economy of that country, and therefor on the investments in that country. This is true even though the amount was not sufficiently large to bring Peru into the tables of the first five countries of investment. Equally important for Nicaraguan economy is the comparatively small amount of $11,000,000 invested there in 1940 by U. S. **plus** British money. The significance to each country of previous investments there should not be obscured by the fact that, generally speaking, more important focal points are those countries where total investments are larger. When considering future capital ventures in Peru, or in Nicaragua, it is therefor of paramount significance that already $254,000,000 and $11,000,000 of U. S. plus British money is located in those countries, respectively.

This warning to note previous investments is but another way of pointing out the many similarities of interests between U. S. and British investors which have already been shown: the large areas of investment for British and U. S. funds are alike; the four principal countries where their funds are chiefly concentrated are the same; and the proportionate distribution into direct investments as against government or portfolio holdings, is also the same; the total amounts held by British and U. S. investors are approximately equal. Thus the U. S. holder of Latin American securities faces the same picture as the British investor.

Together they have sought outlets for their surpluses, they have had similar opportunities and equal results.

* * *

Conclusions

Some choose to consider these facts as reason for predicting great competition between the U. S. and Britain in the years immediately ahead. But it is generally recognized that gains can emanate only from a consciousness of mutuality of interests. Hence awareness of beneficial results from projects cooperatively undertaken will promote prosperity not only for the U. S. and Great Britain, but likewise for those South American countries where foreign money can build domestic enterprise.

Capital placed in Latin America by friendly interests will lay the foundation for a splendid future. The fact that it is available proves the worth of Hispanic countries as fields for large venture capital. Here funds can build industry and bring excellent results to courageous investors. Latin America will pay dividends!

Spencer, Swain Incorporates

BOSTON, MASS. — Spencer, Swain & Co., 10 Post Office Square, is now doing business as a corporation with Earle F. Spencer, President and Treasurer. Caroline M. Murray is Secretary, and Helena I. O'Toole and Catherine L. Baker, Assistant Treasurers.

Morgan Stanley and Associates Purchase Gt. Northern Ry. Bonds

Morgan Stanley & Co. and associates won the award April 2 of Great Northern Ry. Co.'s offering of $25,000,000 in new general mortgage bonds, series R, maturing Jan. 1, 1961. Their bid named a price of 99.279 for a 2¼% coupon, a net interest cost of less than 2.31%. Halsey, Stuart & Co., Inc., and associates bid 99.209 for a similar coupon. The less than 2.31% interest cost to the issuer on the basis of the Morgan Stanley & Co. bid is believed to set a new low record for a railroad issue of similar maturity.

Morgan Stanley & Co. and associates reoffered the bonds at 100 and interest.

Scherck, Richter Co. Admits A. E. Stein

ST. LOUIS, MO. — Scherck, Richter Co., Landreth Building, has admitted A. Ernest Stein to partnership in the firm.

Henry Vance Director Of Boston Fund

Henry T. Vance has been elected a director of Boston Fund, open-end investment company with assets of approximately $23,000,000, it is announced by the fund. He is a partner of Vance, Sanders & Co., underwriter for shares of a group of investment funds, including Boston Fund, with total assets of more than $250,000,000; and is President of Massachusetts Investors Second Fund.

Who Will Head World Bank?

(Continued from page 1787)
wait, Mr. Feltus did not announce who his client was.

If the Administration does, as newspapers have reported, back Lewis Douglas for the World Bank post, it is considered doubtful that Mr. Morgenthau can eliminate him. Even if Mr. Douglas should not be chosen for that post, it is doubtful that it would go to Mr. White. At Bretton Woods White was indifferent to the Bank, and actually afraid that it might cause Congressional rejection of the BW program. Others, particularly State Department officials, put the Bank across. Moreover, while Morgenthau was in the Treasury he spoke, on matters related to the Bretton Woods program, the mind of Harry White. But Secretary Vinson speaks his own mind on this, as well as other matters, so far as he can. Naturally, since his staff and advisors have been inherited from the Morgenthau regime, he may still be indirectly influenced in his policy decisions. Yet there is no evidence that Harry White is Vinson's choice for the top job.

White an Able Advocate

Since joining the Treasury staff with the Viner group in 1934, Harry White has demonstrated repeatedly his skill as a Government economist, as a pleader for a selected course of action. To Secretary Morgenthau he proved himself invaluable in defending Administration monetary policy before Congressional committees. Similarly, he has been a most capable exponent of the Treasury or White position in interdepartmental meetings, as well as intergovernmental experts' conferences. In the latter he can be very effective. His ability to argue any viewpoint is the envy of many another Washington economist. Thus, during the Anglo-American loan negotiations last year at one point White, referring to the proper size of the British loan, observed that he could produce equally good arguments for any figure from $2 billions to $6 billions. For such a fellow there is always a good place in Washington.

In an international conference, such as that at Savannah last month, White's assets are used to the full. And his effectiveness is all the greater when he speaks with the authority of the votes of the American Government in his pocket. It is not surprising that, with such authority and with the support of Judge Vinson, White's views as to the salary scale for Fund and Bank prevailed over British objections. Various foreign delegates with whom the writer discussed the subject of salaries shared the British view, but—since their governments expect to apply for dollar loans—they did not dare to raise their voice against the American proposals. The British, however, said their say quite clearly, as is shown in Lord Keynes' remarks republished in last week's "Chronicle." Those were his remarks in the plenary session. Earlier, in committee, Keynes had been more outspoken in objecting to the high salaries proposed.

The Case for High Salaries

Concerning a high scale of pay for the general manager of the Fund and the President of the Bank, there was no issue between the Americans and the British at Savannah. It was on salaries for other Fund and Bank officials that the British parted company with the American delegation. Supported by Judge Vinson, who had been sold on the idea that the scale of pay proposed by the British for executive directors and alternates would imply for economists and statisticians smaller pay than that offered by U. S. Government Departments in Washington, the United States delegation insisted upon and got $17,000-after-taxes for directors and $11,500-after-taxes for alternate executive directors. In defense of this scale, the Americans at Savannah also pointed to the high salaries paid to vice-presidents of large Wall Street banks. It was maintained that, unless the Fund and Bank pay attractive salaries competitive with private enterprise, they will not get good men.

It is true that the twin international institutions are important enough to warrant management by good men. So, too, is the United States Treasury or the Reconstruction Finance Corporation. In these domestic agencies the American people have at stake even larger sums than in the Fund and Bank. One does not hear the Government arguing that its affairs are now being managed by incompetents. While the salaries have been set high in the Fund and Bank, the first American appointments to the $17,000-after-taxes posts have been from among the ranks of Government economists. One may wonder what efforts the Administration made to canvass the field for "good men" before it made its selections right in the Treasury and State Departments.

The "good men" argument certainly does not go very far outside the United States. Whereas in this country a married man with two dependents needs a before-taxes income of at least $25,000 if he is to have left $17,000-after-taxes, in Britain such a man would need a before-taxes earned income of about $80,000 so as to net $17,000. In the company of Mr. Mladek, Czechoslovak executive director of the Fund, the highest paid cabinet member draws, with all allowances, only $5,600 gross and has to pay much heavier taxes than those levied in this country. India's executive director of the Fund will earn considerably more after taxes than the Governor of the Reserve Bank of India who selected him for the Fund job. Obviously, whatever may have been the necessities of the United States, it was not necessary in other countries to pay such salaries to attract good men. Since most members of the Fund and Bank are in the role of debtors or prospective borrowers, it may be assumed that they would be sure to send their ablest available men in any case. The competition is too keen to permit of any other course.

Roster of World Bank And Fund Set Up

(Continued from page 1787)
correspondents there. Others felt that it was not reasonable to expect the press to be admitted to committee meetings; that if they were admitted, the bargains between delegates would be struck in smoke-filled hotel rooms or elsewhere. But had the reporters been permitted to attend committee sessions, there is no doubt that their stories from Savannah would have been better balanced.

One difficulty with the press coverage of a meeting such as the Savannah Conference arises from the rivalry between competing press associations and individual papers. Too often reporters feel under the necessity of presenting their readers with a scoop, and they therefore work under imaginary pressures, filing their stories sometimes without complete verification.

Still another "gripe" of some correspondents at Savannah was the decision of Judge Vinson to center in himself contacts with the press. Early in the conference it was decided that all official press conferences would be held by Mr. Vinson. This decision, Vinson emphasized, was one of the whole board of governors in joint session.

In addition, Mr. Vinson asked all delegates to avoid discussing the work of the conference with the press, it is said. Some of the delegates took this more seriously than others.

Staff Pooling Being Discussed

While no decision has been reached, there has been considerable discussion of pooling at least the top research and legal personnel of the Fund and Bank. Those advocating such pooling point out that a "country" specialist in the research department needs to know both the long and short term outlook, while in legal matters, provision after provision of the Fund Agreement was incorporated bodily into the Bank Agreement. This suggestion of pooling personnel seems to lend support to the argument heard at the time the Bretton Woods Agreements were being publicly debated that two institutions would involve unnecessary duplication. However, according to one of the present advocates of the above described pooling, there is in Washington today no suggestion of combining the executive directors of the twin institutions. Only one man, M. Camille Gutt of Belgium, has been elected to both Fund and Bank executive directorship, and this may prove to be temporary, should M. Gutt become General Manager of the Fund.

Whether the staffs shall be pooled is a decision which, according to the agreements, may be made either by the executive directors or by the General Manager of the Fund and President of the Bank. Those officers may have considerable freedom. Actually, the executive directors are expected to make the decision.

Keynes Gets $50 Per Diem

The setting of per diem for the Fund and Bank Governors at $50, or more than seven times what American officials traveling abroad are allowed, has caused some eyebrow lifting in Washington. Some of the governors, there is good reason to believe, have been embarrassed by the high honorarium. That $50 was the figure selected at Savannah is due to the insistence of Lord Keynes, who argued that whenever he comes to Washington it costs him, at the Capital's newest and swankiest hotel, $40 a day for a suite for himself and Lady Keynes.

Mexican Gulf Sulphur Stock on Market

Newkirk & Co., Inc. today (April 4) is offering 99,300 shares (10-cent par) common stock of Mexican Gulf Sulphur Co. to the public as a speculation at $3 per share.

Proceeds from this financing will be used for the acquisition of one-half interest in the right to exploit concessions from American Sulphur Co., S. A., and for the acquisition of equipment and employment of personnel for the drilling of at least three test wells in the Province of Vera Cruz, Mexcio.

Mexican Gulf Sulphur Co. was formed on Jan. 22 of this year under Delaware laws, to provide a corporate entity to own all of the stock of a Mexican corporation to be formed. The company has entered into an agreement with the American Sulphur Co., S. A., to assign to the Mexican corporation a one-half interest in development contracts relating to certain concessions granted by the Mexican Government for the exploration of these concessions and the extraction of sulphur therefrom.

Eugene L. Norton, formerly President and Chairman of the board of Freeport Sulphur Co., is President of Mexican Gulf Sulphur Co.

District Theatres Corp. On Market

First Colony Corp. and associates publicly offered April 1 for the account of certain stockholders 140,000 shares ($1 par) common stock of the District Theatres Corp., a Delaware enterprise formerly known as Lichtman Theatres. The stock was priced at $7.25 a share.

May 1 Peace Parley Date Unchanged State Dept. Says

It is still expected that the Peace Conference to decide terms for Hungary, Rumania, Italy, Bulgaria and Finland will meet in Paris on May 1, the State Department announced on March 25, it is learned from Washington advices on that date to the New York "Times," which added:

It is expected that the Foreign Ministers of the "Big Five" will meet ahead of that time to review the progress, if any, that their deputies have made in London, but no date for such a meeting has been set as yet.

Under date of March 17 it was stated that strict secrecy will prevail at the European Peace Conference in May, with newsmen permitted to attend only the two scheduled public sessions at the opening and close of the deliberations, French officials said. In part these advices also said:

American, British and Russian delegates charged with drawing up the preliminary Peace Treaty drafts prior to the conference agreed upon such a policy, a French source said.

Present plans provide for confining newsmen and radio broadcasters to the Hall of Lost Steps which adjoins the main conference room in Luxembourg Palace those in charge of preparations said.

The Paris conference, to be attended by 21 nations, will play an advisory role. Before it convenes four of the major powers will already have drafted preliminary treaties—for Finland by Russia and Britain; for Italy by the United States, Russia, Britain and France, and for the Balkans by Russia, Britain and the United States.

The smaller powers will be permitted to make recommendations after which the major powers will conclude the facts.

Vinson Defends Low Interest Rates

(Continued from page 1788)

urgent construction projects piled up by the war has been satisfied."

Concerning the interest charge on the National Debt Secretary Vinson stated:

"The war has left the United States with a large heritage of debt. The public debt, including guaranteed obligations, of the United States on Dec. 31, 1945, by which time substantially all of the proceeds of the Victory Loan had been received, amounted to $278 billion. 83% of this debt had been incurred since June 30, 1940, when the large-scale rearmament program was just beginning. During the remainder of the present fiscal year, the debt will decrease to approximately $275 billion, as indicated in the President's Budget Message of January, 1946.

"The interest-bearing debt on Dec. 31 bore interest at an average rate of 1.96%, resulting in a computed annual interest charge of about $5.4 billion. Both the computed interest charge and the average rate include the interest on series E savings bonds at the full rate of 2.9%, which is paid only on bonds held to maturity. To the extent that series E savings bonds, and other securities which pay their full rate only if held for their complete term, are redeemed before maturity, both the average rate and the computed annual interest charge on the debt will be somewhat smaller. The estimate for actual interest expenditures in the fiscal year 1947 is $5.0 billion.

"Regarding this interest burden, the Secretary remarks that "there is no question of the ability of the United States to bear the debt, as the estimated $5.0 billion interest expenditure for the fiscal year 1947 amounts to less than 3% of the present gross product of the country. Even in years with a lower product than the present, this percentage will still be relatively small. Nevertheless, a debt of $275 billion is not a burden to be taken lightly. The existence of this debt will be one of the most important facts of the postwar period; and the way in which it is managed will be one of the most important determinants of the character of that period.

"The debt must serve as a constant reminder of how greatly our problems will be complicated if we allow our national product to fall substantially below our ability to produce. The existence of a large debt is another reason, compounded on top of all other reasons, why the United States must maintain a policy of full production in the postwar period.

"It is my hope that it will be possible to reduce the debt substantially in the years ahead. This will be both possible and advisable if the economy operates at a high level, and especially advisable as long as inflationary pressures continue. One of the prime objectives of postwar economic policy should be to attain a high level of prosperity and a maximum reduction of debt consistent with the maintenance of full production."

In commenting on a reconversion tax policy Secretary Vinson had this to say:

"The transition and postwar periods confront us with a new set of circumstances bearing on tax policy. Most immediately, we face the need for smooth and speedy reconversion, and tax action to that end has already been taken. More permanently, we face a postwar level of Government expenditures several times as high as the prewar level, and taxes will have to remain correspondingly high. Finally, we face the need for achieving full and stable production and a vigorous economy in the postwar period, a need which calls for a modernization of our tax structure.

"Two major steps to ease the economic transition from war to peace have already been completed in the tax field. The first was the Tax Adjustment Act of 1945, approved July 31, 1945. This timely legislation was principally designed to put business in a better position to cope with the financial problems of reconversion. It did so, not by reducing ultimate tax liabilities (except for increasing the excess profits exemption from $10,000 to $25,000), but by speeding the return to businesses of the tax funds to which they were entitled under provisions of wartime revenue laws.

"The second major step was the granting of limited tax reductions at those points in the tax structure where they would be most effective in maintaining high levels of employment and production in the transition period. Going somewhat beyond my suggested program of $5 billion of tax reduction, the Revenue Act of 1945, approved Nov. 8, reduced tax liabilities for the calendar years 1946 and 1947 by nearly $6 billion annually. It is to be noted that this law will reduce fiscal year 1946 tax collections by less than $1 billion, most of its effect not being felt until the fiscal year 1947.

"Although the tax adjustments already made to aid reconversion have been prompt and generous, we cannot assume that the problems of economic transition are of no further concern to tax policy. Quite the contrary. The peculiar economic difficulties which beset the transition process—especially the cross currents of inflation and deflation—may be either aggravated or eased by the course of taxation.

"Pent-up demands for goods, combined with accumulated purchasing power, exert continued inflationary pressures, especially in the period when production is catching up. Substantial further tax reduction occurring while inflationary pressures are strong would increase the danger of inflation.

"Although Federal expenditures are declining rapidly as war activities are completed and liquidated, they cannot be expected to return to prewar levels. To discharge our obligations to returning veterans, to service the debt, and to maintain our military defenses will involve necessarily heavy burdens. Public works projects and programs to aid agriculture, the unemployed, and the aged will also require large outlays. Clearly, the aftermath of war and the broad array of services which the American people call upon their Government to provide will hold Federal expenditures far above prewar levels.

