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Business Prospects in the Post-Reconversion Period

By MURRAY SHIELDS*

[illegible]resident and Economist, Bank of the Manhattan Co.

Eco[illegible] declares that our emphasis should be on property creation[illegible]u of full employment and distribution methods. Full pro[illegible]is necessary to validate our increased national debt; to miti[illegible] threat of inflation; and to fortify the nation against futu[illegible]omic, political, and military emergencies. Mr. Shields rega[illegible] our present prospects as bright, because (a) we have liquidated our psychological depressants of the 1930's; (b) our markets have expanded tremendously; (c) the "know how" ensuing from our war experience has increased industrial potential.

It has become imperative that the nation's economic policies be redesigned so as to stimulate a rapid and sustained expansion in the volume of production. That fact ought to be outstandingly clear, but somehow the emphasis has been shifted to other objectives. It has become fashionable to regard full employment instead of full production as the ultimate in economic attainment, to measure the economic progress of the nation in terms of dollars of national income instead of in the quantity of goods produced, and to believe that the distribution of what we have is more vital than increases in pro-

Murray Shields

*An address by Mr. Shields before the Louisiana Bankers Association, Biloxi, Miss., Apr. 8, 1946.

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UN Beset by Diplomatic Offensives

By A. WILFRED MAY

Security Council becoming an arena for political maneuvers. The Iranians have joined in utilizing UN as a tool for their national interests. Together with Poland, Moscow is about to embarrass the Western Powers with the Spanish "issue"; and with accusations of American imperialism in Iceland and China. Crucial controversy about to be reopened by Soviet's demand regarding Iran procedure, and over permanent Veto policy.

HUNTER COLLEGE, N. Y., April 10—After only the briefest respite the "East-West war of nerves" has flared up again—with greater impact than ever! Just why this should surprise anyone is hard to understand—excepting as it is explained by wishful thinking. Why it should be imagined that suddenly because of a particular day's turn of events the Soviet has abruptly forsaken its so-persistently evidenced long-term international aims and basic policy, is difficult to realize. From Dumbarton Oaks through Yalta through San Francisco through London and on to Hunter, Moscow has unmistakably shown that for her, UN does not call for real international cooperation. Of course she has been willing to pay lip service to the Organization's lofty ideals, but in action she has time and again made it crystal clear that the international body must be subservient to her own strongly sovereign aims—political and economic. This naturally has not prevented Messrs. Stalin and Molotov from coming or sending their able dialecticians to the conferences to keep the conversation-ball rolling, and even to make "sensational," but wholly insignificant compromises (as on the veto at Yalta and San Francisco).

A. Wilfred May

Moreover here at Hunter it is now evident that the Security Council is going to be used as an arena for diplomatic offensives and political maneuverings. It furnishes a convenient forum in which to concentrate the diplomatic diatribes otherwise coming over the Moscow radio or flowing from Washington and London press conferences. (Not that Moscow's editorial and vocal charges of American imperialism and other wrong-doing have thereby noticeably lessened.)

The situation here shows a fundamental deterioration from London's proceedings, in that the erstwhile violent fracases between Bevin and Vishinsky were at least in the open and therefore in a sense healthy brawls. Here, while all is more polite (excepting the prominent guest's dashing exit from the table), the maneuvers are far more devious. This has, of course, been primarily demonstrated in

(Continued on page 1968)

Debt Management and the Controlled Interest Rate

By AUBREY G. LANSTON*

Vice-President of the First Boston Corporation

Mr. Lanston analyzes policy of low interest rates in connection with debt management and money supply, and concludes that monetization of the debt has been the underlying cause of inflationary pressures; that the mechanics of monetization are still with us; that low interest rates may adversely affect a far greater number of people than they benefit; and that there is too large a proportion of the national debt held by commercial banks. Says some progress has recently been made in arousing public interest in debt management, and advocates that commercial banks should be required to invest a part of deposits in special non-marketable Treasury issues or that reserve requirements be increased and secured by short-term Treasury securities.

During the last six to nine months real progress has been made in awakening the country to the problems of debt management and of a controlled interest rate. Attention has been focused on the manner in which increases in the public debt have caused similarly large in-

A. G. Lanston

*An address by Mr. Lanston before the Seventh Annual Pacific Northwest Conference on Banking in Pullman, Wash., April 4, 1946.

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Banking at the Crossroads

By HUGH H. McGEE*

Vice-President, Bankers Trust Co., New York City

Bank official deplores tendency to turn credit power over to governments and their credit agencies operating in competition with private banks. Says banking in this country belongs in the banks and should not be thrust on back of taxpayers. Urges changes in methods of providing credit without changing basic principles. Stresses the human elements of integrity, judgment and confidence in credit and denies it is dependent on mathematical ratios. Advocates banks cooperate in considering credit applications and not turn them over to government agencies without due deliberation. Wants more risk loans and closer contact through advisory services wi h .mall borrowers.

Let us start out with a few premises—

First, we recognize the success over the years of the private enterprise system in this country.

Hugh H. McGee

Second, we recognize that we cannot continue to have a private enterprise system unless banking, and especially the credit function of banking, remains in private ownership.

Third, there is a growing world-wide tendency to turn the credit power of the nations over to Government. This has already been accomplished in England, Australia, New Zealand and Argentina and only missed by a narrow margin in Canada last year.

Fourth, private banking in this country is now faced with competition from some forty credit agencies of our Government.

Now, if we accept these premises, we must ask ourselves

*An address by Mr. McGee before the Buffalo Chapter of the American Institute of Banking, Buffalo, N. Y., April 1, 1946.

(Continued on page 1953)

Cheaper Money in Britain

By PAUL EINZIG

Mr. Einzig calls attention to policy of present British Government to keep interest rates low and to bring about a rise in British consols to par. Says no attempt is made to fund the large floating debt and Treasury has power to fix short-term ratio, while seeking to divert capital into consols and bills by discouraging stock speculation and preventing increase in corporate dividends. Reversal of policy may come through necessity of defending sterling.

In a speech delivered on April 2, Mr. Dalton, Chancellor of the Exchequer, reaffirmed once more his determination to continue his cheap money policy. It is understood that the "target" in view is to bring about a rise of 2½% consols to par, thereby establishing the rate of 2½% for irredeemable and long-term Government loans. The policy is ambitious, but not excessively so. Government loans have been rising lately—apart from a temporary setback caused by the Persian dispute—and consols at 94½ are now at their highest point since 12 years. And the Government has the means for raising them to 100. Barring complications in international politics, it should be possible to achieve that end in the course of this year.

Paul Einzig

The means by which the Treasury is seeking to raise consols to par are twofold: By maintaining a scarcity in the supply of long-term Government loans, and by assuring a steady demand by investors. The first means is operated through abstaining from funding the floating debt. The second is effected through preventing a boom in common stocks which would divert investment demand from the market in Government loans.

After the first World War it was the Government's policy to consolidate as much as possible of the floating debt that rose to an "abnormal" level between 1914 and 1918. The size of the floating debt, and its proportion to total indebtedness, was indeed "abnormal" according to the old conception. But it was negligible in comparison with the floating debt inherited from the second World War which was financed almost entirely with the aid of short-term loans. Notwithstanding this, the Government is not in the least anxious to fund any substantial part of the huge floating debt. The change is largely due to the fact that between 1919 and 1946 the Treasury has succeeded in assuming full control over short money rates. In 1919 there was every reason to view with grave concern the large size of the floating debt. For short money rates were at the time entirely at the mercy of market influences. The bank rate was liable to go up at any moment, and the Treasury was exposed to the risk of having to reborrow maturing debt at much higher rates.

This risk may now be considered as virtually non-existent thanks to the adoption of a managed monetary system in the meantime. The Treasury is now in the enviable position of being able to determine the rate at which it chooses to borrow on short term. At present, bill rates are a shade over ½%, and there is no reason why they should rise, unless the Treasury should decide to raise them. This being so, the existence of a floating debt amounting to billions of pounds does not involve any risk. The Treasury is in a position to replace maturing bills or Treasury deposits by new bills and deposits at the same rate. In such circumstances the funding of Treasury bills through the increase of medium and long-term loans bearing interest at between 2½ and 3% would be considered sheer waste of the taxpayers' money. New borrowing, too, is

(Continued on page 1949)

The Reparation Settlement

By DR. M. J. BONN

Economist and Advisor to Germany on World War I reparations points out that present reparations have in view the destruction of Germany's war potential and not a payment for war costs, and thus avoid pitfalls of Versailles Treaty. Describes the reparations plan adopted at Potsdam, as well as work of the Allies Reparation Commission. Indicates that Russia has gained most both through seizure of private property and territorial expansion. Deplores seizure of private property, particularly that of banking and financial institutions not contributing to war potential, and holds fundamental weakness of settlement arises from absence of central German financial authority.

The Reparation Settlement agreed upon in Potsdam has avoided some of the pitfalls of the Versailles treaty. Its main object was the destruction of German war potential. This was considered more important than the exaction of ample indemnities. Yet by copying Nazi looting policies in the occupied countries, it seemed possible to blend both purposes. The original plan conceived at Yalta looked for $20 billions, about $5 billions more than United States experts had thought feasible in 1919. It was dropped in Potsdam because no reliable estimates of Germany's remaining wealth could be made. In lieu of a definite sum, each Ally was to receive a percentage of all takings.

Moritz J. Bonn

Leaving aside military and naval booty, reparations were to come from the following sources:

(1) The German mercantile marine;

(2) German investments in foreign countries—Allied as well as neutral;

(3) Shares of German enterprise.

The four zones of military occupation into which Germany was divided were rearranged for reparation purposes; the three Western

(Continued on page 1960)

The "Purchasing Power" Fallacy

By WILLIAM CHAMBERLAIN*

Contending that money has purchasing power only to the extent that there are things available for purchase, Mr. Chamberlain maintains that ceiling prices and rationing are only temporary expedients to bring about a balance between the amount of money and purchasable things. Distinguishes between "purchasing medium," i. e. money and credit, and "purchasing power" and holds that money created by paying high wages for producing things to be immediately destroyed cannot add to national prosperity. Sees no prospect for early decrease in outstanding purchasing medium, and lays part of inflation to destruction of wealth due to war. Looks for stabilized value of dollar much below its prewar level.

William Chamberlain

I

Many singular beliefs respecting the nation's economy have recently gained currency. Among them few are more strange and none less justified, than the belief that as a result of the war and the enormous disbursements attendant upon its prosecution the nation's purchasing power has been increased. This supposed "increase in purchasing power," of course, consists of the emissions of irredeemable paper currency; of created bank credits; and of Government debt held by the public. It is owned by corporations and individuals and was accepted by its original holders in

*Editor's Note: Mr. Chamberlain, who resides in Saratoga, Calif., was formerly President of the United Light & Power Co.

(Continued on page 1965)

Public Housing—Snare And a Delusion

By GEORGE L. BLISS*

President, Railroad Federal Savings Association, New York City

Asserting that private enterprise in housing cannot compete with government in the business, Mr. Bliss points out that each subsidized government project is a deficit operation and that taxpayers will bear the burden over a long period. Cites both Federal and New York laws as imposing heavy long term financial burdens and says that artificially induced low rents on housing projects makes private capital seek investment elsewhere. Contends slum removal projects are not benefiting the poorest classes and suggests as a substitute: (1) sound building codes; (2) annual building inspection; (3) public purchase of slum areas and resale to private interests; (4) direct family payments to those in need; and (5) removal of housing subsidies.

Our nation was founded by people who believed in the democratic process and the free enterprise system. They endured hardships and privation to establish a land in which habits of individual thrift and personal independence became hallmarks of character. Our nation grew strong, as men and women toiled in the belief that he who labors should enjoy the fruit of his efforts. Thus, the encouragement of individual initiative and the free enterprise system came to be the American way of life.

George L. Bliss

It must be apparent to every observant and thinking citizen that our free enterprise system is under serious attack. That attack is the more dangerous because in many respects it is insidious, fre-

*An address by Mr. Bliss at luncheon meeting of the Kiwanis Club, New York City, April 3, 1946.

(Continued on page 1964)

Progress of 'Hold-the-Line' Order

Government War Control Administrators report to President on success of their "trusteeship" and forecast future prospects. Say last remnants of price control should be kept until June 30, 1947. Contend average market basket of groceries costs no more than three years ago, though other classes of commodities have risen in varying degrees and that general level of consumer prices has increased 31% since September, 1939. Say civilian goods production during war exceeded any previous records, and warn that to overcome inflation danger in next few months will be difficult.

Chester Bowles

On April 8, President Truman released a report made to him jointly by Chester Bowles, Director, Office of Economic Stabilization; Paul Porter, Administrator, Office of Price Administration; W. Willard Wirtz, Director, National Wage Stabilization Board; John D. Small, Administrator, Civilian Production Administration, and Clinton P. Anderson, Secretary of Agriculture. This report purports to give an accounting of trusteeship under the "Hold-the-Line" Order of April 8, 1943, as well as the prospects for the future. The tone of the document indicates satisfaction with the progress made in holding down inflation but contains a warning that controls should continue as the inflation danger in next few months will be difficult to overcome.