"Consequently, the Federal tax structure is bound to be a far bigger factor in the economic health and stability of our nation than ever before; its modernization is the very foundation of our program to achieve full production."

Noting that tax modernization does not necessarily mean tax reduction, the Secretary of the Treasury concluded that "the progressive personal income tax should be the cornerstone of our peacetime revenue system."

Redeem Irish Free State Bonds

Holders of Irish Free State (Saorstat Eireann) external loan sinking fund 5% gold bonds, due Nov. 1, 1960, are being notified that $15,000 principal amount of these bonds outstanding have been drawn by lot for redemption through the sinking fund on May 1, 1946, at par plus accrued interest. Payment will be made at the head office of the National City Bank of New York, American fiscal agent, 55 Wall Street, New York, on May 1.

The Bank for International Settlements

(Continued from page 1788)

"The bank does no business with institutions other than central banks or similar governmental bodies. Its shareholders are mostly central banks, but even in those cases where shares were issued to the public (France, Belgium, United States) the voting rights are not held by the shareholders, but in the case of France and Belgium by the central banks of those countries. A special case is that of the United States. In the United States the shares were issued to the public, but the voting rights are held by the First National Bank of New York, the First National Bank of Chicago and the First National Bank of Boston. The Federal Reserve Banks did not participate in the BIS.

"The BIS started work in 1930, but lost its task as Reparations Agent in 1931 (Hoover Moratorium). It continued to act as a center for the central banks who were its shareholders. All European central banks with the exception of Portugal, Spain, Latvia, Turkey and the USSR are shareholders. Outside Europe only the central bank of Japan was a shareholder. (Japan was a reparations creditor.) The governors of the central banks of Switzerland, Sweden and the Netherlands are elected directors of the BIS.

"The Directors met at Basle monthly, excepting during July and August. Thereby a monthly meeting (lasting two to four days) of the governors of the central banks of Great Britain, France, Belgium, Netherlands, Sweden, Switzerland, Italy, Germany and the representatives of the bank of Japan was assured, and it has been attended regularly almost without exception. Through the instrument of the managers and other high officials, recruited from many countries, regular contact during the month was assured. There never has been a possibility of domination by any shareholding central bank, as practically all power is in the hands of the directors. The number of directors of any country is fixed by the statutes (Great Britain, 2; France, 3; Belgium, 2; Italy, 2; Japan, 2; Germany, 3, and one each for other countries like Sweden, Switzerland, Netherlands. The two seats for the United States have been left unoccupied since May, 1935.)

"As a center for the central banks of Europe the BIS worked as well as it possibly could, even under the most unfavorable circumstances which prevailed after 1933. The atmosphere of cooperation between central banks, which eased difficulties as far as possible during the 1930's, was greatly enhanced by the monthly Basle meetings of governors and their assistants. All the shareholding central banks met once a year at the annual meeting. During the war no board meetings took place and the annual meetings were held by proxy.

"The BIS has a small but excellent economic department, since 1930 under the direction of Dr. P. Jacobsson (Sweden), assisted by Mr. Conolly (Great Britain). (Both at the BIS since 1930.) Under the guidance of the President, the BIS collects material from all over the world for its well known annual report. The personal contacts among the officials of the various central banks was of inestimable value in this connection.

"The Bank was active as a gold trader between central banks, thus avoiding unnecessary transport of gold. Before the war it operated a system of loans from central bank to central bank, through the BIS as intermediary, to make possible the covering of exchange risks where forward covering was impossible because of exchange restrictions. This system proved valuable and simple to operate."

Securities Now in Registration

● **INDICATES ADDITIONS SINCE PREVIOUS ISSUE**

● **Air Products, Inc., Chattanooga, Tenn.**
April 2 filed 100,000 shares class A stock (par $1) and 290,000 shares common stock (par $1). **Underwriters**—Reynolds & Co. **Offering**—100,000 shares of class A stock and 100,000 shares of common are offered in units of one share of class A stock and one share of common stock at $11 per unit. The remaining 150,000 shares of common will be offered at the discretion of the underwriter to the purchasers of such units or to others at a price of $1 per share. The remaining 40,000 shares of common are being offered by the company directly to certain officers and employees at $1 per share and are not being underwritten. **Proceeds**—Company expects to apply approximately $60,000 to the purchase of additional machinery and equipment heretofore rented from the Defense Plant Corp. An additional $81,500 will be applied to the purchase of the plant at Emmaus, Pa., together with $70,000 for cost of conversion and moving. Balance of proceeds (estimated $913,500) will be used for general working capital purposes. **Business**—Manufacture and operation of equipment to reduce air into its constituent atmospheric gases, such as oxygen and nitrogen, on the premises of the ultimate consumer.

Allianceware, Inc.
on March 19 filed a registration statement for 12,000 shares of $2.50 convertible preferred stock (par $50) and 25,000 shares of common (par $1). Common shares are being sold by certain stockholders. For details see issue of March 21. **Offering**—Prices to the public will be filed by amendment. **Underwriters**—Principal underwriters are Hayden, Miller & Co., Hawley, Shepard & Co. and Maynard H. Murch & Co.

American Airlines, Inc.
on March 4 filed a registration statement for 97,350 shares of common stock (par $5). For details see issue of March 7. **Offering**—Company is offering to issue 97,350 shares of its common stock to all stockholders of Mid-Continent Airlines, Inc., in exchange for common stock of Mid-Continent in ratio of one share of common stock of American for each four shares of common stock of Mid-Continent (par $1). **Underwriting**—None named.

● **American Airlines, Inc., New York, N. Y.**
March 28 filed 211,000 shares of common stock (par $5). Shares are being sold by Aviation Corp. which owns 262,538 (20.3%) of 1,290,567 outstanding shares. Aviation Corp. has entered into an agreement with underwriters whereby latter have agreed to purchase 70,000 shares and shall have the right to purchase the remaining 141,000 shares. **Underwriters**—Emanuel & Co. and Lehman Brothers. **Offering**—Price to public by amendment.

American Air Filter Co., Inc.
on March 13 filed a registration statement for 101,086 shares of common stock (par $1). Shares are being sold by certain stockholders. For details see issue of March 21. **Offering**—Price to the public is $13.75 per share. **Underwriters**—Underwriters include Almstedt Bros., Equitable Securities Corp., Bankers Bond Co., W. E. Hutton & Co., and Stein Bros. & Boyce.

● **American Machine & Foundry Co., New York, N. Y.**
March 28 filed 80,000 shares of cumulative preferred stock (par $100). Dividend rate by amendment. **Underwriters**—Lehman Brothers and Union Securities Corp. **Offering**—Price to public by amendment. **Proceeds**—Company has developed a new product known as the "AMF Automatic Pinspotter." Presently contemplated cash expenditures for the introduction, production and distribution of the new pinspotter for the current year and first quarter of 1947 aggregate between $9,000,000 and $11,000,000. Net proceeds from the sale will be added to working capital and used to provide funds in connection with the new product. Additional funds required may be obtained through sale of remaining 20,000 authorized shares of preferred stock, through borrowing, or otherwise.

American Mail Line Ltd.
March 11 filed a registration statement for 49,602 shares of common stock (no par). For details see issue of March 21. **Offering**—Company is offering to common stockholders the right to subscribe for an aggregate of 49,602 shares of additional common stock at $20.50 per share on basis of 48/100 of a share for each share of common held. Company and 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 public is $20.60 per share. **Underwriters**—Blyth & Co., Inc.

American Molasses Co., New York, N. Y.
March 22 filed 150,000 shares of common stock (par $1). Shares are being sold by certain stockholders. **Underwriters**—Hornblower & Weeks and Union Securities Corp. **Offering**—Price to public by amendment. For details see issue of March 28.

● **American Screw Co., Providence, R. I.**
March 29 filed 21,550 shares of 4½% cumulative convertible preferred stock (par $50) **Underwriters**—G. H. Walker & Co. **Offering**—Common stockholders are offered right to subscribe to new preferred at rate of one share of preferred for each four shares of common held at $52 per share. Unsubscribed shares will be purchased by underwriter for offering to public. **Proceeds**—Proceeds from sale of preferred, with a term loan of $1,250,000 and current funds will be used to finance the purchase of a plant formerly belonging to the Defense Plant Corp. for $1,750,000, purchase of additional machinery and equipment for such plant and for other plant improvements.

● **American Water Works Co., Inc., New York, N. Y.**
March 30 filed 2,343,105 shares of common (par $5) plus an additional number determinable only after the results of competitive bidding are known. **Underwriters**—To be filed by amendment. **Offering**—Price to public by amendment, after results of competitive bidding are known. **Purpose**—Company is the holding company into which the water works subsidiaries of American Water Works & Electric Co., Inc., (parent) are to be segregated pursuant to plan filed with the SEC. The shares of common stock covered by the prospectus, together with $15,000,000 10-year 3% collateral trust bonds, which are to be sold privately, are to be issued for the purpose of acquiring certain assets of American Water Works & Electric, liquidating two subsidiaries, Community Water Service Co. and Ohio Cities Water Corp., and providing cash working capital of the company. The shares of common stock of the company are to be offered initially for cash to the common stockholders of the parent, American Water Works concern and to the public holders of preferred stocks of Community and Ohio in exchange for their shares. All common stock not subscribed or issued under the exchange offers are to be sold for cash to underwriters.

Ampal-American Palestine Trading Corp.
on Oct. 3 filed a registration statement for 400,000 shares of 4% cumulative preferred non-voting shares. For details see issue of Oct. 11. **Offering**—Price to the public is $5.50 per share. **Underwriters**—Shares will be sold through the efforts of the directors and employees of the corporation.

Aro Equipment Corp.
on March 14 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). For details see issue of March 21. **Offering**—The prices to the public will be filed by amendment. **Underwriters**—Central Republic Co., Inc., and Reynolds & Co.

Atlas Imperial Diesel Engine Co.
on Feb. 28 filed a registration statement for 30,000 shares of series A cumulative preferred stock ($50 par). Dividend rate will be filed by amendment. For details see issue of March 7. **Underwriters**—Blyth & Co., Inc., Offering postponed indefinitely.

Avon Allied Products, Inc., New York, N. Y.
on March 26 filed 37,220 shares of 4% cumulative preferred stock (par $50) and 100,000 shares of common (no par) of which company is selling 20,200 shares of preferred and certain stockholders are selling 17,020 shares of preferred and 100,000 shares of common. **Underwriters**—Group is headed by Hemphill, Noyes & Co., F. S. Moseley & Co. and H. F. Boynton & Co., Inc. **Offerng**—Prices to public will be filed by amendment. For details see issue of March 28.

● **Barium Steel Corp., S. E. Canton, O.**
March 30 filed 258,160 shares of common stock (par $1). **Offering**—Company is offering to exchange its common stock for the outstanding shares of stock of Republic Industries, Inc. Geometric Stamping Co. and Kermath Manufacturing Co., subsidiaries of Barium Steel. Each such exchange will be made upon the basis of assigned values to the shares.

● **Barium Steel Corp., S. E. Canton, O.**
March 30 filed 350,000 shares common stock (par $1). **Underwriters**—Laird, Bissell & Meeds. **Offering**—Price to public by amendment. **Proceeds**—Proceeds will be used in connection with payments to and advances to subsidiaries for working capital, for purchase of equipment, repayment of loans, development, etc. **Business**—Diversified lines of steel and other metal products.

Bendix Helicopter, Inc.
on Feb. 13 filed a registration statement for 507,400 shares of common stock (par 50c). Shares are being sold for the account of the estate of Vincent Bendix, deceased. For details see issue of Feb. 20. **Offering**—Shares will be sold in the over-the-counter market. **Underwriters**—Kobbe, Gearhart & Co., Inc., is named principal underwriter.

Bendix Home Appliances, Inc., South Bend, Ind.
on March 21 filed a registration statement for 104,301 shares of common stock (par 33⅓ cents per share.) **Business**—Manufacture of Bendix Home Laundry, an automatic washing machine. **Offering**—Company is offering to common stockholders of record March 30, right to subscribe to one share of new common for each 10 shares held at a price to be filed by amendment. Issue is not being underwritten, but holders of common of record on March 30, 1946, in addition to their pro rata subscription rights, will also be given an opportunity to purchase any shares which have not been purchased through subscription warrants. For details see issue of March 28.

Benguet Consolidated Mining Co.
on March 15 filed a registration statement for 702,302 shares of capital stock value (par 1 peso, equivalent in U. S. currency to 50 cents per share). The shares 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. **Offering**—The offering price will be supplied by amendment. **Underwriters**—Allen & Co. is named principal underwriter.

● **Borg-Warner Corp., Chicago, Ill.**
March 28 filed 200,000 shares of cumulative preferred stock (par $100). Dividend rate by amendment. **Underwriters**—Paul H. Davis & Co., Glore, Forgan & Co. and Union Securities Corp. **Offering**—Offering price to public by amendment. **Proceeds**—To provide in whole or in part for modernization, expansion, etc., of manufacturing facilities and plants, which should provide opportunity for lower costs, increase capacity for production of existing products, and provide facilities for manufacture of new products. No allocation made for particular purposes. **Business**—Manufacture of automotive parts.

Bowser, Inc., Fort Wayne, Ind.
on March 25 filed a registration statement for 200,000 shares of $1.20 cumulative preferred stock (par $25), with common stock purchase warrants attached. **Underwriters**—Blair & Co., Inc., New York. **Offering**—Price to public by amendment. For details see issue of March 28.

Buffalo Forge Co.
on March 14 filed a registration statement for 60,000 shares of common stock (par $1). The shares are being sold by two stockholders. For details see issue of March 21. **Offering**—Price to the public will be filed by amendment. **Underwriters**—Hornblower & Weeks head the underwriting group.

(F.) Burkart Manufacturing Co.
on Feb. 28 filed a registration statement for 10,000 shares of common stock (par $1). Shares are being sold by certain stockholders. For details see issue of March 7. **Offering**—Price to the public $50 per share. **Underwriters**—G. H. Walker & Co., St. Louis, principal underwriter.

• **Burlington Mills Corp., Greensboro, N. C.**
March 30 filed 100,000 shares of convertible second preferred stock (par $100). Dividend rate by amendment. **Underwriters**—Kidder, Peabody & Co. **Offering**—Preferred stock will be initially offered to common stockholders in ratio of three-fiftieths of a share of preferred for each share of common held. Rights to subscribe appertaining to 55,106 shares of common have been waived by directors and officers so as to make possible the ratio of three-fiftieths of a share of preferred for each share of common. The unsubscribed shares will be sold to underwriters. Subscription and offering prices by amendment. **Proceeds**—Net proceeds for corporate purposes, which are expected to include expenditures of approximately $8,000,000 in 1946 and 1947 pursuant to a program for additions and betterments to plants and equipment. In February, 1946, the corporation received $4,920,000 from the sale of 50,000 shares of 3½% preferred stock and the proceeds were added to its general funds.

• **Bush Manufacturing Co., West Hartford, Conn.**
March 29 filed 20,000 shares 4½% cumulative convertible prior preferred (par $25) and 10,000 shares common (par $5). **Underwriters**—Lee Higginson Corp. and Chas. W. Scranton & Co. **Offering**—Price to public is $25 per share for preferred and $10 per share for common. **Proceeds**—Proceeds from sale of stocks, together with approximately $298,000 from sale of 4% sinking fund debentures, together aggregating $844,500, will be used to finance construction of a new plant, estimated to cost $650,000, including moving expenses. Balance of proceeds for working capital. **Business**—Parts for commercial refrigeration, air conditioning and related fields.

• **Capitol Records, Inc., Hollywood, Calif.**
March 28 filed 95,000 shares of common stock (par 25 cents). Shares are being sold by stockholders, Blyth & Co., Inc., and Union Securities Corp. which are selling 47,500 shares each. **Underwriters**—To be selected by Blyth & Co., Inc., and Union Securities Corp. **Offering**—Price to public by amendment. **Business**—Recording and distribution of phonograph records.

Central Maine Power Co.
on March 18 filed a registration statement for 220,000 shares of preferred stock ($100 par). Dividend rate will be filed by amendment. For details see issue of March 21. **Offering**—Company will offer to holders of 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 new preferred stock will be sold to underwriters, to be selected by competitive bidding, for resale to the public. Offering price to the public will be filed by amendment. **Underwriters**—Names of underwriters will be filed by amendment.