The full text of the report follows:

(Continued on page 1978)

Old Age Insurance for Small Business Man

By HON. HENRY A. WALLACE*
Secretary of Commerce

Secretary Wallace contends that social security should be provided not only for wage earners but also for farmers and small business men. Sees need of social security for all classes and urges a broadened and more adequate program than the existing scheme. Though pointing out that most Americans have been transformed from proprietors to wage earners, he contends that small business man has same problem of economic security as wage earner. Says income tax return could be used to assess self employed.

I am glad to have this opportunity to discuss before this Committee the extension and revision of the old age insurance provisions of the Social Security Act, and especially endorse the extension of the benefits of legislation to the small business man.

Henry A. Wallace

In 1934 and 1935, as Secretary of Agriculture, I was a member of the President's Committee of Economic Security. That Committee, as you know, prepared a great deal of the factual material which was considered by the Congress in the passage of the Social Security Act in 1935. The problem of including farmers and other independent business proprietors in the old age insurance plan was studied at that time. I arranged to have the Department of Agriculture examine various methods of including farmers as well as agricultural labor in the social insurance program. In the short time available, we were not able to surmount the administrative difficulties we saw ahead. The Committee reluctantly decided that it would not be advisable to include self-employed persons, farmers, agricultural labor, domestic employees, and several other groups temporarily until more experience was obtained. Following extensive hearings, the Congress also reached the same conclusion, and the Act was passed in that form.

During the past ten years we have obtained the experience which we then lacked. In 1935, income tax exemptions were still at a level which exempted most of the self-employed from the requirement of filing income tax returns. We now have had experience under the income tax which indicates that we can use this method for bringing most small business men under the social security system.

*Statement of Secretary Wallace before Ways and Means Committee of the House of Representatives, April 4, 1946.

(Continued on page 1940)

The Expansion of Social Security

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

Dr. Schmidt, in presenting the views of the members of the U. S. Chamber of Commerce, agrees that a broadened coverage of social security to comprise all employees is desirable, and sees no objections to its extension to the self-employed. Holds there is no opposition to businessmen to financing the program through joint contributions, but warns that payroll tax rates may become burdensome, particularly in view of heavy revenues required by government for other purposes.

The main objective of compulsory social insurance is to provide society in general, through each individual, with a basic minimum layer of protection against those economic hazards which are serious and widespread enough to menace society itself. This leaves to personal ambition, initiative, and responsibility the building of additional protection to suit the taste and decision of each person.

Dr. E. P. Schmidt

To achieve that objective the floor of protection should be available automatically to as many individuals as possible. No occupational group should be excluded from the protection of Old-Age and Survivors Insurance unless difficulties of inclusion, either administrative or otherwise, are insurmountable.

Extension of Coverage

The Chamber of Commerce of the United States developed in 1944, by referendum vote, an over-all general policy† showing that businessmen accept the objective of greatest possible coverage as necessary for a well-rounded social security program. A broadened coverage would not only bring in persons now wholly excluded but would afford a more continuous coverage and more appropriate benefits for others. Today many persons actually have to pay contributions with little or no prospect of ever receiving benefits. These are the persons who shift back and forth between covered and non-covered employment or unemployment without obtaining sufficient wage credits to qualify them for retirement or survivors benefits. Although over 70,000,000 individuals had received wage credits under the program by the end of 1944, yet only about 39,000,000 were either fully or currently insured at that time.

Important groups of workers were excluded at the start of the program for various reasons, the most prominent reason being the difficulties of administration. However, we are now informed that study and experience have served to clarify many of these administrative difficulties.

The United States Chamber of Commerce has declared its policy, with respect to this extension of coverage, to be:

If and when practical, the present system of Old-Age and Survivors Insurance should be extended to cover the following employees:

(a) Employees of non-profit organizations
(b) Government employees—Federal, State and local
(c) Agricultural employees
(d) Other employees not now covered.

(Continued on page 1947)

*Statement of Dr. Schmidt before the House Ways and Means Committee, April 5, 1946.

†See: Social Security in the United States—Chamber Policies and Report of Committee on Social Security, Chamber of Commerce of the USA, October, 1944.

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The Fiscal Impact of British Social Security

By A. M. SAKOLSKI

In calling attention to the new British Social Security Bill, Dr. Sakolski recalls the financial collapse of the previous scheme following the First World War. Points out the heavy and increasing burden assumed by the British Treasury under the new bill which according to official estimate will amount in 1978 to £416 millions. Contends that scheme will involve serious financial burden until the British worker becomes more productive and British industry and commerce are permitted to expand to increase the nation's wealth and income without bureaucratic and socialistic controls.

The Labor Government of Great Britain is about to launch a more liberal social security scheme, patterned along the lines of the elaborate Beveridge Report made in 1942. The scope of the insurance benefits is not only broadened, but the benefits themselves are substantially increased. As under the prevailing scheme, it is proposed to distribute the cost among employees, employers and the Government. According to the computations of the official actuary, the Government Treasury will bear about one-third of the cost with an increasing proportion as the years go by, amounting in 1978 to 58%.

A. M. Sakolski

This is no small undertaking for a depressed national treasury faced with large outlays, a heavy public debt, an already burdensome scale of tax exactions, and an unfavorable and difficult economic outlook. The question is whether the whole scheme, as humanistic and beneficial as it may be, is within the fiscal possibilities of a nation struggling to regain its economic position, which has been sorely set back by the adversities of war, by the loss of its foreign investments, and by the disruption of its empire system and financial power.

The Previous Collapse

One has only to recall what happened in the Ramsey MacDonald regime following the first world war to furnish a basis for estimating the precariousness of an impoverished national government undertaking a vast scheme of social reforms involving heavy liabilities.

The present British social security system was set up in 1911, just three years before the outbreak of the first world war. During the conflict it ran along fairly smoothly, but within a short period after the cessation of hostilities, Britain, like other countries, including our own, underwent a severe industrial depression. This continued for several years, during which the British Treasury (or Exchequer, as they call it over there), was forced to advance

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Roadblocks to Prosperity

By ROBERT R. WASON*

President National Association of Manufacturers

NAM executive contends that the Administration's policy is unduly restricting liberties, and that the problem of the domestic economy is the recovery of individual freedom. Says OPA prevents production of goods, and through subsidies places increased burdens on taxpayers. Defends the profit motive in business and holds any pressure on profits will destroy small business and restrict free enterprise. Claims the Government is partisan and that its policy consists of an exchange of concessions to pressure groups in anticipation of votes. Urges end of deficit financing and reduction of budget to $20 billions.