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 10c). For details see issue of Feb. 14. **Offering**—The preferred stock will be offered to 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 to common stockholders at a price to be filed by amendment, but 50 cents per share under public offering price. The unsubscribed balance of common will be offered to the public by underwriters at a price to be filed by amendment. **Underwriters**—As to the preferred, Childs, Jeffries & Thorndike, Inc., and H. C. Wainwright & Co., and as to the common, First Colony Corp.

Colorado Fuel & Iron Corp.
on March 14 filed a registration statement for 275,000 shares of common stock (no par). Shares are issued and are being sold by certain stockholders. For details see issue of March 21. **Offering**—Price to public according to the prospectus is "At the market"—on the New York Stock Exchange or other exchanges on which the stock is listed. **Underwriters**—There is no underwriting agreement. Stock will be sold from time to time at the prices then current on the New York Stock Exchange or other stock exchanges on which the stock is listed.

Compania Litgrofica De La Habana S. A.
(Havana Lithographing Co.)
on March 18 filed a registration statement for 19,419 shares of 6% cumulative convertible preferred stock (par $25) and 197,000 shares of common (par 10c). 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. For details see issue of March 21. **Offering**.—Prices to public will be filed by amendment. **Underwriters**—Hirsch & Co., New York, is principal underwriter.

• **Consolidated Gas Electric Light & Power Co. of Baltimore**
March 29 filed $44,660,000 series R first refunding mortgage bonds due April 1, 1981. Interest rate by amendment. **Underwriters**—To be filed by amendment. **Offering**—Bonds will be offered for sale at competitive bidding, and the price to the public filed by amendment. **Proceeds**—Net proceeds, together with money from general funds as required, will be applied to redemption of $20,844,000 series N 3¾% bonds and $23,816,000 series O 3¼% bonds at 105½ and 107, respectively.

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 company and 39,305 shares of common by certain stockholders. For details see issue of March 7. **Offering**—Price of preferred to public is $25 per share and of common $13.50 per share. **Underwriters**—Paul H. Davis & Co., Chicago, is named principal underwriter.

• **Crowell-Collier Publishing Co., New York, N. Y.**
March 29 filed 100,000 shares common stock (no par). Shares are being sold by certain stockholders. **Underwriters**—Wertheim & Co. **Offering**—Price to public by amendment. **Business**—Magazine publishers.

Cuban Atlantic Sugar Co., New York, N. Y.
March 21 filed 30,000 shares 5% cumulative preferred stock (par $100) and 175,000 shares of common (par $5). Of the total 20,000 shares of preferred and 137,500 shares of common are to be purchased by underwriters from company; and 10,000 shares of preferred and 37,500 shares of common from Hershey Trust Co., trustee of Hershey Industrial School of Hershey, Pa. Shares to be purchased from trustee are part of 40,000 shares of preferred and 137,500 shares of common to be issued by company to the trustee as part of the consideration for certain assets to be acquired by Cuban Atlantic. **Underwriters**—Group is headed by Wertheim & Co., and Ladenburg, Thalmann & Co. **Offering**—Prices to public by amendment. For details see issue of March 28.

• **Curtis Companies Inc., Clinton, Iowa**
March 30 filed 46,050 shares common stock ($2 par). Shares are being sold by certain stockholders. **Underwriters**—Cruttenden & Co. **Offering**—Price to public $12.25 per share. **Business**—Millwork manufacturer.

Dallas Title & Guaranty Co.
on Feb. 21 filed a registration statement for 25,000 shares of capital stock (par $10). For details see issue of Feb. 27. **Offering**—Company has granted holders of capital stock rights to subscribe at $20 per share to new stock at rate of one share of new for each share held. Company reserves right to sell any unsubscribed stock at public or private sale at $20 per share. **Underwriters**—None named.

• **Diamond T Motor Car Co., Chicago, Ill.**
March 29 filed 60,000 shares of common stock (par $2). Shares are being sold by certain stockholders. **Underwriters**—Hallgarten & Co. **Offering**—Price to public by amendment. **Business**—Motor Trucks.

Drackett Co., Cincinnati, Ohio
March 22 filed 108,000 shares of 4% cumulative convertible preferred stock, series A (par $25). **Underwriters**—Van Alstyne, Noel & Co. **Offering**—Price to public $25 per share. **Business**—Chemical manufacturing. For details see issue of March 28.

• **(Allen B.) DuMont Laboratories, Inc., Passaic, N. J.**
March 29 filed 650,000 shares of class A common stock (par 10 cents), of which 525,000 shares are being offered for sale by underwriters. **Underwriters**—Van Alstyne, Noel & Co. and Kobbe, Gearhart & Co., Inc. **Offering**—Price to public by amendment. **Proceeds**—To expand television broadcasting and manufacturing facilities and operations in the low-frequency fields. Because of extensive expansion program now planned, the unexpended portion of moneys raised by the sale of 225,000 shares of class A common in 1944 is not sufficient. Such balance, together with the proceeds of this financing, is proposed to be used for expansion principally of company's facilities for television broadcasting and manufacture and sale of television receiving sets and transmitting equipment. **Business**—Cathode-ray tube, television, etc.

Eaton Manufacturing Co.
March 7 filed 178,364 shares of common stock (par $4). **Underwriters**—Merrill Lynch, Pierce, Fenner & Beane. For details see issue of March 14. **Offering**—Company is offering the new stock to holders of its common stock of record March 26 at rate of one new share for each four common shares at $54 per share. Rights expire April 13.

Electromaster, Inc.
on March 4 filed a registration statement for 200,000 shares of common stock (par $1). For details see issue of March 7. **Offering**—Price to the public is $4.375 per share. **Underwriters**—S. R. Livingstone & Co. and Mercier, McDowell & Dolphyn, Detroit.

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). For details see issue of Feb. 27. **Offering**—Price to public is $100 per share for preferred and $10 per share for the common. Company anticipates that all of the preferred and common will be sold to employees and officers of the company, and employees and officers of Curtiss Candy and its subsidiaries. In the event of a public offering, company will file a post-effective amendment. **Underwriters**—Sale of stock will be made through company's own officers and employees.

• **Firth Carpet Co., New York, N. Y.**
March 29 filed 125,000 shares common stock (no par), of which 33,436 shares are being sold by company, 61,150 by Harold E. Wadely, President, and 30,414 by Graham Hunter, Vice-President, Treasurer and Secretary. **Underwriters**—Reynolds & Co. **Offering**—Price to public by amendment. **Proceeds**—To finance inventories, accounts receivable, general working capital.

• **Fleming-Hall Tobacco Co., Inc., New York, N. Y.**
April 1 (letter of notification) filed 20,000 shares of common stock (par $1). Sale for benefit of S. C. Korn. **Underwriter**—Floyd D. Cerf Co. **Offering**—Price to public, $5 per share.

(Continued on page 1828)

NEW ISSUE CALENDAR
(Showing probable date of offering)

April 8, 1946

Allianceware Inc.	Preferred and Common
Flintkote Co.	Common
Havana Lithographing Co.	Preferred and Common
(C. J.) Hendry Co.	Preferred
National Co., Inc.	Common
Pressed Steel Car Co.	Common
Stromberg-Carlson Co.	Preferred
United States Television Mfg. Corp.	Common
Tennessee Gas & Transmission Co.,	Bonds, Preferred and Common
Tex-O-Kan Flour Mills Co.	Preferred

April 9, 1946

Cuban Atlantic Sugar Co.	Preferred and Common
Frailey Industries Inc.	Class A Stock
Hearn Department Stores, Inc.	Common
National Distillers Products Corp.	Common

April 10, 1946

American Molasses Co.	Common
Drackett Co.	Preferred
Fruehauf Trailer Co.	Preferred
Linn Coach & Truck Corp.	Common
United Biscuit Co. of America	Debentures

April 12, 1946

Piper Aircraft Corp.	Common

April 15, 1946

Avon Allied Products Inc.	Preferred and Common
Bowser, Inc.	Preferred
Eaton Manufacturing Co.	Common
Gerity-Michigan Die Casting Co.	Common
Globe-Union, Inc.	Common
Joy Manufacturing Co.	Common
Kingston Products Corp.	Common
(F. H.) McGraw & Co.	Preferred and Common
National Automotive Fibres Inc.	Common
Republic Indemnity Co. of America	Common
Shell Union Oil Corp.	Debentures
Sonotone Corp.	Preferred
Steep Rock Iron Mines, Ltd.	Common

April 16, 1946

American Airlines Inc.	Common
American Machine & Foundry Co.	Preferred
Borg-Warner Corp.	Preferred
Capital Records, Inc.	Common
Greenfield Tap & Die Corp.	Common
Jessop Steel Co.	Preferred
Kansas City Fire & Marine Ins. Co.	Common
Keyes Fibre Co.	Bonds
Peninsular Telephone Co.	Preferred and Common
Queen Anne Candy Co.	Common

April 17, 1946

American Screw Co.	Preferred
Bush Manufacturing Co.	Preferred and Common
Consol. Gas El. Lt. & Pwr. Co. of Balt.	Bonds
Crowell-Collier Publishing Co.	Common
Diamond T Motor Car Co.	Common
(Allan B.) Du Mont Laboratories Inc.	Cl. A. Common
Firth Carpet Co.	Common
Hytron Radio & Electronics Corp.	Common
Longines-Wittnauer Watch Co. Inc.	Common
Lynch Corp.	Common
New Haven Clock & Watch Co.	Preferred
Paulsboro Mfg. Co.	Preferred and Common
Public Service Co. of New Hampshire	Common
Rockridge Gold Mines Ltd.	Common
Scranton Electric Co.	Preferred and Common
Super-Cola Corp.	Common
Tucson Gas & El. Lt. & Pwr. Co.	Common
Union Electric Co. of Missouri	Preferred
United Cigar-Whelan Stores Corp.	Common
United Transit Co.	Common
Utility Appliance Corp.	Preferred and Common
Walworth Co.	Debentures and Preferred

April 18, 1946

American Water Works Co. Inc.	Common
Barium Steel Corp.	Common
Burlington Mills	2nd Preferred
Curtis Companies, Inc.	Common
Hoffman Radio Corp.	Common
Mading Drug Stores Co.	Debs., Pfd. and Common
National Skyway Freight Corp.	Common
Ohio Public Service Co.	Bonds, Notes and Pref. Stk.
Segal Lock & Hardware Co., Inc.	Common
Selected Industries Inc.	Debentures
Taca Airways S. A.	Common

April 21, 1946

Air Products Inc.	Class A Stock
Roberts & Mander Corp.	Common
Sharon Steel Corp.	Common

Securities Now in Registration

● **INDICATES ADDITIONS SINCE PREVIOUS ISSUE**

(Continued from page 1827)

Flintkote Co., New York, N. Y.

March 19 filed 150,000 shares of common stock (no par). **Underwriters**—Lehman Brothers. For details see issue of March 28. **Offering**—Price to public by amendment.

Fruehauf Trailer Co., Detroit, Mich.

March 22 filed 125,000 shares of cumulative stock (par $100). Dividend rate by amendment. **Underwriters**—Lehman Brothers and Watling, Lerchen & Co. For details see issue of March 28. **Offering**—Price to public by amendment.

● **Gerity-Michigan Die Casting Co., Detroit, Mich.**

March 27 filed 450,000 shares of common stock (par $1), of which 300,000 shares are being sold by company and 150,000 shares by certain stockholders. **Underwriters**—Buckley Brothers, Mercier, McDowell & Dolphyn, Ames, Emerich & Co., Inc., and Dempsey & Co. **Offering**—Price to public by amendment. **Proceeds**—Company will apply proceeds to pay a note to Associates Discount Corp.; $200,000 to retire 1,967 shares of cumulative 6% preferred stock ($100 par), including accrued dividends, balance to finance increased inventories and payrolls. **Business**—Manufacture of raw die castings, principally for the automotive industry, also automobile hardware and plumbing hardware and bathroom accessories.

Giant Yellowknife Gold Mines, Ltd.

on Feb. 21 filed a registration statement for 81,249 common shares ($1 par, Canadian). Shares are being offered to residents of 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 $5 (Canadian) per share. For 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, Ltd., 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 will be offered in Canada and the United States to such persons as Toronto Mines Finance, Ltd., may determine, who may include officers and employees 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.

● **Globe-Union Inc., Milwaukee, Wis.**

March 27 filed 120,000 shares of common stock (par $5) of which 39,000 shares are being sold by company and 81,000 by certain stockholders. **Underwriters**—Goldman, Sachs & Co. **Offering**—Price to public by amendment. **Proceeds**—Will be added to general funds of the company. **Business**—Storage batteries, various electronic devices and parts for radio, television, radar, spark plugs, roller skates, etc.

Adolf Gobel, Inc.

on Jan. 10 filed a registration statement for 412,899 shares of common stock (par $1). Shares are being sold on behalf of the Adolf Gobel, Inc., syndicate. For details see issue of Jan. 17. **Offering**—Common stock will be sold through regular market channels over the New York Curb Exchange at best price obtainable in small lots so as not to unduly depress the market. The proposed 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 (par $1) Canadian currency. For details see issue of Jan. 10. **Offering**—Company is offering common stock to public at 50 cents U. S. currency per share. If company accepts offers from dealers to purchase the stock, 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 is $300,000 U. S. currency maximum, and $195,000 U. S. currency minimum, if all shares are sold, 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, and 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. For details see issue of Feb. 27. **Offering**—Price to the public will be filed by amendment. **Underwriters**—Allen & Co., New York.

● **Greenfield Tap & Die Corp., Greenfield, Mass.**

March 28 filed 51,591 shares of common stock (no par). **Underwriters**—Tucker, Anthony & Co. **Offering**—Price to public by amendment. **Proceeds**—Company will apply net proceeds, with additional treasury funds, to redemption, on or about May 1, 1946, of 9,000 shares of $6 preferred stock at 105. **Business**—Gages and precision metal-cutting tools.

Gulf Atlantic Transportation Co.

on Jan. 17 registered 270,000 shares of common stock (par $1). For details see issue of Jan. 24. **Offering**—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. 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**—Principal underwriter is Allen & Co.

● **Hamilton Trust Shares, Denver, Colo.**

March 29 filed for fully-paid type certificates. **General Distributor**—Hamilton Depositors Corp. **Offering**—At market. **Proceeds**—For investment. **Business**—Investment company.

Harrisburg (Pa.) Gas Co.

March 19 filed $2,200,000 first mortgage bonds due May 1, 1971. Bonds will be offered for sale at competitive bidding and interest rate filed by amendment. **Underwriters**—To be filed by amendment. For details see issue of March 28. **Offering**—Price to public by amendment.

Hayes Manufacturing Corp.

on Feb. 27 filed a registration statement for 215,000 shares of common stock ($2 par). Shares are being sold by certain stockholders. For details see issue of March 7. **Offering**—Price to the public will be filed by amendment. **Underwriters**—Laird, Bissell & Meeds have withdrawn as underwriters.

Hearn Department Stores, Inc., New York, N. Y.

March 21 filed 100,000 shares of common stock ($5 par). Shares are being sold by Endicott Co., Inc., a stockholder. **Underwriters**—E. W. Clucas & Co., and H. M. Byllesby & Co., Inc. For details see issue of March 28. **Offering**—Price to public by amendment.

C. J. Hendry Co., San Francisco, Calif.

March 20 filed 24,000 shares of preferred stock, 5½% cumulative (par $25). **Underwriters**—First California Co. **Offering**—Price to public $25 per share. For details see issue of March 28.

● **Hoffman Radio Corp., Los Angeles, Calif.**

March 30 filed 120,000 shares common stock (par $1). **Underwriters**—Cohu & Torrey. **Offering**—Price to public $6 per share. **Proceeds**—Company intends to use $97,125 for redeeming its preferred stock and approximately $400,000 to retire short-term bank borrowings. Any balance will be used for working capital. **Business**—Radio receivers, phonograph radio combinations, etc., and special electronic equipment.

● **Hytron Radio & Electronics Corp., Salem, Mass.**

March 29 filed 125,000 shares common stock (par $1). **Underwriters**—Herrick, Waddell & Co., Inc., **Offering**—Price to public by amendment. **Proceeds**—To provide adequate working capital for expanding operations, also to retire present bank borrowing. Company intends to advance to Air King Products Co., Inc., a subsidiary recently acquired, $500,000 to equip new plants and for working capital. **Business**—Radio tubes.

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. Securities will be offered for sale at competitive bidding with price and interest rates to be named by the successful bidder. For details see issue of March 7. **Underwriters**—Names will be filed by amendment.

Indianapolis Power & Light Co.

on March 9 filed a registration statement for 120,000 shares of 4% cumulative preferred stock (par $100). For details see issue of March 14. **Offering**—Company is offering to holders of 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. **Underwriters**—Lehman Brothers, Goldman, Sachs & Co. and The First Boston Corporation.

Indianapolis Power & Light Co.

on March 8 filed a registration statement for 142,967 shares of common stock (no par). For details see issue of March 14. **Offering**—Company is offering the stock to holders of common stock at a price to be filed by amendment at rate of one share of new common for each five shares held. **Underwriters**—Underwriting group is headed by Lehman Brothers, Goldman, Sachs & Co. and The First Boston Corp.

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 25c). Common shares are reserved for conversion of preferred. For details see issue of March 7. **Offering**—Price to public is $25 per share. **Underwriters**—Richard J. Buck & Co.

● **Jessop Steel Co., Washington, Pa.**

March 28 filed 60,000 shares of cumulative convertible preferred stock (par $25). Dividend rate by amendment. **Underwriters**—Paul H. Davis & Co. **Offering**—Price to public by amendment. **Proceeds**—Approximately $825,000 of net proceeds to retire regulation V-Loan outstanding in amount of $1,435,432 as of March 25, 1946. Balance for additions to plant and equipment. **Business**—High-grade specialty steels.

● **Joy Manufacturing Co., Pittsburgh**

March 27 filed 51,400 shares common stock (par $1). Shares being sold by Adams Express Co. (35,600) and American International Corp. (15,800). **Underwriters**—Hallgarten & Co. and R. W. Pressprich & Co. **Offering**—Price to public by amendment. **Business**—Mining machinery and equipment.

● **Kansas City (Mo.) Fire & Marine Insurance Co.**

March 28 filed 50,000 shares of common stock (par $10). **Underwriters**—First Boston Corp. **Offering**—Shares are being offered to common stockholders of record May 11 at rate of one share of new stock for each share of common held. Price by amendment. Subscription rights expire May 24. Unsubscribed shares will be sold to underwriters who will offer them to the public. **Proceeds**—Purpose of financing is to increase capital and surplus so as to assist company in writing an increased volume of fire and related lines of insurance and entering to a limited extent the casualty insurance field.

Kerr-McGee Oil Industries, Inc.

on Feb. 28 filed a registration statement for 60,000 shares of $1.20 cumulative convertible preferred stock ($22.50 par). For details see issue of March 7. **Offering**—Price to public is $25 per share. **Underwriters**—Straus & Blosser, Chicago.

● **Keyes Fibre Co., Portland, Me.**

March 28 filed $2,800,000 first mortgage bonds due April 1, 1966. Interest rate by amendment. **Underwriters**—Coffin & Burr, Inc.; Paine, Webber, Jackson & Curtis, Estabrook & Co., E. H. Rollins & Sons, Inc., and H. M. Payson & Co. **Offering**—Price to public by amendment. **Proceeds**—To redeem $1,800,000 4¼% first mortgage sinking fund bonds not later than May 31, 1946, and balance, with additional company funds, will be used to defray the cost of construction and equipment of the Hammond plant. **Business**—Molded pulp products.

Kingston Products Corp., Kokomo, Ind.

March 25 filed 148,448 shares of common stock (par $1). Shares are being sold by certain stockholders. **Underwriters**—Alison & Co., Detroit. **Offering**—Price to public by amendment. For details see issue of March 28.

Linn Coach & Truck Corp.
(Formerly Oneonta Linn Corp.)

on Feb. 28 filed a registration statement for 250,000 shares of common (par 10c). For details see issue of March 7. **Offering**—Price to public is $3 per share. **Underwriters**—Bond & Goodwin, Inc.

● **Longines-Wittnauer Watch Co., Inc., New York, N. Y.**

March 29 filed 125,000 shares of common stock (par $1). Shares are being sold by Ira Guilden, research, development and manufacturing consultant of company. **Underwriters**—Paul H. Davis & Co., A. C. Allyn & Co., Inc., and Emanuel & Co. **Offering**—Price to public by amendment. **Business**—Watches and other timepieces.

● **Lynch Corporation, Anderson, Ind.**

March 29 filed 75,000 shares of common stock (par $2). **Underwriters**—Offering not underwritten. **Offering**—Company is offering the shares to holders of common stock of record April 22, at the rate of one share for each five shares held at $15 per share. Management expects to offer at $15 per share to key personnel, other than the President, such shares of present offering as are not subscribed for. **Proceeds**—Proceeds will be used to pay bank loans $581,000; to reimburse treasury for addition to Toledo plant $125,000; to discharge other indebtedness $150,000 and for working capital $244,000. **Business**—Manufacturing glass-forming machines.

F. H. McGraw & Co., Hartford, Conn.

March 25 filed 36,000 shares of $1.50 preferred stock (no par) and 100,000 shares of common (par 10 cents). **Underwriters**—Granbery, Marache & Lord and Bear, Stearns & Co. **Offering**—Prices to public by amendment. For details see issue of March 28.

● **Mading Drug Stores Co., Houston, Tex.**

March 30 filed $500,000 5% sinking fund debentures; 50,000 shares of 55-cent cumulative preferred stock ($5 par) and 40,000 shares of common ($1 par). **Underwriters**—Alex Brown & Sons, Rauscher, Pierce & Co., Inc., and G. H. Walker & Co. **Offering**—Price of debentures to public is 100 and accrued interest from April 15, 1946. Offering prices of preferred and common stocks by amendment. **Proceeds**—Of the net proceeds, $887,546 subject to change on basis of final audit in connection with acquisition of property is to be applied to the purchase of 3,587 shares of the common stock of Mading's Drug Stores, Inc. Balance of proceeds will be applied to general corporate purpose, including the opening and acquisition of additional stores. **Business**—Company was incorporated March 13, 1946, for the purpose of acquiring all the outstanding capital stock of Mading's Drug Stores, Inc., a corporation which has operated a chain of drug stores in Houston, Texas, since 1927.

Mission Appliance Corp.
on Feb. 26 filed a registration statement for 133,000 shares of common stock (par $5). Of total 102,150 shares are being sold by company and 30,850 by certain stockholders. For details see issue of March 7. **Offering**—Price to public will be $8.25 per share. **Underwriters**—Lester & Co., Los Angeles, Calif.

Monsanto Chemical Company
on March 15 filed a registration statement for 316,967 shares of cumulative preference stock, series A (no par) convertible into common before June 1, 1956. Dividend rate will be filed by amendment. For details see issue of March 21. **Offering**—The 316,967 shares of new preference stock are being offered to holders of common stock on the basis of one share of preference for each four shares of common held of record April 8. Rights will expire 3 p.m., April 24, 1946. Price to be filed by amendment. **Underwriters**—Smith, Barney & Co. heads the underwriting group.

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 (10c par). Dividend rate on preferred will be filed by amendment. The statement covers 200,000 additional shares of common reserved against warrants. For details see issue of Feb. 7. **Offering**—Price to the public will be filed by amendment. **Underwriters**—To be supplied by amendment.

● **National Automotive Fibres, Inc., Detroit, Mich.**
March 27 filed 178,000 shares common stock (par $1), of which 150,000 shares being sold by company and 28,000 shares by California Cotton Mills Co., a stockholder. **Underwriters**—Reynolds & Co. **Offering**—Price to public by amendment. **Proceeds**—Repayment of bank loans, $1,000,000; new plant in northern Ohio, $670,000; balance for machinery and equipment at other plants. **Business**—Textile specialty business.

National Co., Inc., Malden, Mass.
March 20 filed 200,000 shares of common stock (par $1), of which company is selling 50,000 shares and certain stockholders 150,000 shares. **Underwriters**—Bond & Goodwin, Inc. **Offering**—Price to public $6 per share. For details see issue of March 28.

National Distillers Products Corp.
on Feb. 4 filed a registration statement for 379,894 shares of common stock (no par). For details see issue of Feb. 7. **Offering**—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**—Glore, Forgan & Co. and Harriman Ripley & Co., Inc.

● **National Skyway Freight Corp., Los Angeles, Calif.**
March 30 filed a registration statement for 500,000 common shares (par $1). **Underwriters**—Bond & Goodwin, Inc. **Offering**—Price to public $5 per share. **Proceeds**—Money will be added to working capital to be used for general purposes, principally to finance acquisition of new planes. It is estimated $1,275,659 will be used for the purchase of a fleet of new planes better adapted to cargo carriage as soon as they are available. Manufacturers of proposed new planes have set no prices for them, but it is estimated new planes will cost between $125,000 and $250,000 each. The corporation plans to acquire between 10 and 20 such new planes. **Business**—Contract air carrier of cargoes and passengers.

● **Nation-Wide Securities Co., Inc., New York, N. Y.**
March 30 filed 300,000 shares of capital stock (par $1). **Distributor**—Calvin Bullock. **Offering**—At market. **Proceeds**—For investment. **Business**—Investment company.

● **New Haven (Conn.) Clock & Watch Co.**
March 29 filed 62,500 shares of 4½% cumulative convertible preferred stock (par $20). **Underwriters**—Reynolds & Co. **Offering**—Price to public by amendment. **Proceeds**—To repay a $481,360 bank loan incurred by predecessor, New Haven Clock Co., to redeem 4,376 shares of 6½% cumulative preferred stock; balance for purchase of new machinery, increased inventory requirements and working capital.

Norwalk (Conn.) Tire & Rubber Co.
March 21 filed $1,444,500 convertible debentures due April 15, 1956. Interest rate by amendment. **Underwriters**—Carl M. Loeb, Rhoades & Co. **Offering**—Company is offering to common stockholders right to subscribe for new debentures at rate of one $500 debenture for every 70 shares of common stock held. Price by amendment. Unsubscribed debentures will be purchased by underwriters who will offer them publicly. For details see issue of March 28.

● **Ohio Public Service Co., Cleveland, O.**
March 30 filed $32,000,000 first mortgage bonds, due 1976; $5,500,000 serial notes and 156,300 shares of cumulative preferred stock (par $100). Interest rate on the bonds and notes and dividend rate on the preferred stock by amendment after results of competitive bidding are known. **Underwriters**—To be filed by amendment. **Offering**—Prices to public by amendment. **Proceeds**—Net proceeds will be applied to redemption and payment of bonds, notes and preferred stock aggregating $58,327,406, including premiums, but exclusive of accrued interest and dividends. To the extent that net proceeds from sale of new securities are not sufficient for the retirement purposes, company will use part of the $5,000,000 in cash which it is to receive from Cities Service Power & Light Co. for the sale to the latter of $5,000,000 par value common stock.

● **O. K. Ko-Op Rubber Welding System, Littleton, Colo.**
April 1 filed 2,000 participating member shares. **Underwriters**—Shares will be sold without underwriting. **Offering**—Price is $1,000 per member share. The sale will be restricted exclusively to owners and operators of O. K. Tire Servicing Stores. **Proceeds**—It is contemplated that the proceeds shall be used for operating capital, to maintain stocks and inventories and to handle receivables. **Business**—A common-law business trust.

Pacific Airmotive Corp.
on Feb. 28 filed a registration statement for 150,000 shares of capital stock (par $1). For details see issue of March 7. **Offering**—Company offers to stockholders the right to subscribe for 150,000 shares on basis of three-tenths of one share for each share of stock held at price to be filed by amendment. Union Oil Co. of California, beneficial owner of 212,234 shares (42.45%) of capital stock of Pacific, has agreed to purchase at subscription price all shares of capital stock offered and not subscribed. Union Oil will acquire shares for investment only. **Underwriters**—None mentioned.

Palestine Economic Corp.
on Dec. 28 registered 20,000 shares of common stock ($100 par). For details see issue of Jan. 3. **Offering**—Offering price to public $100 per share. **Underwriting**—No underwriting.

● **Paulsboro Manufacturing Co., Paulsboro, N. J.**
March 29 filed 9,886 shares 6% cumulative preferred (par $100); 31,000 common stock purchase warrants and 31,000 shares of common, issuable upon the exercise of the warrants. **Underwriters**—Butcher & Sherrerd, Philadelphia. **Offering**—1,886 shares of 6% cumulative preferred are offered in exchange (one new share for 10 old shares) for shares of 4% preference stock ($10 par), together with all dividends accrued thereon. Exchange offer is conditioned on purchase of remaining 8,000 shares of 6% cumulative preferred and of the 31,000 common stock purchase warrants by underwriter. **Proceeds**—Proceeds will be used for the purchase or construction of a plant and necessary machinery and equipment to enable the manufacture of a new hard surface floor and wall covering developed by the company, but not yet manufactured on a commercial basis. **Business**—Hard surface floor and wall coverings.

Peerless Casualty Co.
on March 8 filed a registration statement for 50,000 shares of common stock (par $5). For details see issue of March 14. **Offering**—Company is offering the 50,000 shares of common to common stockholders in ratio of 5 additional shares for each 11 shares held, at $14 per share. Unsubscribed shares will be sold to underwriters and sold to public at $14 per share. **Underwriters**—Herrick, Waddell & Co., Inc., New York, heads the underwriting group.

Pennsylvania Electric Co., Johnstown, Pa.
March 21 filed $23,500,000 first mortgage bonds, due 1976, and 101,000 shares of cumulative preferred stock, series C, par $100. Securities will be sold at competitive bidding, and interest and dividend rates will be filed by amendment. **Underwriters**—To be filed by amendment. **Offering**—Prices to public by amendment. For details see issue of March 28.

Peninsular Telephone Co.
on March 14 filed a registration statement for 80,000 shares of $1 cumulative preferred stock (par $25) and 26,799 shares of common stock (no par). For details see issue of March 21. **Offering**—Holders of outstanding 100,000 shares of $1.40 cumulative preferred class A (par $25) of record April 3 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. Holders of common stock will be given the right to subscribe to additional common shares on basis of one additional share for each five shares of common held of record April 3, 1946, at price to be filed by amendment. **Underwriters**—Morgan Stanley & Co., Coggeshall & Hicks, G. H. Walker & Co., White, Weld & Co.

Perfex Corp., Milwaukee, Wis.
March 20 filed 7,500 shares 4½% cumulative preferred stock (par $100) and 26,164 shares of common stock ($4 par). **Underwriters**—Wisconsin Co. **Offering**—Common stock is being offered to common stockholders on basis of one share of new common for each five shares held. Price by amendment. Unsubscribed common shares and preferred stock will be publicly offered by underwriters. For details see issue of March 28.

Piper Aircraft Corp.
on Feb. 18 filed a registration statement for 150,000 shares of common stock (par $1). For details see issue of Feb. 20. **Offering**—Price to the public will be filed by amendment. **Underwriters**—Hayden, Stone & Co.

Pressed Steel Car Co., Inc., Pittsburgh, Pa.
March 20 filed 100,000 shares of common stock (par $1). **Underwriters**—Kuhn, Loeb & Co. **Offering**—Price to public by amendment. For details see issue of March 28.

Public Service Co. of Ind., Inc., Indianapolis
March 25 filed 150,000 shares of cumulative preferred stock (par $100). Dividend rate by amendment. **Underwriters**—Names by amendment. **Offering**—Company proposes to issue the 150,000 shares of new preferred for purpose of refinancing at a lower dividend rate the 148,186 outstanding shares of old preferred 5% cumulative series A. Exchange will be on a share for share basis with cash adjustment. Any of the 150,000 shares not issued under exchange offer will be sold for cash to underwriters and proceeds applied with treasury funds to redemption of unexchanged old preferred shares. For details see issue of March 28.

Public Service Co. of New Hampshire
on March 1 filed a registration statement for 102,000 shares of preferred stock ($100 par). Stock is to be offered at competitive bidding, with dividend rate supplied by amendment. For details see issue of March 7. **Offering**—Stock will first be offered to holders of company's $6 and $5 dividend preferred stock on a share for share basis, with cash adjustment. Unexchanged shares of new preferred are to be sold to underwriters for resale to public. 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.

● **Public Service Co. of New Hampshire, Manchester, N. H.**
March 29 filed 500,000 shares of common stock (par $10). **Underwriters**—Names by amendment. **Offering**—Company will sell at competitive bidding, for an aggregate price of $5,000,000, of not exceeding 500,000 shares of common stock, the number of shares to be determined by each bidder. Contemporaneously with issuance of new common company will issue 102,000 shares of preferred stock either under an exchange offer or for cash as previously provided for in filings with the Commission. **Proceeds**—New common stock and new preferred stock are being issued to retire 117,404 shares of old preferred and serial notes outstanding in the amount of $2,000,000 on Dec. 31, 1945, and to provide funds for construction and extension of the company's plant, property and facilities.

● **Queen Anne Candy Co., Hammond, Ind.**
March 28 filed 108,000 shares of common stock (par $1). Shares are being sold by certain stockholders. **Underwriters**—Link, Gorman & Co., Inc., Brailsford & Co., Shillinglaw, Bolger & Co., Kalman & Co., Inc., Straus & Blosser, Herrick, Waddell & Co., Sills, Minton & Co., O. H. Wibbing & Co., Mercier, McDowell & Dolphyn, Berwyn T. Moore & Co., Inc., and Irving J. Rice & Co. **Offering**—Price to public $5.125 per share.