Tonight I would like to talk about these restrictions on our liberties—the OPA that prevents production of goods, a fiscal policy that squanders your money, the subservience of political leaders to labor union leaders in exchange for votes.

Robert R. Wason

The problem of our domestic economy now is the recovery of our freedom.

Freedom is as surely our goal today as it was in 1776. In thirteen years of peace and war, the Government has progressively reduced the freedom of the individual.

Before the war, controls assumed by the Administration reduced the liberties of all the people. The emergencies of war accelerated the reduction. Now, with the war ended, the Government would prolong and perpetuate war controls which prevent full production and lower the American standard of living. The wealth-creating processes of the economy have been stifled by regulations that are enforceable only through new, added controls. Domestic policy consists of an exchange of concessions to pressure groups in anticipation of votes. The crude oil of politics fouls up the high octane of production.

History will record that in these dark days of freedom's trial the nation has been well served by your Democratic Congressmen of the South joining with Republicans to hold the line against further encroachment against the

*An address by Mr. Wason before the Georgia Manufacturers Meeting, Atlanta, Ga., April 5, 1946.

(Continued on page 1946)

Goldsmith Awarded Croix de Guerre

Bertram M. Goldsmith, partner of Ira Haupt & Co., 111 Broadway, N. Y. C., members N. Y. Stock Exchange, formerly Major, AUS, has been awarded the Croix de Guerre with the silver star by the French Provisional Government. Previously he had been awarded the Bronze Star and had been decorated by the Italian Government with both the Crown of Italy, Knight Officer, and the Italian Red Cross silver medal with combat cluster.

He served in Italy both with the French Expeditionary Corps and G-5, 5th Army, and received four battle stars in the Italian campaign.

Increased Federal Power Weakening Democracy

By HON. HATTON W. SUMNERS*

Congressman from Texas; Chairman, House Committee on Judiciary

Veteran statesman calls attention to the increasing centralization of power in Federal Government, which is weakening the States and overloading Congress and Federal executives offices. Points out the adverse effects of this trend on democracy and on the responsibility, self-reliance and freedom of the people and urges the initiation of a decentralization plan. Advocates a movement to preserve the governmental capacity of the citizen. Says fundamental difficulty in attaining good government is not in Congress but arises from the creation of "a bottle-fed people." Explains sectional switch in advocacy of States' rights and notes that though we are succeeding in science we are failing in government.

Members of the New York Chamber of Commerce, I appreciate very much the opportunity of talking to you on this occasion. Yours is the first invitation I have been able to accept since the announcement that I am not to be a candidate for re-election. The reaction from the country indicating a concern and an appreciation of our danger and a recognition of responsibility and duty on the part of the private citizens of this country is unequalled by anything which I have observed during the years of my public service.

Hatton W. Sumners

There seems to be a general agreement that we have reached the condition which makes it imperative that the strength of our democracy be renewed, and that the will and wisdom and vitality to effectuate that renewal must go up from the body of the people.

In view of the announcement which I have made, I speak on this occasion as a private citizen to this group of private citizens constituting a part of our democracy. You are concerned as to what we have been doing to our democracy. I report to you as a part of my employers that we have attained to a degree of concentration of power in the Federal organization beyond the capacity of the machinery of democratic government to discharge and beyond the capacity of members of Congress to comprehend.

Increasing the Federal Load

For a long time we have been increasing the Federal load and weakening the states, largely as a result of pressure from the people of the communities and from the states themselves. They have

(Continued on page 1962)

*An address by Congressman Sumners before the Chamber of Commerce of the State of New York, New York City, April 4, 1946.

More Exports to Avoid Surplus Production in the United States

By KENNETH COLLINS*

General Manager, European Edition, New York "Herald Tribune"

Colonel Collins contends that in the next two or three years we must have a foreign trade of from 10 to 20 billions in finished goods if a depression is to be averted. Holds U. S. industrial expansion and large increase of workers means more production than can be utilized at home, and foreign markets must be found to prevent surpluses. Advocates loans to England and France; lowering our tariffs; and unfreezing of foreign dollar balances in U. S. to promote exports.

American economists, Government agencies and industry often disagree; on one point, however, they are unanimously *in* agreement. To get and maintain full employment, to realize proper returns for capital and management and to avert the threat of a future depression, we must have a foreign trade of from 10 to 20 billions of dollars worth of finished goods. Some say this goal must be obtained by 1948, some say by 1949. The reason for the different dates is dispute about the speed with which domestic production will catch up with domestic demand. The reason for the differing estimates of total foreign trade is based on differing estimates of final production levels.

Col. Kenneth Collins

Let's take figures in between. We need—in fact we must have—exports of 15 billions. We must have them by two years from this coming summer.

Before talking about the ways in which we will capture this volume of business, let me point to the reasons why there is such surprising unanimity about its necessity.

U. S. Plant Expansion

During the war, we expanded our industrial plants by over 35%. Some of that expansion cannot be used in peacetime; but roughly a half of it *can* be utilized. We increased our labor market by some six millions of women workers. It has been estimated that three million want to stay on the job and that management wants them as permanent employees. Remember that with these expanded plants and labor facilities we supplied from 1942 to 1946, not alone our own wartime needs, but nearly 25% of the food and equipment needed by the Allied Nations.

This vast productive capacity—so much greater than that of 1940 that it staggers the imagination—will ultimately pile up disastrous surpluses in the United States unless foreign markets can be found. This is as certain as any fact in

*An address by Col. Collins before the Illinois Manufacturers Association, Chicago, Ill., April 4, 1946.

(Continued on page 1963)

Owen Van Camp Heads Illinois Dealers Group

CHICAGO, ILL.—The annual meeting and dinner of the Illinois Securities Dealers Association was held Tuesday, April 9, in the Century Room of the LaSalle Hotel. The following new officers were elected: Owen V. Van Camp of Enyart, Van Camp & Co., Chicago, President succeeding Walter R. Brailsford of Brailsford & Co. Directors for two-year terms: Fred H. Mason, Mason, Moran & Co., David L. Shillinglaw, Shillinglaw, Bolger & Co., Harry A. Trees, Paul H. Davis & Co., Robert Strauss of Strauss Bros., all of Chicago; and Paul R. Noonan of Dixon Bretscher Noonan of Springfield. An open forum discussion of current securities problems followed the meeting. About 150 attended.