Red Top Brewing Co., Cincinnati, Ohio
March 26 filed 150,000 shares of class A common stock (par $1). Shares are being sold by certain stockholders. **Underwriters**—Group is headed by Westheimer & Co., Cruttenden & Co., A. G. Edwards & Sons, Loewi & Co., Stein Bros. & Boyce, the Ohio Company, and Piper, Jaffray & Hopwood. **Offering**—Offering price to public is $10.50 per share. For details see issue of March 28.

● **Republic Indemnity Co. of America, Tuscon, Ariz.**
March 27 filed 10,000 shares common stock (par $10). **Underwriters**—Not underwritten. Shares are being offered by the company. **Offering**—Company is offering new common to holders of common stock at rate of one share for each two shares of common held at $15 per share. **Proceeds**—To increase the capital and surplus from $300,000 to $450,000, thereby enabling company to transact its casualty and insurance business in various States which require the foregoing amounts of capital and surplus. **Business**—Company was incorporated on Sept. 11, 1945, to engage in the casualty and indemnity insurance business.

● **Roberts & Mander Corp., Hatboro, Pa.**
April 2 filed 283,790 shares of common stock (par $1). Company is offering 175,000 shares and Stroud & Co. Inc. is offering 108,790 shares which it owns. **Underwriters**—Stroud & Co. Inc. **Offering**—Price to public by amendment. **Proceeds**—Company plans to use its share of the proceeds for the payment of $600,000 bank loans, balance for working funds. **Business**—Company was organized March 11, 1946, to take over the business of Roberts & Mander Stove Co. extensive line of ranges.

● **Rockridge Gold Mines Ltd., Toronto, Can.**
March 27 filed 300,000 shares of common stock ($1 par). **Underwriters**—Not underwritten. Company has granted an exclusive option dated Feb. 20, 1946, to Morgan U. Kemerer of Toronto to purchase 500,000 treasury shares at 30 cents per share and 500,000 treasury shares at 40 cents per share, payable in Canadian exchange. Mr. Kemerer has assigned to Mark Daniels, 371 Bay Street, Toronto, in consideration of $1, the former's right and option to purchase 300,000 of the 500,000 shares optioned to Mr. Kemerer at 30 cents per share. Mr. Daniels plans to market the shares optioned to him through the medium of a registered broker or brokers in the United States. **Offering**—Price to public is 40 cents per share, U. S. funds. **Proceeds**—Proceeds will be applied to development work, etc.

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Securities Now in Registration

● INDICATES ADDITIONS SINCE PREVIOUS ISSUE

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St. Joseph (Mo.) Light & Power Co.
March 22 filed $3,750,000 first mortgage bonds due April 1, 1976. Bonds will be sold at competitive bidding with successful bidder naming interest rate. **Underwriters**—Names by amendment. **Offering**—Price to public by amendment. For details see issue of March 28.

● Salt Dome Oil Corp., Houston, Tex.
March 28 filed certificates of interest for 800,000 shares in overriding royalty in oil, gas and surplus. **Underwriters**—Cohu & Torrey, New York, and Yarnall & Co., Philadelphia. **Offering**—Company is offering the certificates of interest to stockholders on basis of one share interest represented thereby for each share of common stock held at 58 cents per share. **Proceeds**—Company will use net proceeds in exploring and developing the 24 tracts and in acquisition of equipment and materials and to pay obligations incurred in drilling for test wells.

Samson United Corporation
on March 15 filed a registration statement for 125,000 shares of cumulative convertible preferred stock (par $8) and 166,666 shares of common stock (par $1). Dividend rate on preferred will be filed by amendment. The 166,666 shares of common which constitute 51.4% of the outstanding common are being sold by Clark-Babbitt Industries, Inc. For details see issue of March 21. **Offering**—Prices of preferred and common to public will be filed by amendment. **Underwriters**—Burr & Co., Inc., heads the underwriting group.

● Scranton Electric Co., Scranton, Pa.
March 29 filed 58,500 shares of cumulative preferred stock and 1,214,000 shares common stock (par $5). Common stock is being sold by American Gas & Electric Co. (parent). **Underwriters**—To be filed by amendment. **Offering**—Price by amendment following sale of securities at competitive bidding. **Proceeds**—Net proceeds to be received from sale of cumulative preferred, together with treasury funds, will be used to redeem 53,248 shares of $6 preferred at $110 per share. Common shares are being sold by American Gas & Electric in compliance with a divestment order of the SEC, and proceeds of sale will be received by American Gas.

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). Interest and dividend rates will be filed by amendment. For details see issue of Feb. 14. **Offering**—Bonds and preferred stock will be sold at competitive bidding. **Underwriters**—Names of underwriters will be filed by amendment.

● Segal Lock & Hardware Co., Inc., New York, N. Y.
March 30 filed 738,950 shares of common (par $1). **Underwriters**—Floyd D. Cerf & Co. **Offering**—Company is offering to the holders of common stock, 7% preferred stock and $2.50 cumulative preferred stock, rights to subscribe for 738,950 shares of new common at rate of one share of common for each two shares of any such stock held. Price by amendment. All unsubscribed shares will be sold to underwriters who will offer them to the public. **Proceeds**—Net proceeds will be added to working capital and used for purchase of additional machinery and equipment for modernization of present facilities, for the addition of new departments, etc., and possible acquisition of new businesses. The company may apply, if deemed advisable, approximately $650,000 to the redemption of both classes of the preferred stock outstanding. **Business**—Builders' hardware, security hardware, key duplicating machines, safety razors and razor blades, etc.

● Selected Industries, Inc., New York, N. Y.
March 30 filed $6,900,000 debentures due April 1, 1961. Interest rate by amendment. **Underwriters**—Union Securities Corp. **Offering**—Price to public by amendment. **Proceeds**—Net proceeds, together with other funds of company, will be used to pay $6,900,000 bank loans which bear interest at the rate of 2% per annum and mature March 1, 1947. **Business**—Investment company.

● Sharon Steel Corp., Sharon, Pa.
April 2 filed 150,000 shares common (no par). **Underwriters**—Mellon Securities Corp. **Offering**—Price to public by amendment. **Proceeds**—Net proceeds with cash from present funds will be applied to redemption of all outstanding convertible $5 preferred stock at $105 per share and accrued dividends which, exclusive of accrued dividends from April 1, 1946, will require the sum of $6,270,600. **Business**—Hot and cold rolled carbon strip steel and stainless and alloy.

● Shell Union Oil Corp., New York, N. Y.
March 27 filed $125,000,000 25-year debentures due April 1, 1971. Interest rate by amendment. **Underwriters**—Morgan Stanley & Co. **Offering**—Price to public by amendment. **Proceeds**—To pay $5,835,000 serial notes, due Jan. 15, 1947-53; $66,155,000 2½% debentures, due July 1, 1954, and $13,071,000 2¾% sinking fund debentures, due Jan. 15, 1961. Remainder for corporate purposes. Company plans expanding operations of subsidiaries and affiliates, comprising, among other things, replacement of and additions to crude oil reserves, extension and improvement of refining facilities, installation of additional chemical plants and other related projects.

Sinclair Oil Corp.
on Dec. 26 filed a registration statement for 150,000 shares of common stock (no par). Shares are being sold by H. F. Sinclair. For details see issue of Jan. 3. **Offering**—Price to the public will be based on market estimated at $18 per share. **Underwriters**—Kuhn, Loeb & Co.

Sonotone Corp., Elmsford, N. Y.
March 25 filed 60,000 shares $1.25 cumulative convertible preferred stock, series A (par $20). **Underwriters**—Van Alstyne, Noel & Co. **Offering**—Price to public is $25 per share. For details see issue of March 28.

● Steep Rock Iron Mines Ltd. (Ontario, Canada)
March 27 filed 500,000 shares of capital stock (par $1). **Underwriters**—Otis & Co. **Offering**—Price to public by amendment. **Proceeds**—Net proceeds will be added to the general funds and will be available for general corporate purposes, including the acquisition of plant and equipment at an estimated cost of $642,000, additional exploration and development work and for general working capital purposes. The statement said the cost of bringing the B Zone into production was substantially greater than had been originally estimated. The diversion of the Seine River cost approximately $3,599,000 as against an original estimated cost of $1,249,475 and approximately $892,000 was expended in the dewatering of Steep Rock Lake as against an original estimated cost of $513,300. The increase in actual costs over original estimates was occasioned by a number of factors including, among others, an acceleration of the development program due to war demands; unforeseeable physical difficulties encountered; increased labor costs; increased costs of materials, supplies, machinery and equipment; inability to procure an adequate supply of skilled workmen; high rental costs, and other factors due to abnormal wartime conditions existing during the preproduction period. **Business**—Production of iron ore by open-pit mining operations.

Stromberg-Carlson Company
on March 19 filed a registration statement for 67,731 shares of convertible preferred stock (par $50). Dividend rate will be filed by amendment. For details see issue of March 21. **Offering**—Company is offering to holders of common stock pro rata rights to subscribe to new preferred on basis of one share of preferred for each four shares of common held of record April 8, at price to be filed by amendment. Price to the public will be filed by amendment. **Underwriter**—First Boston Corp. is named principal underwriter.

● Sun Oil Co., Philadelphia, Pa.
March 29 filed 15,000 memberships in the stock purchase plan for the employees of Sun Oil Co. and its subsidiaries and 100,000 shares of common stock (no par). **Offering**—Every employee of the Sun Oil Co. and such subsidiaries as company designates who has been in their employ for a period of one year or more is eligible to become a member of the plan. Under the provisions of the plan, each employee may contribute to a plan up to but not exceeding 10% of his yearly compensation, which contributions are paid into each plan during the first year, although each plan continues for a period of five years, when it is then liquidated. The plans are administered by trustees. The contributions made to the plan will be used to purchase company's common stock principally on the open market at not exceeding market price, although company will, if the trustees are unable to purchase stock on the open market, sell common stock to the trustees. It is stated it is not anticipated that the trustees will purchase more than 50,000 shares of common for the members of the 1945 plan or 50,000 shares of common for the members of the 1946 plan.

● Super-Cold Corp., Los Angeles, Calif.
March 29 filed 200,000 shares common stock (par $1). **Underwriters**—Sutro & Co. and Van Alstyne, Noel & Co. **Offering**—Price to public $6 per share. **Proceeds**—Approximately $575,000 will be applied in payment of existing current liabilities, including bank loans; $200,000 for purchase of machinery and equipment, and remainder for working capital. **Business**—Manufacture and sale of refrigeration units.

● Taca Airways, S. A., New York, N. Y.
March 30 filed 500,000 shares common (par $5). **Underwriters**—Hallgarten & Co. and G. H. Walker & Co. **Offering**—Price to public by amendment. **Proceeds**—No specification of the net proceeds has been made. Such portion of the net proceeds as is not applied to the repayment of bank loans will be placed in the general funds of Taca and used by it, or by subsidiaries or associated companies, together with other general funds for the repayment of bank loans, for capital expenditures, including the purchase of flight and ground equipment, for additional working capital, additional investments in subsidiaries, etc. **Business**—Holds investments in subsidiaries which principally are engaged in air transportation of passengers, property and mill in countries in Latin America.

Tennessee Gas & Transmission Co., Houston, Texas
March 19 filed $35,000,000 first mortgage pipe line bonds due 1966; 100,000 shares 4.10% cumulative preferred stock ($100 par) and 484,444 shares of common stock ($5 par). Of the common stock, 350,000 shares are to be purchased by underwriters from company, and 134,444 shares are being purchased from certain stockholders. **Underwriters**—Stone & Webster Securities Corp. and White, Weld & Co. **Offering**—Prices to public by amendment. For details see issue of March 28.

● Tennessee Gas & Transmission Co.
March 30, the thrift plan of Tennessee Gas & Transmission Co. filed registration statement covering contributions to be made by the employees of the company to trustees amounting to $250,000 in the aggregate. **Purpose**—The thrift plan was established by the company in July, 1945, in order to provide a program whereby eligible employees of the company might further their own financial independence. The plan was designed to provide a means whereby the contributions of the participating employees of the company and the contributions of the company might be invested for the benefit of such employees.

Tex-O-Kan Flour Mills Co., Dallas, Texas
March 19 filed 40,000 shares of cumulative preferred stock (par $100). Dividend rate by amendment. **Underwriters**—Kidder, Peabody & Co. and Rauscher, Pierce & Co., Inc. **Offering**—Company is offering to holders of 26,710 shares of 7% preferred stock an opportunity to exchange such stock for new preferred on a share for share basis, with an adjustment of dividends. Underwriters will purchase any unexchanged new preferred shares plus 13,290 additional shares of new preferred which will be offered to public at a price to be filed by amendment. **Business**—Flour milling, terminal grain elevator operations, feed milling and bag manufacturing. For details see issue of March 28.

Textron, Inc.
on Dec. 28 filed a registration statement for 300,000 shares of 5% convertible preferred stock (par $25). For details see issue of Jan. 3. **Offering**—Price to public will be filed by amendment. **Underwriting**—To be filed by amendment. Request filed March 27 to withdraw registration statement.

● Tuscon (Ariz.) Gas, Electric Light & Power Co.
March 29 filed 147,000 shares common stock (no par). **Underwriters**—To be filed by amendment. Stock constitutes all of the outstanding common stock of Tuscon and is owned by Federal Light & Traction Co. Latter is selling the stock to comply with the requirements of Section 11 (b) (1) of the Public Utility Holding Company Act and the orders of the SEC directing the disposition by Federal of its interests in various companies, including Tuscon. After the sale Tuscon will have ceased to be either a subsidiary or an affiliate of Federal or its parent, Cities Service Power & Light Co., or latter's parent, Cities Service Co. **Offering**—Federal will offer the stock for sale at competitive bidding and price to public will be filed by amendment.

● Union Electric Co. of Missouri, St. Louis, Mo.
March 29 filed 130,000 shares of preferred stock (no par). Dividend rate by amendment. **Underwriters**—Names of underwriters by amendment. **Offering**—New preferred will be issued in connection with an exchange offer and company will ask for competitive bids with respect to exchange plan and purchase of the new stock. Company offers to exchange new preferred stock for 130,000 shares of $5 preferred, on a share for share basis with a cash adjustment. Unexchanged shares will be purchased by underwriters at competitive bidding, and offered at a price to be filed by amendment. **Purpose**—To refinance old preferred stock at a lower dividend rate. Company proposes to redeem, on or about June 17, 1946, all shares of old preferred not exchanged at $110 per share.

Union Wire Rope Corp.
on Feb. 4 filed a registration statement for 42,000 shares capital stock, (no par). For details see issue of Feb. 7. **Offering**—Company will offer the 42,000 shares for a period of two weeks after the effective date of registration for sale to stockholders at $15.50 per share. Shares not purchased by the stockholders will be offered by underwriter at $15.50 per share. **Underwriters**—P. W. Brooks & Co., Inc., New York.

United Biscuit Co. of America, Chicago, Ill.
March 22 filed $10,000,000 debentures due April 1, 1966. Interest rate by amendment. **Underwriters**—Goldman, Sachs & Co. **Offering**—Price to the public by amendment. For details see issue of March 28.

● United Cigar-Whelan Stores Corp., New York, N. Y.
March 29 filed 50,000 shares of common stock (par 30 cents). **Underwriters**—No underwriting agreement exist. **Offering**—Under an agreement dated Feb. 1946, Arthur S. Lavine and Sam S. Lavine of Miami, Fla., have agreed to sell to Whelan Drug Co., a wholly owned subsidiary of United, the retail drug and liquor store business heretofore conducted by them in Miami, Miami Beach and Coral Gables, Fla., under the names of Dade Pharmacies and Dade Cut-Rate Liquor Stores.

Agreement provides that $425,000 of agreed cash considerations to be paid to Lavine, at the option of Whelan, may be paid in shares of common stock of United Cigar-Whelan at a stated price per share to be fixed by Whelan. Messrs. Lavine have made no arrangements for the sale of this stock to the public. **Purpose**—To acquire business. **Business**—Sale of cigars, cigarettes and related products, drugs, liquors and related products and merchandise.

● **United Funds Inc., Kansas City, Mo.**
March 27 filed 320,000 United Income Fund shares. **Underwriters**—Herrick, Waddell & Co., Inc., New York and Kansas City, Mo. **Offering**—At market. **Proceeds**—For investment. **Business**—Diversified management investment company.

● **United States Television Manufacturing Corp., New York, N. Y.**
March 26 (letter of notification) filed 99,000 shares of common stock (par 50 cents). **Underwriter**—Willis E. Burnside & Co. **Offering**—Price to public, $3 per share. **Proceeds**—Purchase of additional test and production equipment, working capital.

● **United Transit Co., Richmond, Va.**
March 29 filed an intermediate number of common shares (par $1). The common shares being offered are outstanding and are owned by Equitable Securities Corp., A. C. Allyn & Co., Inc., and Paul M. Davis of Nashville, Tenn. **Underwriters**—Harriman Ripley & Co., Inc. **Offering**—Price to public by amendment. **Business**—Through eight subsidiaries company operates local transportation systems.

● **Universal-Cyclops Steel Corp.**
Feb. 13 filed 3,500 shares of common stock (letter of notification). Shares are for account of certain stockholders. **Underwriter**—A. G. Becker & Co.

● **Utah Power & Light Co., Salt Lake City**
March 20 filed $32,000,000 first mortgage bonds due May 1, 1976. Bonds will be sold at competitive bidding with interest rate to be filed by amendment. **Underwriters**—Names to be filed by amendment. **Offering**—Price to the public will be filed by amendment. For details see issue of March 28.

● **Utility Appliance Corp., Los Angeles, Calif.**
March 29 filed 80,000 shares cumulative preferred stock, $1 dividend convertible series ($15 par), and 80,000 shares common stock ($1 par). **Underwriters**—Bateman, Eichler & Co., Los Angeles. **Offering**—Price to public is $16.625 a share for preferred and $5.25 a share for the common. **Proceeds**—Company plans to apply $1,100,000 of the proceeds to the purchase of the business and assets of Gaffers & Sattler and Occidental Stove Co.; $200,000 for plant additions and tooling and the balance of approximately $230,073 for additional working capital. **Business**—Air conditioning equipment.

Verity Porcupine Gold Mines, Ltd.
on March 12 filed a registration statement for 250,000 shares of common stock. For details see issue of March 14. **Offering**—Price to public is 50 cents per share. **Underwriters**—Mark Daniels & Co., 371 Bay Street, Toronto, Canada, is named underwriter.

Virginia Red Lake Mines, Ltd.
on June 24 filed a registration statement for 220,000 shares of capital stock, par $1 (Canadian). For details see issue of Aug. 2. **Offering**—Offering price to public 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. For details see issue of Feb. 20. **Offering**—Offering price to public is 30 cents per share, United States funds. **Underwriters**—J. J. Carrick, Ltd., Toronto, Canada.

● **Walworth Co., New York, N. Y.**
March 29 filed $4,500,000 convertible debentures due May 1, 1976, and 20,000 shares of cumulative convertible preferred stock (no par). Interest and dividend rates by amendment. **Underwriters**—Paine, Webber, Jackson & Curtis and E. H. Rollins & Sons, Inc. **Offering**—Price to public by amendment. **Proceeds**—Of the proceeds company will apply $4,590,000 to redeem $4,500,000 20-year first mortgage 4% bonds due April 1, 1955, at par plus accrued interest; $619,120 to restore working capital expended for redemption of entire issue of 6% preferred; $800,000 for improved foundry and finishing equipment; $220,000 for acquisition of two warehouses and the balance will be added to working capital. **Business**—Valves and pipe fitting made of steel, iron, bronze and brass.

● **Weeden & Co., San Francisco, Calif.**
March 28 filed 10,000 shares 4% convertible preferred stock ($50 par) and 1,501.6 shares common (no par). **Underwriters**—None named. **Offering**—Price of preferred stock is $50 per share and of the common stock $40 per share. **Proceeds**—Entire proceeds will become part of the general funds and used in the company's operations. **Business**—The company is mainly engaged in the buying and selling of municipal and corporate bonds, and preferred and common stocks. The company deals primarily with dealers, banks, insurance companies and other financial institutions.

Young Radiator Co.
on Jan. 29 filed a registration statement for 100,000 shares of common stock (par $1). Company is also registering 40,000 shares of common reserved for issuance upon exercise of warrants. For details see issue of Feb. 7. **Offering**—Price to 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**—Van Alsyne, Noel & Co.

Prospective Security Offerings

(NOT YET IN REGISTRATION)

Alden's, Inc., Chicago, Ill.
May 14 stockholders will vote on approving an issue of ,000 preferred shares (par $100). First series of new preferred will consist of 40,000 shares, (dividend rate not to exceed 4¼%). Proceeds for working capital. Lehman Brothers and associates will be underwriters.

American Airlines, Inc., New York, N. Y.
April 17 stockholders will vote on recapitalization plan which will provide: (1) for raising of $80,000,000 this year through sale of debentures and convertible preferred stock; (2) for authorization of 600,000 shares of preferred stock (par $100); (3) for 5 for 1 split-up of 290,568 outstanding common shares.

American Rolling Mill Co., Middletown, Ohio
April 2 company is contemplating redemption of 450,000 preferred shares in near future provided certain negotiations now being carried on with respect to the financing are concluded.

Bangor & Aroostook RR., Bangor, Me.
April 16 stockholders will vote on authorizing new mortgage. Company contemplates refinancing one-third of outstanding funded debt (Dec. 31, 1945, $12,665,-0) through sale of equal amount of bonds under new mortgage, through competitive bidding.

Central Ohio Light & Power Co., Findlay, Ohio
Company, a subsidiary of Crescent Public Service Co., is requesting bids up to 12 noon (EST) April 9 for the purchase of 12,000 shares of new preferred stock to replace existing $6 preferred.

Central & Southwest Utilities Co., Wilmington, Del.
Third amended plan filed with SEC in March provides that company be merged with American Public Service into corporation known as Central & South West Corp. Sufficient number of shares of new company would be sold at competitive bidding to provide funds, not otherwise supplied, to retire outstanding preferred stocks of Central and American. Possible bidders: Glore, Forgan & Co.; Lehman Brothers-Lazard Freres & Co. (Joint); Smith Barney & Co.-Harriman, Ripley & Co. (Joint); Blyth & Co., Inc., Stone & Webster Securities Corp. and First Boston Corp. (Joint).

Columbus & Southern Ohio Electric Co., Columbus, Ohio
Registration of 744,000 shares of common stock expected next week as a preliminary to divestment by Continental Gas & Electric Co., parent pursuant to Utility Holding Company Act. Sale will be by public bidding.

Consolidated Edison Co. of New York, Inc.
March 18 stockholders granted management's request to mortgage system's properties said to be forerunner to fund $304,240,000 callable debentures. Contemplated new bonds, to be sold at competitive bidding, would initially, it is said, involve $100,000,000.

Consumers Power Co., Jackson, Mich.
March 14 filed with Michigan P. U. Commission application to sell at competitive bidding 876,568 common shares, after capital adjustment. Proceeds for extensions, etc.

Detroit Edison Co., Detroit, Mich.
March 19 committee of directors formed to consider refinancing of $65,000,000 3½s and 4s. Probable bidders include: Mellon Securities Corp., First Boston Corp., Dillon, Read & Co. Inc., Coffin & Burr, Halsey, Stuart & Co., Inc., and Spencer Trask & Co.

De Vilbiss Co., Toledo, Ohio
April 15 stockholders will vote on increasing authorized common from 250,000 shares (par $10) to 450,000 shares (par $5) and issuing one additional share for each of the 97,931 shares now outstanding. Stockholders will also vote on changing the par of 200,000 authorized preferred stock from $10 par to $5 par. The sale of 104,138 shares of common stock also will be acted upon, the proceeds of which will be used to retire outstanding preferred and for working capital.

Hudson Motor Car Co., Detroit, Mich.
April 1 directors voted to offer stockholders rights to subscribe for one additional share for each seven shares held, requiring approximately 228,000 shares. Proceeds for working capital. W. E. Hutton & Co. will be underwriter.

International Minerals & Chemicals Corp., Chicago, Ill.
May 20 stockholders will vote on approving sale of 145,-834 unissued common shares. It is proposed to give stockholders rights to purchase additional shares on basis of one new share for each five common shares held.

International Paper Co., New York, N. Y.
Stockholders will be asked May 8 to authorize an issue of 400,000 shares of a new class of preferred, which company expects to offer share for share for existing preferred.

Jersey Central Power & Light Co., Asbury Park, N. J.
Jan. 19 company filed with New Jersey Board of Public Utility Commissioners plan to refund existing $21,861,500 5½% and 7% preferred, first by reduction to $12,500,000 which will be replaced with lower dividend shares. New stock will be sold at competitive bidding.

Kansas City Southern Ry., Kansas City, Mo.
May 14 stockholders will vote on proposal to issue $14,000,000 additional first mtge. bonds as part of program to refund $14,000,000 Louisiana & Arkansas Ry. 1st Mtge. 5s.

Michigan Gas & Electric Co., Three Rivers, Mich.
April 1 filed with SEC application to sell (a) $3,500,000 first mortgage bonds due April 1, 1976, (b) 14,000 preferred shares (par $100) and (c) $400,000 common stock (par $10). All issues would be sold through competitive bidding.

Minneapolis-Honeywell Regulator Co., Minneapolis, Minn.
March 26 stockholders voted plan to refund three outstanding preferred issues, viz.: 4% series B at 105; 4¼% series C at 107½ and 4% series D at 108, through a new issue of convertible preference stock. Registration statement expected to be filed shortly giving old preferred stockholders right to exchange their stock on share for share basis with cash adjustment. Union Securities Corp. probable underwriter.

Mountain States Telephone & Telegraph Co., Denver, Colo.
March 30, it was reported that company is preparing to issue $30,000,000 new debentures. Morgan Stanley & Co. and Halsey, Stuart & Co., Inc. are probable bidders.

New England Gas & Electric Association, Cambridge, Mass.
March 27 filed amended recapitalization plan with SEC providing for sale at competitive bidding of (a) 22,-500,000 20-year sinking fund collateral trust bonds, plus (b) sufficient shares of new common stock out of the original issue of 2,300,000 shares to supply $11,500,000. Proceeds will be used to retire at par and interest outstanding debentures. Bidders may include Halsey, Stuart & Co., Inc. (for bonds only), Bear, Stearns & Co. (for stock only), First Boston Corp., White, Weld & Co.-Kidder, Peabody & Co. (Joint).

New York, Chicago & St. Louis RR., Cleveland, Ohio.
Company has issued invitations on April 16 for the sale of $41,500,000 40-year bonds. Halsey, Stuart & Co., Inc. and Kuhn, Loeb & Co. probable bidders.

Northern Pacific Ry., St. Paul, Minn.
It was reported March 29 that company has under consideration the refunding of $55,000,000 collateral trust 4½% bonds due 1975 and the issuance of a new series. Prospective bidder, Morgan Stanley & Co.

Ohio Edison Co., Toledo, Ohio
March 21 filed with Ohio P. U. Commission application to sell through competitive bidding 204,153 shares of common stock. Proceeds for expansion, etc. Probable bidders include First Boston Corp.; Glore, Forgan & Co.; White, Weld & Co.-Shield & Co. (Joint); Morgan Stanley & Co.

Panhandle Eastern Pipe Line Co., Chicago, Ill.
March 18 directors authorized the filing with SEC of $50,000,000 serial debentures; proceeds for refunding, etc. Public offering expected at end of April by syndicate under joint management of Kidder, Peabody & Co., Merrill Lynch, Pierce, Fenner & Beane, Glore, Forgan & Co. and Halsey, Stuart & Co., Inc.

Pennsylvania Company, Philadelphia
Bids will be received April 9 (Noon EST) for purchase of $30,000,000 secured notes. Interest rate to be specified in bid. Probable bidders: Kuhn, Loeb & Co., Halsey, Stuart & Co., Inc. and Kidder, Peabody & Co.
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Prospective Security Offerings

(NOT YET IN REGISTRATION)

(Continued from page 1831)

Pennsylvania Edison Co., Altoona, Pa.

March 28 company applied to the SEC for permission to issue (a) $23,500,000 first mortgage bonds series of 1976, and (b) 101,000 shares of series C cumulative preferred stock, with a dividend rate not to exceed 4%. Both issues are to be sold through competitive bidding.

Philadelphia Dairy Products Co., Philadelphia, Pa.

May 13 stockholders will vote on increasing common stock from 125,000 shares (25c par) to 500,000 shares, to take care of future financing.

Pittston Co., Hoboken, N. J.

Company it is understood expects to register at an early date for public offering an issue of 15-year debentures and additional income debentures.

Standard Gas & Electric Co., Chicago, Ill.

Standard Power & Light Corp. has requested permission of SEC to sell, either through private sale or in the public markets 1,160,000 shares of common stock of Standard Gas & Electric Co. Sale is preliminary to liquidation of the Power & Light as ordered by the SEC.

United States Rubber Co., New York, N. Y.

April 16 stockholders will vote to increase authorized common from 1,918,412 shares to 2,500,000 shares, so as to have available shares for the purchase of additional property, creation of additional working capital and other corporate purposes. No immediate issuance of additional stock contemplated.

Yonkers (N. Y.) Electric Light & Power Co.

Jan. 21 company and parent Consolidated Edison Co. of New York, Inc. applied to New York P. S. Commission for authority to issue $9,000,000 30-year debs., int. rate not to exceed 2¾%, to be guaranteed by parent. Issue to be sold through competitive bidding. Possible bidders include Halsey, Stuart & Co., Inc.; Morgan Stanley & Co.; Lehman Bros., Harriman Ripley & Co. and Union Securities Corp. (Joint); Blyth & Co., Inc.; Shields & Co. and White, Weld & Co. (Joint); W. C. Langley & Co.; Merrill, Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (Joint).

British Business Men's Dilemma

(Continued from first page)

in September last telling his audience not to subscribe to Government loans, he was sharply criticized in the City.

Meanwhile relations between the Government and the business world have deteriorated considerably. The aggressive haste with which the Government is proceeding with its nationalization scheme, and the hostile references made by various Socialist Ministers, seeking gratuitous popularity, to industrialists and investors, brought the period of "benevolent neutrality" to a close.

The Government's original policy was to secure the collaboration of businessmen as far as possible, and to that end it was prepared to fix fair, and even generous, terms of compensation to the stockholders of nationalized industries. It was also anxious to enlist the assistance of prominent businessmen in the management of the nationalized industries. Businessmen were also called upon to collaborate in the drive for an increased production that has been going on during recent weeks.

In face of the hostility displayed by some Ministers, and even more the rank and file of the Parliamentary Labor Party, many businessmen have come to the conclusion that any collaboration with the present Government is out of question. When the Prime Minister appealed for support in the production drive, he was reminded by Mr. Oliver Stanley, a former Conservative Minister, that his appeal was inconsistent with the torrent of abuse showered at the same time on businessmen by members of his Government and of his party. When Mr. Shinwell, Minister of Fuel and Power, looked around for businessmen to serve on the National Coal Board he met a number of refusals. Rightly or wrongly, several coal mine owners he approached felt that it would be most inappropriate for them to collaborate in the nationalization of their property.

Those coal owners and other businessmen who have accepted positions on the Coal Board or other governmental bodies are now subject to sharp criticism on the part of those opposed to collaboration. They are even described as "quislings" and are accused of having turned traitors to their class. A campaign is waged against them, and this makes the Government's task of enlisting the collaboration of businessmen even more difficult. Incidentally, at the same time the Government is also attacked by its own supporters for appointing coal mine owners on the Coal Board. Left-wing Socialists would prefer to see the industry run entirely by politically "dependable" elements. The Government refused to yield to these criticisms.

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The War of Nerves Subsides At Hunter College

(Continued from first page)

request for his suggestion for further Council procedure. He then said:

"If the representative of the Soviet Union would be willing to withdraw the condition of unforeseen circumstances which he has attached to the evacuation of Iran, and if his Government gives to the Council an assurance that the withdrawal of the whole of the Soviet forces from Iran, unconditionally, is effected by May 6 at the latest, then I would say that Iran would be willing not to press further at this time the consideration of the matter which it has brought to the attention of the Security Council, provided, of course, that these matters remain on the agenda of the Council for consideration at any time."

Thus the first step has been taken in paving the way to an amicable solution to the entire Iranian problem, and toward the world-wide validation of the UNO as a respected functioning body. **But it is only a modest first step! Primarily, it must be realized that we are still dealing only with the procedural question of the requested postponement of the airing of substantive discussion of the controversy.** Then, too, the Soviet troops must actually be evacuated by the first week in May; duress in connection with oil concessions must not be used before or after that event; military installations must not be left; Soviet political agitation must not be practiced in Azerbaijan or otherwise through the satellite Tudeh party. If the Soviet does not conform thus, the Council will be sitting indefinitely with "the Iran situation" as an ever-continuing headache.