Owen V. Van Camp

N. Y. Puts World Bank Issues on Legal List

WASHINGTON, D. C., April 10—Governor Dewey's action in signing the bill, which the New York State Legislature passed without opposition, makes New York the first state to take cognizance of the investment suitability of the securities of the World Bank for institutional investors by amending state banking laws to put those securities on the legal list, according to Walter C. Louchheim, Jr., Advisor on Foreign Investments of the SEC and technical expert of the U. S. at the Inaugural Meeting of World Fund and Bank. This action was taken, Mr. Louchheim said, because of the active sponsorship by representative savings banks and corporate trustees, particularly the Committee on Savings Banks of New York Legislature for New York State, under the leadership of its Chairman, Mr. A. Edward Scheer.

Leslie Vivian, Jr., With Van Alstyne, Noel & Co.

Van Alstyne, Noel & Co., 52 Wall Street, New York City, members New York Stock Exchange, announce that Leslie L. Vivian, Jr., has joined their organization.

Crisler Rejoins Field Co.

CINCINNATI, OHIO.—Richard C. Crisler has rejoined Field, Richards & Co., Union Central Building. Prior to serving in the armed forces, Mr. Crisler was an officer of the firm.

Bache & Co. to Be Open One Night A Week

MILWAUKEE, WIS.—John P. Eisenmann, Manager of Bache & Co., Railway Exchange Building, has announced that the firm's Milwaukee office will remain open Monday nights until 9 p.m. to serve investors who are unable to get away from work during the day and consequently have difficulty in obtaining advice on securities.

Mr. Eisenmann said that he and his staff have frequently received telephone calls at home at night and by remaining open one night a week he believes most of this business can be handled more efficiently. The firm had tried keeping its offices in Eastern cities open shortly before the war and found that it resulted in considerable additional business. The practice was stopped during the war because of the manpower shortage.

The Quest for Industrial Peace

By GEORGE W. TAYLOR*

Professor of Industry, University of Pennsylvania

One-time Chairman of the National War Labor Board maintains that first step in quest for industrial peace is a full recognition by all that collective bargaining, as the cornerstone of the national labor policy, should be an effective substitute for industrial warfare. Holds voluntary agreements between labor and industry, therefore, should restrict use of strike and lockout, as in railroad industry. Says collective bargaining has important role in avoiding mass unemployment if conducted on broad unselfish principles, and warns that the labor problem as a whole cannot be solved by a law or a formula.

When victory in the war against the Axis was still a faint shape on the distant horizon, it seemed to many that the postwar quest for an abundant life free of unemployment would be a relatively easy proposition. Difficulties already encountered in harnessing the vast productive resources of the nation for the needs of a peaceful way of life have brought a sobering realization of the magnitude of the task of achieving our goals of economic progress. The discussion tonight relates to the problem of establishing labor-management relations so that they contribute constructively to the furtherance of that economic progress which is so essential for the peace of the world and for the preservation of democracy. It seems important at the outset to spell out this background since labor-management relations are much more than a matter of private concern for the parties of direct interest.

George W. Taylor

To a nation aware of its unmatched power to produce a torrential flow of civilian goods, and conscious of the need to use this power now to the utmost, the strikes and the plant shut-downs of the postwar period have loomed as obstructions which should be eliminated directly and forthwith. This conclusion is often strengthened when appraisal of the agreement which terminates an industrial dispute indicates that no one has gained through the stoppage of production while everyone has lost. Aware of the wastefulness of industrial warfare as the ultimate determinant of industrial disputes, persons in the ranks of labor, industry and the public wonder why the agreement which terminates a strike could not have been made without resort to economic force.

One of the great domestic prob-

*An address by Prof. Taylor at Colgate University, Hamilton, N. Y., April 1, 1946.

(Continued on page 1944)

Prospective Bank Credit Control Legislation

By HERBERT M. BRATTER

Correspondent notes that the view taken several months ago that Congress would soon enact legislation to make more effective the control of bank credit and to regulate Government bond holdings of banks has changed due to recent decline in ownership of Government issues by both Federal Reserve and member banks. Says Treasury no longer considers emergency exists that requires hurried banking legislation in view of improved budget situation and reduction in Government debt.

WASHINGTON, April 10.—The Federal Reserve Board's promised report to the House Banking and Currency Committee on the matter of more effective control of bank credit is not expected for another fortnight, according to present information. The report may include discussion of recent proposals to regulate commercial bank holdings of government securities, such as the Leland, the CED, and the Seltzer plans. It will certainly take the view that something needs to be done.

Herbert M. Bratter

A few months ago discussion of such plans as those just mentioned was activated by the fact that the yields on short-term bank-eligible Government securities was declining. The banks, it was said, were selling short-term paper and buying long-term bonds, bidding up the prices of the latter and correspondingly lowering the yields thereon, and, conversely, lowering the prices of the short-terms. Moreover, the declining yield on long-term bonds is said to have acted as a deterrent to non-bank investors in Governments.

During the first three months of this year there has been a reversal of the trend, it is revealed by study of the yields of bank-eligible government bonds. These three months have been marked by a net decline in the outstanding public debt amounting to $4,362,-000,000 between Jan. 2 and April 3 and an approximately equivalent shrinkage in the Government bond holdings of the banking system. Between Jan. 2 and April 3, Federal Reserve Bank holdings of Governments declined by $2,023,-

(Continued on page 1968)

Buckley Bros.' New Office

HANOVER, PA.—Buckley Brothers, members of the New York Stock Exchange, announce the opening of an office in Hanover, Pa. The new office, which is in the Hanover Trust Building, is under the management of Charles E. Swisher who will have associated with him Joseph H. Collins and William F. Joachim, Jr.

In addition to their principal office in Philadelphia and an office in New York the firm maintain offices in Pittsburgh and Lewistown, Pa., Hagerstown, Md., and Los Angeles, San Diego and Long Beach, Calif.

Correction

In the "Chronicle" of March 7, it was reported that J. Henry Helser & Co., American Bank Bldg., Portland, Oregon, would engage in the securities business. Mr. Leon B. Baketel, General Manager of the Helser Company, informs us that the firm, which has been active as an investment counsel for many years, has not and does not propose to engage in the securities business; that it does not sell or buy securities, nor does it handle the funds of its clients, acting as counsel only.

Mr. Baketel tells us that "we did apply for and were granted a dealer's license in this state [Oregon], but this was at the urgent request of the Corporation Commissioner because this state does not have an investment counselor law."

Mr. Baketel concludes his advices to us in the matter by saying, "Our congratulations to you upon issuing an excellent financial journal."

Coleman Renominated To Head N. Y. Stock Exch.

The following nominations for the positions to be filled at the annual election of the New York Stock Exchange to be held on Monday, May 13, were reported by the Nominating Committe for 1946:

John A. Coleman

For Chairman of the Board of Governors: John A. Coleman, Adler, Coleman & Co., renominated for the term of one year.

For eight members of the Board of Governors: Richard M. Crooks, Thomson & McKinnon, Robert D. Danks, Ernst & Co., William B. Haffner, Wilcox & Co., Irving D. Fish, Smith, Barney & Co., Murray D. Safanie, Shearson, Hammill & Co., Howard Butcher, Jr., Butcher & Sherrerd (Philadelphia), and Russel E. Gardner, Jr., Reinholdt & Gardner (St. Louis), for the term of three years; Joseph Hinshaw, Watling, Lerchen & Co. (Detroit), for the term of two years.

For two members of the Gratuity Fund for three year terms: Clinton S. Lutkins, R. W. Pressprich & Co., and William D. Scholle, Scholle Brothers, both renominated.

For five members of the Nominating Committee (one year term): Three members of the Exchange: William B. Bohen, Baker, Weeks & Harden, Benjamin H. Brinton, Brinton & Co., Frank J. C. Weinberg, Newborg & Co.

Two allied members of the Exchange: A. Glen Acheson, Lazard Freres & Co., and William Bayne, F. S. Moseley & Co. (Boston).

Public Utility Securities

El Paso Natural Gas

El Paso Natural Gas is an important distributor in the Southwest, about 42% of its sales being to Phelps Dodge and other copper companies, with the balance well-diversified among industrial, commercial and residential customers. Earnings rose sharply in 1937 and since that year have ranged between $3.00 and $3.75. The dividend rate was increased from $2.00 in 1940 and has remained at $2.40 in the past four years. Selling around 52, the stock yields about 4.6%.

The company is now embarked on an important expansion program. It proposes to build a $40 million pipe line system to the Colorado River near Blythe, California to deliver gas to Southern California Gas Co. and Southern Counties Gas Co., two large distributors in that State. The initial amount would be 125 million cubic feet a day with 175 million in the second year and an option to the California companies up to Sept. 1, 1949 to increase their takings up to 305 million cubic feet per day.

The initial gas to be delivered is so-called "residue" gas produced in connection with oil in Southeastern New Mexico and West Texas. This gas is now being wasted in the air. However, to insure success of the project the company has also contracted for reserves of so-called "dry" gas not associated with oil production. Phillips Petroleum is expected to supply 75 million cubic feet of residue gas.

Facilities have been designed for an ultimate maximum capacity of 305,000,000 cubic feet per day. The $40 million cost to El Paso will be financed (following final approval of the project by the Federal Power Commission and by stockholders) through sale of new first mortgage bonds and preferred stock and 100,000 shares of additional common stock (for subscription by present holders) plus a bank loan. The common stock will, it is expected, be priced so as to make the "rights" readily marketable. In connection with the financing, the present 7% preferred stock will be replaced by a 4% or 4½% issue.

It is expected that in the second year of operation, with delivery of 175 million cubic feet a day, revenues of over $8,000,000 will be obtained which would presumably be in addition to the present revenues of over $9,000,000. Assuming that a substantial part of the enterprise is financed through senior securities and a bank loan, with only about ⅛th of the cost in new common stock, it appears likely that the common might benefit by the "leverage" effects of the new earning power. It is, of course, difficult to forecast what rate of return might be allowed by the FPC but if this were in the neighborhood of 6%, obviously the financing of a sizable part of the project through senior securities at relatively low cost for interest and dividends might prove beneficial to the common stock—though part of the surplus would naturally be absorbed in taxes and overhead.

The expansion of our natural gas pipe line facilities is now proceeding rapidly, and while regulatory and cost factor introduce uncertainities, the business has, in general, proved profitable in recent years.

OPA Program Realistic

By PAUL PORTER*

Administrator, Office of Price Administration

Present price control head asserts that, contrary to widespread belief, OPA has a flexible program and has adjusted its regulations to encourage production and afford relief when required. Cites numerous price adjustments made since V-J Day, and tells of special provisions to help small consumer durable goods concerns. Maintains that "production is rolling and that American industry is doing an astounding job of reconversion." Claims that since settlement of leading labor disputes, bottlenecks have been broken, and expresses conviction that with OPA extension inflation can be avoided.

The accomplishments of price control during the war are a matter of record. That record is a good record for which farmers, industry, labor and government can well be proud. Without the whole-hearted support of the overwhelming majority of all of the people from all groups, that record could never have been achieved.

Paul Porter

Now let us review the record briefly. We came through the war with less than a one-third average increase in the general level of industrial and retail prices. But, let me point out, that two-thirds of the industrial price increase and almost one-half the retail price increase occurred before formal price controls were established in January 1942. In other words, after price control legislation was enacted, retail prices rose only about 16% and industrial prices only about 7%. Further, at least two-thirds of this rise which occurred after the adoption of price control took place between January 1942 and May 1943 when the hold-the-line order went into effect.

*Address of Mr. Porter before the Annual Meeting of the American Retail Federation, Washington, D. C., April 1, 1946.

After the hold-the-line order, retail prices rose only about 3% and industrial prices less than 2% between May 1943 and August 1945—V-J Day.

That is the record of price control during the war. It is a clear demonstration of the success with which a democratic people, working through their government, can stabilize their economy despite the greatest inflationary pressure in our national history.

Now let us look at the record of **production** under price control for this period. By the end of 1941 the rate of production had climbed 38% above the peacetime levels reached in December 1939.

By the end of 1942 the rate of production had accelerated by an added 42% or 80% above peacetime levels. Remember, this was the first year of price control.

In 1943 the rate of production took another spurt of 28% and continued to climb up to the end of February 1944, where it reached its peak. By the **end of 1944** it had dropped about 12% due to cutbacks **coming after V-E Day.** In 1945, as we approached V-J Day, military cut-backs brought a steady decline. There was a sharp cut-back in military production immediately after V-J Day.

Here, I would like to point out that all during this war period in which military needs came first, production of most commodities for civilian consumption was running far above peacetime levels. The fact that volume in retail sales soared to more than 100% above any prewar record should be convincing evidence of this to retailers.

Reconversion Success

No one examining the facts as I have briefly outlined them to you could say, with any degree of honesty, that price control hindered production during the war. I look on this war period as the first major phase of price control.