In any event, the Soviet presumably is still on the minority side on basic questions involving the whole future of the Organization. Mr. Gromyko did not take his walk merely because he enjoys a game of hide-and-seek. The Russian leaders have showed, time and again, from Dumbarton Oaks through Yalta to Hunter, that they are wedded to the principle that their country has the right to sit in judgment on itself—and that supposedly the world's business can stop just because one country refuses to play unless it can make its own rules and decisions.

The Fundamental Issue of International Cooperation Is Acutely Involved

For the present issue is not confined to the immediate Soviet-Iran controversy, but much more importantly goes to the root of world organization, to world Government in its various currently suggested forms, and to the fundamental obstructing factor of **national sovereignty. The Soviet's adamant insistence on the veto since Dumbarton Oaks—followed more temperately by the United States—has been the manifestation of the difficult stumbling-block imposed by the unwillingness to forsake sovereignty.** While it is true that the United States Senate would not have ratified the Charter without the protection of sovereignty, the only veto power we ever wanted was that over involvement in armed conflict. The Russians, on the other hand, from Yalta on have wanted to possess the right of veto over **all** doings of the Council—involving discussion as well as action. At San Francisco this Russian demand was strenuously opposed by Messrs. Eden, Stassen, and Evatt. Although Stalin "compromised" the major deadlock at San Francisco by agreeing to forsake the vetoing of discussion, the Soviet powers-that-be have directly back-tracked on this at London, and again now, so dramatically, here at Hunter.

And this critical and continuing disagreement concerning the propriety of vetoing discussion reflects the basic differences between the Anglo-Saxon and the Russian ideologies—between the democratic concept of the general right of discussion, and the authoritarian principle holding that opinion and discussion are to be controlled by central authorities (the Big Powers in the Security Council).

The net result of the veto technique now in force as decided in the San Francisco Charter, was that the Security Council affirmatively can: (a) **discuss** disputes without veto obstruction; (b) **investigate**, which can be vetoed by any one of the Big Five powers provided it is not a party to the dispute; and (c) take **punitive action** against aggressors, which can be vetoed whether the veto-er is a party to the dispute or not.

The principal danger in this liberal veto-power, as reiterated by this writer time and again from San Francisco, lies not so much in paralyzing the Organization, as its giving sanctification by the Organization while wrongdoing is being done—thus making a tool of the Organization. In this way, and if the vital importance of the sovereignty-veto problem be not fully realized, UNO may lull the people of the world into a false sense of optimism.

And in a larger sense: as long as, in addition to the Big Five powers, there are in the world 80 other sovereignty-conscious states in contact with each other on a power basis—sooner or later they are bound to clash no matter in what form their internal economic systems may be.

* * * * *

The Accomplishments of Mr. Byrnes

But a chance for settlement of the immediate crisis encountered by the Council in the Iran controversy is now afforded. For this the UNO and the peace-hungry world have Mr. Byrnes to thank. His sense of leadership, judgment, and shrewdness, coupled with overall statesmanship, have given us this breathing-spell. His technique has provided all parties to the controversies with a way to withdraw from the "limbs" on which they had over-extended themselves. Particularly, he has given the Russians the opportunity for (belatedly) living up to their obligations under Teheran without losing face.

He has immeasurably elevated the United States position from its leaderless status at London, and from that of mere intermediary between the Soviet and Great Britain which it

Secretary of State Byrnes delivering his historic compromise proposal. At the right is Col. Hodgson, the aggressive Australian Delegate.

comprised at both San Francisco and London. Now the United States is functioning on all cylinders with a non-appeasing but fair, policy of its own and on behalf of the very life of the UNO. One of the cardinal dangers which the Organization must avoid is that of being used as a **tool** by either of the parties in the present controversy. The Soviet would have done this indirectly if it had secured the quashing of the hearing of Iran's complaint until after its aggressive maneuver for "taking over" Azerbaijan and northern Iran oil under duress had been a *fait accompli*. There has also been a danger of Iran unfairly using the Security Council as a purely political instrument in improving the oil deal which she may fully have intended to make.

An outstanding coup of Mr. Byrnes was his restraint on Hussein Ala, the Iranian representative, whom he himself had been highly instrumental in getting before the Council. When at his first moments of testifying Ala wandered from the field of opposing postponement to that of substantive matters, the Secretary of State lost not a moment in interrupting him.

Again in his historical statement which brought about the "recess" Friday, Mr. Byrnes acted in the only way discernible to get Mr. Gromyko back to the proceedings without sacrificing any of the fundamental principles for which he had battled so hard in the previous sessions. At the previous session he had won his point of insisting that the Iranian representative be admitted. Then Mr. Byrnes' formula dextrously offered a way for Mr. Stalin to get off his "Limb;" and at the same time a compromise for the Council in dealing with a member against whom it hasn't the power to take punitive action, and whose continuing cooperation it wants and needs.

The main point of concern, which Mr. Byrnes in no way sacrificed in compromise, was the request for assurance that Soviet troops in Iran are not being used to coerce the smaller country.

* * * *

Mr. Byrnes' Proposal

Following is the full text of the Byrnes statement:

"Mr. President, I should like to make a statement.

"Assurances have been given to the Council by the Soviet representative that the Soviet Union has already commenced to withdraw its troops from Iran; that it is the intention of the Soviet Government to proceed with the withdrawal of its troops as rapidly as possible and that, barring 'unforeseen circumstances,' the withdrawal of all Soviet troops from the whole of Iran will be completed within five or six weeks.

"The Iranian representative has stated that the dispute with the Soviet Union arises from the continued presence of Soviet troops in Iran beyond the date stipulated for their withdrawal in the Tripartite Treaty of Jan. 29, 1942, and has requested the Council to recommend their prompt and unconditional withdrawal.

"The Soviet representative has stated that the withdrawals of troops were being made in accordance with an understanding with the Iranian Government, but the existence of such understanding has not been confirmed by the Iranian Government.

"The assurances given to the Council by the Soviet representative have not been completely unqualified but are subject to change in event of 'unforeseen circumstances.' Apparently negotiations on certain matters are still proceeding between the Soviet Government and the Iranian Government, and the Council is not informed as to the exact status of these negotiations.

"Even if the Council should now proceed to consider the substantive issues involved in the dispute between the Soviet Union and Iran and to recommend the withdrawal of Soviet troops as requested by Iran, Soviet troops could not be withdrawn from Iran in a substantially shorter period of time than that within which the Soviet Government has declared it to be its intention to withdraw them.

"But the members of the Council must be solicitous to avoid any possibility of the presence of Soviet troops in Iran being used to influence or coerce the Government of Iran in negotiations with the Soviet Government.

"If the Council could obtain more adequate and exact information regarding the status of the negotiations between the Soviet Government and the Iranian Government, the Council might be able to satisfy itself that the assurances of the Soviet Government as to the prompt withdrawal of troops from Iran are in fact for all practical purposes unconditional. In that event, there might be no need for the Council to go into the substantive issues, provided it reserved the right to both parties to have the case immediately taken up by the Council should there be any developments which threatened to retard the withdrawal of troops.

"I would suggest that the President of the Council request the Secretary-General to ascertain at once from the Soviet Government and the Iranian Government through their representatives and report to the Council at its meeting on Tuesday, April 2, the existing status of negotiations between the two Governments, and particularly to ascertain from the representatives of the two Governments and report whether or not the reported withdrawal of troops is conditional upon the conclusion of agreements between the two Governments on other subjects.

"With this information, the Council will then be in a much better position to decide what should be the next step."

* * *

The Wayward Press

One of the most remarkable phenomena connected with this conference is the way the press is "going all out" for-and-after Mr. Gromyko. The enterprising newshawks are completely hypnotized—or imagine their public is—by the supposedly overwhelming glamor of the Soviet's mysterious "Orientalism." They are faithfully duplicating the performance of their colleagues at San Francisco, where M. Molotov's every discernible trip to the washroom was the signal for a mad scuffle by the curious. Possibly Mr. Gromyko has taken on added glamor here, because of his silence, in contrast to Molotov's running to the press, and divulging his side of controversies (as in the Argentina situation) to them before he did so to his fellow-diplomats.

Andrei Gromyko

This overzealousness here brought about the prize boner of Thursday last, when the afternoon papers carried streamers announcing Gromyko's attendance at the closed Council meeting—only to red-facedly learn later that the gentleman had engaged in nothing more cosmic than an automobile ride. It seems that the trouble was caused by the belief (or wishful thinking) of the eager reporters outside the Russian Consulate that the emerging Gromyko's passing nod of the head was a "yes" to their query as to his attendance, which query had been shouted at him. But even the next day the august "Times" thought the ride important enough to chart in full on a city street map.

The same dignified "Times" on Sunday devoted a major portion of its front-page story, and a full inside account, built on Gromyko's mere refusal to answer any questions.

At the Plaza Hotel, where the Ambassador is staying, city detectives are in constant attendance at the street entrances, in the lobbies, and in the 15th floor hallway outside his apartment. His own phone nearly always has "cut-off" service when he is at home, and the hotel operators furnish additional service by cutting off the phone in the room of his 9-year old daughter during sleeping hours. Most of the time the Bortsch and balance of the family's meals are prepared by them in their own rooms ('for safety,' say hotel attendants).

* * *

The Mediator From France

Henri Bonnet, French Ambassador and Delegate to the Council, more than any of the other participants, is full-fledgedly playing the role of *mediator*. It was he who was the liaison with Dr. Lange of Poland; who tried to stave off a vote on the Soviet's doomed postponement motion; who made an eleventh-hour attempt to break the Iran deadlock thru a three-man mediating committee chairmaned by himself; and who argued strongly to extend this week's intermission.

This conduct is in line with the policy embraced by both General de Gaulle and President Gouin in working to establish France as the leader of the small nations, and as the stabilizing "bridge" between Russia and the Western Powers. This is altogether intelligent, for in attaining a balance of power presumably lies France's main hope for reestablishing herself as a real factor in the postwar world.

M. Bonnet's zealousness to amplify the time for the Soviet's reply lead him to a gross public "boner" in calculating American and European time. He pleaded for an extra day against Mr. Byrnes' suggestion that 96 hours was ample time to wait on Mr. Stalin, because European time is ahead of American time. Mr. Byrnes immediately showed his ability as a "scientist" as well as a diplomat, by giving M. Bonnet the following simple lesson: "My good friend from France says that while it is the 29th here today, in Eastern Europe it is the 30th. Well, ninety-six hours from now, on the 2d of April, it will be the third in Moscow. So my good friend gets what he wants."

France bridging the gap between East and West. Ambassador Henri Bonnet, Delegate of France, standing between Mr. Gromyko of Russia, Sir Alexander Cadogan of Great Britain, and U. S. Delegate Stettinius.

M. Bonnet good-naturedly waved acknowledgment of his error—but after further wrangling the procrastinators won a compromise until April the third anyway—so all present got nearly everything that they wanted.

Coincidentally M. Bonnet's careless error may possibly stimulate interest in the new global times system which has just been suggested to UNO by Count Coudenhove-Kalergi. Whether this would solve the troubles of M. Bonnet and the many other perplexed people, however, is still questionable because, as the "Herald Tribune" comment indicates, comprehension of it depends on the citizens of one world being able to figure out which day they are in.

* * *

Lange Pinch-Hits a Home Run for Gromyko

Even though the Security Council has "sold ex-Gromyko" after last Wednesday's walkout, the Soviet has at all times been fully, though unofficially represented—in the person of the Polish delegate, Dr. Oscar Lange. This former faculty-member of American Universities—Chicago and Stanford—who recently reacquired Polish citizenship, although strongly resenting implications that he or his country are "satelliting" or "stooging" for Russia, holds Gromyko's end up most alertly, when necessary. And his good sense of public relations is extended even to the social sphere, in his giving of the only party for the press—cum Park Central caviar.

Delegate Oscar Lange of Poland and Ambassador Hassein Ala, Iranian representative (extreme right), exchanging jibes over "vodka and caviar parties."

Although Dr. Lange's technique has annoyed his anti-Soviet hearers, all admitted that he got in a telling blow—eliciting the best laugh—against Hassein Ala, after the Iranian had explained that his country's constitution forbids its entry into negotiations with a foreign power while the latter's troops are still on its soil. Dr. Lange was quick to "riposte" with the rhetorical inquiry as to whether, then, if not negotiating, the Prime Minister had been gallavanting and vodka-izing around Moscow.

Dr. Lange: "I am not clear on one point which was mentioned

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For one thing, the presence of businessmen in key positions would provide convenient scapegoats if things should go wrong.

A by no means inconsiderable section of the banking and business community does not share the views of the Government's uncompromising opponents. They feel that, unfortunate as it is that Britain should be governed by Socialists during such a critical period of her existence, businessmen are not politicians, and have to make the best of a thoroughly bad job. In their opinion a breakdown of the coal industry through mismanagement would be a major national disaster, and they regard, therefore, the businessmen who have agreed to serve on the Coal Board as patriots who place country before class and party. In some instances the businessmen who have accepted office under the Labor Government could well afford to stand aside, and in any case high taxation reduces their salaries to a negligible addition to their incomes.

The diehards are not impressed by such arguments. They feel that the Government is the enemy of industrialists and ought to be treated as such. Some of them frankly admit in private conversation that a complete breakdown of the coal industry and of industrial production in general would be a blessing in disguise, as it would bring down the Government. Others are not so sure about this. With its overwhelming majority in the House of Commons, the Government could remain in office no matter how grave the economic situation would become. Indeed, it is widely believed that if there should be a change of Government before the next general election in 1950, it would be a change for the worse; the moderate Government of Mr. Attlee would have to give way to a Left-wing Government, headed probably by Mr. Aneurin Bevan, the present Minister of Health.

All businessmen agree that with such a Government there could be no possible collaboration. But the moderate elements in the business world and in the Conservative Party fear that uncompromising attitude towards the Attlee Government might assist in bringing to power an extremist Government. British businessmen are certainly confronted by an unenviable dilemma.

E. W. Bliss Co. Pfd. Offered at $50 per Shr.

Allen & Co. on April 3 offered to the public a new issue of 100,000 shares of $2.25 convertible preferred stock (no par) of E. W. Bliss Co. The stock was priced at $50 a share. Each share of new preferred stock is convertible into 1 6/10 shares of common stock.

Net proceeds from the sale will be used to the extent of $1,895,381 to redeem the 42,109 shares of 6% convertible preferred stock and 30,096 shares of 5% convertible preferred stock presently outstanding, plus an additional sum equal to accrued dividends to redemption date, and $1,500,000 will be applied toward the reduction of outstanding unsecured notes. Of the balance of the proceeds, approximately $1,270,000 will be used to complete the company's expansion program, including plant construction, new machinery and equipment.

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48th Bank Credit Group Formed in Ala.

Organization of a new Bank Credit Group,—representing the 48th in the nationwide network of such groups formed as an additional source of credit under the program of the American Bankers Association to assure ample credit to small business, was announced on March 28 by Robert M. Hanes, Chairman of the Postwar Small Business Credit Commission of the Association. Mr. Hanes, who is President of the Wachovia Bank and Trust Company at Winston-Salem, N. C., stated that the 48th group has been organized by banks in Alabama with $10½ million to supplement the regular lending resources of the commercial banks in that State. This brings the total funds represented in the 48 bank credit groups, serving the entire country, up to $671,827,675.

The Alabama group was formed by five banks in the three major cities of the State. They are the Birmingham Trust and Savings Company and the First National Bank in Birmingham, the First National Bank and the Merchants Natonal Bank in Mobile, and the First National Bank in Montgomery. Officers of the group are: W. C. Bowman, President of the First National Bank, Montgomery, Ala., Chairman; E. J. McAuley, President of the First National Bank, Mobile, Vice-Chairman; J. B. Haslam, Vice-President of the Birmingham Trust & Savings Company, Birmingham, Secretary. Members of the Credit Committee representing each of the participating banks are: W. C. Bowman, President of the First National Bank, Montgomery, (Walter Kennedy, Executive Vice-President, as alternate); John S. Coleman, President of the Birmingham Trust & Savings Company, Birmingham; J. Glenn Hall, Executive Vice-President of the First National Bank, Birmingham; T. A. Horst, Vice-President of the Merchants National Bank, Mobile, and E. J. McAuley, President of the First National Bank, Mobile (H. A. Pharr, Executive Vice-President as alternate). Each participating bank is entitled to an alternate but they have not all been named as yet.

Formation of the Alabama group it is pointed out brings to completion a network of regional credit groups across the country planned as a third source of credit to which small business can have access, and as a back-stop, so to speak, to banks in making such loans as they might find for one reason or another difficult to make.