To me the second major phase of price control started with V-J Day. It will end when all of our industries are fully converted to peacetime operations and when production is really rolling along. We are today seven months nearer that accomplishment.

The physical reconversion of our factories has proceeded at a much more rapid pace than we had dared hope.

Sometimes I think we all are prone to under-estimate the resourcefulness and ingenuity of industry when they set out to do a job. I'm thinking about our estimates of possible plane production

(Continued on page 1967)

Bond Club Field Day To Be Revived After Wartime Lapse

Plans for a revival of the Bond Club Field Day after a 4-year wartime lapse were announced by Lee M. Limbert, of Blyth & Co., Inc., President of the Bond Club of New York. The outing, which for many years before the war provided several hundred bankers and bond men with an annual release from investment cares, will be held this year on Friday, May 24, at the Sleepy Hollow Country Club, scene of all but two of the pre-war Field Days.

Lee M. Limbert

Like the circus, this year's Field Day is to be bigger and better than ever, according to the chief ringmasters, F. Kenneth Stephenson of Goldman, Sachs & Co. and Frank A. Willard of Reynolds & Co., who have been named co-chairmen of the Field Day Committee to conduct the event. Assisting them, in charge of the various groups of activities will be three vice chairmen—Robert E. Broome, Guaranty Trust Co. of New York, Thomas T. Coxon, Mellon Securities Corp., and Harold MacDougall, Georgeson & Co.

With the revival of the Field Day, the "Bawl Street Journal," which went into eclipse during the war, will make its reappearance. This world-famous newspaper, which lampoons the great and near-great in the world of finance, will be published for the first time since 1941 under the perennial editorship of John A. Straley of Hugh W. Long & Co. A. Glen Acheson, of Lazard Freres & Co., Chairman of the "Bawl Street Journal" Committee, has extended an open invitation to Wall Street wits to sharpen their pencils and submit contributions.

This year's Field Day will be the twenty-second. The last Bond Club outing before the war was held at the Westchester Country Club in the spring of 1941, but with America's entry into the war, the outing was suspended for the duration.

Many new features and sports events are being planned for the first postwar Field Day, said Mr. Limbert in announcing the names of the following Committee Chairmen to direct the various activities:

Attendance, Frank M. Stanton, The First Boston Corp.; "Bawl Street Journal," A. Glen Acheson, Lazard Freres & Co.; Stock Exchange, Nathaniel F. Glidden, Glidden, Morris & Co.; Golf, Laurence M. Marks, Laurence M. Marks & Co.

Afternoon Entertainment, William G. Laemmel, Chemical Bank & Trust Co.; Dinner Entertainment, Richard de La Chapelle, Shields & Co.; Indoor Sports, Austin Brown, Dean Witter & Co.; Refreshments, Walter F. Blaine, Goldman, Sachs & Co.

Publicity, William H. Long, Jr., Doremus & Co.; Trophies, George J. Leness, Merrill Lynch, Pierce, Fenner & Beane; Softball, Robert L. Hatcher, Jr., Chase National Bank; Tennis, Clifton A. Hipkins, Braun, Bosworth & Co., Inc.; Horseshoe Pitching, Robert H. Craft, Guaranty Trust Co.

Dealer-Broker Investment Recommendations and Literature

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

Aviation Bulletin — Current events and developments in the aviation industry—John H. Lewis & Co., 14 Wall Street, New York 5, N. Y.

Bank Earnings and Government Holdings — Detailed brochure studying the situation—Geyer & Co., Inc., 67 Wall Street, New York 5, N. Y.

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

Break Up Value of Middle West Corporation—Estimate of liquidating values—Penington, Colket & Co., 70 Pine Street, New York 5, 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.

First Step Stocks for a long-term program of successful investing—Special study entitled "**How Long Will the Boom Last?**" plus three issues of **The Outlook**— to new readers only $1.00—Standard & Poor's Corp., 345 Hudson Street, New York 14, N. Y.—Dept. A-791-127.

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.

Highlights of Wall Street—Current issue containing brief data on **General Industries Co., Maslie Asphalt Corp., Soya Corp. of America, Airline Foods Corp., American Forging & Socket Co.** —J. F. Reilly & Co., 40 Exchange Place, New York 5, N. Y.

Insurance Stock Evaluator — Comparative analysis of eighty-one companies, as of Dec. 31, 1945 —Butler, Huff & Co. of California, 210 West Seventh Street, Los Angeles 14, Calif.

Also available is the current issue of "**News & Views**" discussing current developments in the insurance field.

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.

Queens Borough Gas & Electric Co.—Analysis—New York Hanseatic Corp., 120 Broadway, New York 5, N. Y.

Also available is a study of **Arden Farms.**

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.

San Francisco Trading—List of 156 stocks traded on the New York Stock Exchange which are also traded on the San Francisco Stock Exchange—Kaiser & Co., Russ Building, San Francisco 4, Calif.

Wall Street Commentator — Digest of current events in the financial markets with reviews and analyses of specific situations appearing of interest—Bennett, Spanier & Co., Inc., 105 South La Salle Street, Chicago 3, Ill.

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 Service Co.—Circular —Adams & Co., 231 South La Salle Street, Chicago 4, Ill.

Anaconda Copper Mining Company—Special report — Walston, Hoffman & Goodwin, 265 Montgomery Street, San Francisco 4, Calif.

Also available are reports on **Chicago Pneumatic Tool Co., Byron Jackson Co., Ohio Oil Co., Southern California Edison Co., Ltd.,** and **United Light & Railways Co.**

The current issue of the "**Investor**" published monthly by the firm contains a discussion of labor-management accord and establishment of the World Bank and International Monetary Fund. Brief reports are contained in this issue on several situations which the firm considers currently interesting.

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.**

Central Paper — Descriptive circular—Adams & Peck, 63 Wall Street, New York 5, N. Y.

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

Chilton Company — Memorandum on firm which publishes the "Iron Age" and other leading trade journals—Boenning & Co., 1606 Walnut Street, Philadelphia 3, Pa.

Commonwealth & Southern Corp.—Memorandum — H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

Also available is a memorandum containing digest of late developments in several interesting situations, and the **Fortnightly Investment Letter** discussing current situation in Government bond prices, rails, etc.

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

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

Dayton Malleable Iron Co.—Study of outlook and speculative possibilities for appreciation for this company—Ward & Co., 120 Broadway, New York 5, N. Y. Also available are late memoranda on: **Great American Industries; Alabama Mills, Inc.; Douglas Shoe; General Tin; Upson Co.; New Jersey Worsted Mills; Mohawk Rubber.**

Delaware, Lackawanna & Western—Memo—Also notes on **Western Union Leased Telegraph** in the current issue of **Railroad and Other Quotations** issued by B. W. Pizzini & Co., 25 Broad Street, New York 4, N. Y.