"The first source of credit will always be the individual bank," Mr. Hanes said. "The second is the combination of the local bank and its larger city correspondent working together. Now we have a third organization in the line-up, the regional bank credit group to which loan applications are referred that the other two cannot handle. Blanketing the country with these credit groups is part of a larger program for lending to small business begun a year and a half ago," Mr. Hanes said. "At that time," he added, "banking leaders foresaw that when the war would end business generally and small business particularly would suddenly find itself in need of credit to finance its return to peacetime activity. Hence, the American Bankers Association organized its Postwar Small Business Credit Commission to put into effect a program which would make certain that small business would be assured of ample bank credit for its needs."

"War's end found the nation's banks eager and ready to supply small business with credit needed in the process of reconverting from war production to peacetime production," Mr. Hanes declared. "Reconversion is well on the way toward completion," he continued. "Small business must now have the means to prosper and grow. The bank machinery which was so helpful in financing the reconversion process is now serving the long-term peacetime needs of small business."

LaGuardia to Head UNRRA

Former Mayor of New York Fiorella LaGuardia, was nominated by the Central Committee of the United Nations Relief and Rehabilitation Administration to be the new director-general of the organization. Although no vote will be taken on Mr. LaGuardia's name until the end of the UNRRA meeting now being held at Atlantic City, N. J., the Associated Press, in its dispatch from there of March 21, pointed out that nomination by the central committee was considered tantamount to election.

The War of Nerves Subsides At Hunter College

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by the Delegate of Egypt and touched upon the reply of the Delegate of Iran, namely, the point concerning the powers of the Prime Minister to carry on negotiations while foreign troops are on Iranian soil.

"Now I read in the newspapers, and I think it is an established fact, that the Prime Minister of Iran was in Moscow, carried on some—I don't know—negotiations—what it was if we shall not use the term, conversations, while Soviet troops still were on Iranian soil and **I want to find out whether he broke the law or did negotiate or whether his purpose of going to Moscow was, for instance, merely to attend a "vodka party."**

Ala Returns a Winning Blow

This gave the ultra-suave Iranian a chance to come back with an ironical and righteously indignant defense of his Prime Minister's loyalty, and immunity to bribes, even though they embraced ordinarily-rationed caviar. Said Hassein Ala:

"I will remind the honorable Representative of Poland that the journey of the Prime Minister of Iran to Moscow was in pursuance of the resolution of the 30th of January in the first Council in London.

Meanwhile came the 2d of March—it came and passed, and a truce had not been accomplished and he protested verbally and in writing. Naturally there is no doubt that he was very lavishly entertained. **He was wined and dined and plenty of vodka and probably plenty of caviar also was given to him, but he remained firm on the basis of independence of his country and the essential rights of Iran** and he did not yield one point and maintained his attitude and the negotiations as I explained the other day came to nought because there was a stalemate. Instead of coming forward and trying to agree to the conditions, to the request of the Iranian Prime Minister, the Soviet Government came forward with other requests, requesting that their troops should remain in certain regions of Iran, requesting that a question of oil concessions be discussed, requesting that the autonomous Government of Iran be recognized. That was what it was."

* * *

UNO Starts Negotiations for Transfer of League of Nations Assets

The Secretary General of the United Nations, Mr. Trygve Lie has advised the Chairman of the committee appointed by the General Assembly of the United Nations to negotiate the transfer of League of Nations assets, the delegate of Poland, Wlodzimierz Modero, that the assistant Secretary General for Conferences and General Services, Mr. Adrian Pelt, is to represent the Secretary General at the Assembly of the League of Nations and also to act as his representative with the Committee.

Secretary General Trygve Lie (right) with Mr. Stettinius.

The committee appointed by the General Assembly will also discuss with the Swiss Federal Authorities the relations between the Swiss Federal Government and the United Nations with regard to League of Nations assets as well as the immunities and privileges of the organization, of the representatives of its Members and its own officials in Switzerland, upon the transfer of the assets and functions which may be agreed upon.

The Committee will be received in Berne by the Federal Counsellor in charge of the Swiss Federal Political Department, Mr. Petitpierre.

The negotiations on the part of the Swiss Federal Governmen will be conducted by a delegation headed by Mr. Paul Ruegger, Swis Minister to Great Britain, and includes among others Mr. F. Perrear President of the Council of State of Geneva.

The Committee appointed by the General Assembly of the Unite Nations at its London meeting, is composed of representatives of th following Member States:—

Chile, China, France, Poland, Union of South Africa, Union o Soviet Socialist Republics, United Kingdom and the United States.

The problem of the transfer of the assets of the League of Natio to the United Nations was first studied by a special committee (Com mittee 9) of the executive committee of the Preparatory Commissio of the United Nations in London.

When the full Preparatory Commission met to consider the repo of its 14-nation executive committee, the Commission, on Dec. 1 1945, appointed a special 8-member committee to enter into discus sions with the League of Nations Supervisory Commission for th purpose of working out a common plan for the proposed transfe The committee consisted of representatives from the following eig nations: Chile, China, France, Poland, South Africa, the Union o Soviet Socialist Republics, the United Kingdom, and the United Stat of America.

This committee, on Feb. 11, 1946, published a report, recommen ing that the United Nations take over all the material assets own by the League in Geneva, including the Assembly Hall, Librar Secretariat Building and all fixtures and furniture. The sum 48,000,000 Swiss francs was to be paid to the League by the Unit Nations, to be distributed to the members in the form of credit o the books of the United Nations. There was to be no actual payme in cash.

The report was adopted by the General Assembly on Feb. 12. O the same day, the Assembly also formed an 8-member Negotiati Committee, composed of the same nations as the former group, assist the Secretary-General in negotiating the necessary agreemen for the proposed transfer. The Secretary-General, Mr. Trygve L then (on March 28) informed the chairman of the committee, M

Wlodzimierz Modero of Poland, that Mr. Adrian Pelt, Assistant Secretary-General for Conferences and General Services, would represent him with the Committee in the planned negotiations.

Aside from its main task, the Committee has also been instructed to discuss with the Swiss Federal authorities the relations between the Swiss Federal Government and the United Nations with regard to League assets located in Switzerland, and the immunities and privileges of the United Nations and its staff.

The Swiss Government will be represented in the negotiations by a delegation headed by Mr. Paul Ruegger, Swiss Minister to the United Kingdom. The delegation includes, among others, Mr. F. Perreard, President of the Council of State of Geneva.

The final session of the League of Nations will open in Geneva on April 8, and will at that time consider confirmation of such arrangements as may be made on behalf of the League during the present negotiations.

* * *

The Security Council's Query to the Soviet and Iran Governments and Their Replies

Communique from Secretary-General Lie:

"I have the honor to advise you that at its meeting on 29 March, 1946, the Security Council endorsed the suggestion made by Mr. Byrnes that the President of the Council request the Secretary-General to ascertain at once from the Soviet Government and the Iranian Government through their representatives and report to the Council at its meeting on Wednesday, April 3, the existing status of negotiations between the two Governments, and particularly to ascertain from the representatives of the two Governments and report whether or not the reported withdrawal of troops is conditioned upon the conclusion of agreements between the two Governments on other subjects.

"Accordingly, I am instructed by the President to request that you ascertain the above information from your Government and communicate it to me prior to the meeting of the Security Council on Wednesday, April 3, 1946."

* * *

The Soviet Reply to the Council's Query

(Received April 3, 9:10 A.M.)

"Sir:

"In reply to your letter of March 29th, in which you, in accordance with the instructions of the President of the Security Council, requested information concerning the existing status of negotiations between the Soviet and Iranian Governments, and particularly, whether or not the withdrawal of the Soviet troops from Iran is conditioned upon the conclusion of agreements between the two Governments on other subjects. I have the honor on behalf of my Government to inform you about the following:

"These negotiations have already led to the understanding regarding the withdrawal of the Soviet troops from Iran which was renewed on March 24, 1946, and which will be completed during the period of one and one half months. I officially informed the Security Council about this at its meeting on 26 March, 1946. Thus, the question concerning the evacuation of the Soviet troops raised before the Security Council by the Iranian Government on March 18, was solved by the understanding reached between the Soviet and the Iranian Governments.

"**As to other questions, they are not connected with the question of the withdrawal of the Soviet troops,** as it is known the question concerning an oil concession or a joint stock company was raised in 1944, independently of the question of the evacuation of the Soviet troops.

Yours respectfully,
ANDREI A. GROMYKO."

* * *

Reply From Iran to Council's Query

(Received 9:15 A.M., April 3)

"Sir:

April 2, 1946.

"As stated in my letter of acknowledgment to you of March 30, 1946, I did not fail to cable to my Government, the evening of March 29th, the complete text of your communication of the same date, and I requested that an early answer be sent to the two questions suggested by Secretary of State Brynes and endorsed by the Security Council. I am now instructed to convey to you for communication to the Security Council at its meeting of Wednesday, April 3rd, the following reply to the two questions.

Hassein Ala, representing Iran, delivering his country's reply to the Council's note of inquiry.

"(1) You first ask us as to the existing status of negotiations between the two Governments. With respect to the interference in the internal affairs of Iran, the subject matter of the first dispute, negotiation has taken place pursuant to the resolution of the Security Council on January 30, 1946. As to these negotiations, I submitted a report to the Council at its meeting on March 27, 1946. The negotiations pursuant to the resolution of January 30, 1946, have achieved no positive results, and Soviet agents, officials, and armed forces are continuing to interfere in the internal affairs of Iran. They are still preventing the Government of Iran from exercising any authority in the Province of Azerbaijan. Regarding the withdrawal of Soviet troops from Iran, there has been, and there can be, no negotiation.

"(2) Your second question is whether or not the reported withdrawal of troops is conditioned upon the conclusion of agreements between the two Governments on other subjects. The best way to answer that is to give you a simple and exact account of the conversations that have taken place in Tehran since the ar-

(Continued on page 1836)

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Approach of averages to old highs increases possibility of sharp sell off. Good buying present in only minute doses.

The industrials had a minor shakeout in the middle of last week but managed to recover most of their losses before the week ended. In fact the recovery itself had elements of strength, but these were a little too obvious for comfort.

While the industrials were trying to point the way to higher prices, the rails were performing poorly. It's true that the carriers like the industrials also snapped back from a minor reaction, but in their case the recovery was labored.

The in-and-out performance of the past few days has been explained away by attributing it to the UNO crisis, the soft coal strike and the OPA. The chances are that all of these had something to do with it. But anybody who believes that these were, or are, the basic reasons for market hesitancy, is living in a fool's paradise.

Markets go up for only one reason—profits and the hope for profits. Remove that feature, or becloud it in any way, and the market will eventually react. This brings me back to a statement which appeared in my last week's column. It was the final sentence in the column and read: "At least using the news as a barometer for market action is now advised." Obviously there was a misprint. Instead of the word "now" it should have read, "not." For news, as we know it, and when we know it, has been evaluated by the market long before it has become knowledge. That is the peculiarity the market possesses; the habit of forecasting events before they occur.

But to get back to market performance as we see it now and its meaning for the near-by future. Basically the trend is still bullish. But the bullishness is no longer one of those wild-eyed things replete with rumors of wonderful things. The break of last February took care of that. Today there is a great deal more caution, and it has nothing to do with margins. I can go on and on describing undercurrents which don't bode any new upsurge. I'm also aware that all these can be changed overnight if the familiar averages penetrate certain objectives. For if nothing else is proven by such a penetration, it will be enough to say that somebody somewhere is certain enough of continued profits to back his belief with cash. That means that good buying has to come in.

Here and there some of this good buying manages to crop up. But by and large most of the present and recent buying is not the sort that breeds confidence. A few paragraphs back I started to say that the rails were not performing well. It's easy enough to say that the soft coal strike is at fault. But I cannot believe that the strike came as a surprise. In fact strikes seldom come as a surprise to management. I think the better answer is to be found in the belief that rails have already seen their best earnings and that a new appraisal of their securities is in the wind. To change that opinion the rail average would not only have to stay above 63 but would have to cross the 68-69 range in an aggressive manner.

The industrials are also backing and filling. By the time they pass 200 (which they have already done) they could enter into a stalemate. Purpose of this would be to nibble at the stock present about (203-206). It would do this in a couple of hot market days or it could go through a period of weeks or even months, before it overcame the obstacle. Any of these would be bullish even though they would require the patience of a Job to sit through. There is still, however, another possibility. The market could go up, but not through the upper range, and turn down again. Of the two the indications seem to point to the latter. This means that there is some kind of a reaction, which may be more than a minor one, in the cards.

To protect one's account against all possibilities is obviously impossible. The method of "stops" still remains the best one, even though it carries elements of danger within it. But until a better one is offered I suggest it not be discarded. You still hold half positions in the following: Air Reduction at 52, now (Monday) about 57; American Car and Foundry at 60, now about 65; American Steel Founders at 42, now about 44; Bethlehem at 99, now about 103; Electric Auto-Lite at 71, now about 73; Superheater at 30, now about 31; U. S. Steel at 82, now about 84 and U. S. Rubber at 65½, now about 70. Practically all of these show you some profits, some larger than others. It would not be good business, or even good trading, to permit all these profits to be dissipated. So I suggest the following stops:

Air Reduction at 54; American Car and Foundry at 62; American Steel Founders at 42; Bethlehem at 97; Electric Auto-Lite at 69; Superheater at 29; U. S. Rubber at 67 and U. S. Steel at 79. You will note that in some cases the stops are under your original purchase levels. In those cases the stocks are not acting as well as the rest of the market but extra leeway is required for a final conclusion. Even if these stops are broken and you have to take a loss, the profits you took when you sold the original half, should take care of that.

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.]

The War of Nerves Subsides At Hunter College

(Continued from page 1835)

rival of the new Soviet Ambassador. On March 24, the day before the opening of the Security Council, the Soviet Ambassador called on the Prime Minister of Iran and handed him three memoranda. One was an announcement that the evacuation of the Red Army from Iran would begin March 24, and last five to six weeks. In this memorandum there was no mention of any condition being attached to the withdrawal of the troops.

"The second memorandum related to the formation of a joint Iranian-Soviet Corporation for the extraction of oil.

"The third memorandum dealt with Azerbaijan and suggested a form of autonomous government.

"Within a few hours after delivering the three memoranda, the Soviet Ambassador again called on the Prime Minister and, on the basis of a telegram he had received from Moscow, orally confirmed the promise to evacuate Iran, but on the condition that no unforeseen circumstances should occur. When the Iranian Prime Minister objected to this proviso and asked for explanations, the Soviet Ambassador did not give a convincing reply.

"Three days later the Iranian Prime Minister again referred to this proviso and said the evacuation of the Soviet troops must be unconditional, and that he could not agree to the Soviet proposals on the subjects of oil and Azerbaijan. To this, the Soviet Ambassador responded that if agreement could be reached on these other two subjects, there would be no further cause for anxiety and no unforeseen circumstances would take place. This statement has not been further clarified.

"With respect to the other two memoranda, the Prime Minister has outlined his views to the Soviet Ambassador. His position is: (a) that as the status of the Province of Azerbaijan like that of all the other provinces in Iran is regulated by the Iranian constitution and the law on provincial councils, it is an internal matter with which the Iranian Government will deal; (b) that the formation of a stock company with joint participation by Iran and the Soviet Union is a matter to be submitted for approval to the next Parliament, after the Soviet troops have been withdrawn from Iran, and elections can be held lawfully for the organization of the thirteenth Legislature.

"This is the present state of the discussion on the subject of oil and the future status of Azerbaijan.

"According to the latest information from my Government dispatched to me on April 1st, no understanding has been arrived at and no agreement had been made. The Prime Minister of Iran emphatically states that he has not accepted, and cannot accept, any conditions whatsoever being attached to the complete withdrawal of the Red Army from the whole of Iran. These forces should have been unconditionally removed from Iran on or before March 2 last. It is our position as explained by me at the meeting of the Security Council on Friday last that the evacuation of the whole of Iran by Soviet forces cannot properly be made dependent upon any conditions, foreseen or unforeseen.

"In closing, permit me to repeat that in referring these disputes to the Council, the Iranian Government is animated by no feeling of hostility for the Soviet Union. It is our hope that the Council will find a just solution which will promote friendly relations in the future.

"I have the honor to be,

(signed by) "AMBASSADOR HUSSEIN ALA."

* * *

Antagonism Created by Russia's Behavior

The Soviet case has been getting ever more difficult even for her best friends. The blame fastened on the Soviet by the other powers is not so much because of its dealings with Iran, as because of its non-acceptance of the decisions of the Organization that it helped to create, and that Marshall Stalin insists he is sponsoring. And her "Oriental psychology" is getting more difficult to explain.

As the "Daily Mail" of London says: "Russia's dubious maneuverings will reflect adversely on her motives. If suspicions of Russia are baseless she has but herself to blame. If she would only state her case frankly and put aside dubious expedients and cease to act as though she were afflicted by a persecution mania, the prospects would be infinitely brighter."