W. L. Douglas Shoe Co.—Study —Ward & Co., 120 Broadway, New York 5, N. Y.

Dwight Manufacturing Co. — Descriptive analysis—du Pont, Homsey Co., 31 Milk Street, Boston 9, Mass.

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

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

Flamingo Air Service, Inc. —Circular—Hoit, Rose & Troster, 74 Trinity Place, New York 6, N. Y.

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.**

Hammond Instrument Co. — Analysis—Caswell & Co., 120 South La Salle Street, Chicago 3, Ill.

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

Kearney & Trecker—Circular —Blair F. Claybaugh & Co., 72 Wall Street, New York 5, N. Y.

Also available are analyses on **Skilsaw, Magor Car, Gear Grinding & Sterling Engine Convertible Pfd.** The firm has prepared a special bulletin calling attention to benefits from suspension of price ceilings on heavy machinery, electrical tools, and railway equipment accruing to these companies.

Le Roi Company—Study of common stock as a sound speculative purchase — First Colony Corporation, 70 Pine Street, New York 5, N. Y. Special letters available on **Dumont Electric Corp.; Princess Shops; Electronic Corp.; District Theatres Corp.;** and **Simplicity Pattern.**

(Continued on page 1935)

Broker-Dealer Recommendations

(Continued from page 1934)

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

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

Merchants Distilling—Revised memorandum—Buckley Brothers, 1529 Walnut Street, Philadelphia 2, Pa.

Also available are later memoranda on **Reda Pump Co.** and **Western Light & Telephone.**

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. —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.

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

Rayonier, Inc.—Analysis and opinion—Hirsch & Co., 25 Broad Street, New York 4, N. Y.

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

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.**

Simmons Company—Analysis and outlook—Seasongood & Haas, 63 Wall Street, New York 5, N. Y.

Simplex Paper Co.—Descriptive analysis discussion potential post-war benefits to the company from the automobile, building, and frozen food industries—Raymond & Co., 148 State Street, Boston 9, Mass.

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

Universal Zonolite Insulation—Analysis—Caswell & Co., 120 South La Salle Street, Chicago 3, Ill.

Illinois Brevities

Strikes, price squeezes, labor shortages and the consequent delay in return to full production notwithstanding, stockholders in many Chicago firms had cause to view the 1946 outlook with renewed optimism on the basis of operating results for the year to date disclosed at their annual meetings.

Walter P. Paepcke, President, Container Corporation of America, told stockholders that although sales were running only 1% ahead of last year, the company's earnings for January and February were more than double those for the corresponding months of 1945. Earnings for the two-month period were estimated at 80 cents a share compared with 39 cents in the first two months of 1945. While shortages of materials, particularly waste paper and pulp, continue to hamper capacity production, elimination of the excess profits tax may be expected to further improve net earnings of the company this year.

Mr. Paepcke estimated net for the first quarter would be $1.10 a common share compared with 61 cents a year ago largely due to repeal of the tax.

* * *

No estimate of first quarter earnings was given by T. B. Freeman, President, Butler Brothers, at the annual stockholders meeting, but he reported consolidated net sales were running 12½% ahead of the corresponding 1945 period. Like Container Corporation, Butler Brothers in 1945 was also in the excess profits tax bracket.

J. A. Donaldson, Financial Vice-President, told shareholders that present working capital was adequate to handle $150,000,000 of annual sales volume but should sales go beyond that figure, more capital will be needed. Sales last year totaled $120,065,324.

* * *

Aldens, Inc., formerly Chicago Mail Order Company, last week, announced its plans to raise additional capital, following disclosure at the annual stockholders meeting that the company plans to acquire land and construct a central plant to replace its six Chicago units. Robert W. Jackson, President, stated stockholders' approval would be sought on the creation of 50,000 shares of cumulative preferred $100 par stock, issuable in series. The first series would consist of 40,000 shares.

Earlier, Mr. Jackson told stockholders that sales for 1946 were running 30% ahead of last year and that the company contemplates opening three new retail stores before the year's end.

* * *

Approval by Borg-Warner stockholders was granted last week for the creation of a new issue of 250,000 shares of $100 par preferred of which 200,000 will be issued shortly. The approximately $20,000,000 proceeds will be used for modernization and expansion of plants and manufacturing facilities, C. S. Davis, President, stated.

* * *

Link-Belt Company, hampered by strikes since October of last year, told stockholders that its backlog at present is between $40,000,000 and $50,000,000. Total net sales in 1945 were $68,213,166. Employees returned to work at the company's San Francisco plant toward the end of last month, after a five-month walkout. The Caldwell, N. J., plant is now completely restaffed and the Atlanta, Ga., plant now has one-third of its workers back. Still unsettled at the time of the company's annual stockholders meeting was the strike in Indianapolis.

* * *

Wm. Wrigley Jr. Company and Kellogg Switchboard and Supply Company reported satisfactory progress. **Wrigley's spearmint chewing gum is finally back on the market, although stockholders were told at the annual meeting that it was impossible to predict when the company's other prewar varieties would go into production.** Shipments of spearmint gum in March were three times the average monthly rate in 1941, Philip K. Wrigley, chairman, said.

* * *

In a move designed to broaden the market for stocks in the Middle West, the Chicago Stock Exchange on April 1 "freed" 137 selected stocks from its list for free trading in any market. At the same time, the Chicago Exchange opened its facilities for trading in 18 N. Y. Stock Exchange issues, also selected on the basis of widest distribution in this section of the country. Removal of trading restrictions on the 137 stocks is expected to stimulate transactions in them and steadily broaden their Middle West markets.

* * *

Chicago's housing problem moved toward partial solution with the announcement by Prudential Insurance Company of a proposed $5,000,000 to $10,000,000 housing project on the city's South Side. The company has contracted for a 70-acre site with construction scheduled to begin as soon as a clear title is effected. The New York Life Insurance Company and the Mutual Life Insurance Company, which were also approached by a committee of Chicago aldermen with regard to undertaking such a project, now have the matter under advisement.

Henri P. Pulver With Robinson Co. Staff

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Henri P. Pulver has become associated with Robinson & Co., 231 South La Salle Street, members of the New York and Chicago Stock Exchanges. Mr. Pulver was formerly manager of the trading department for Goodbody & Co. in Chicago and prior thereto was manager of the bond trading department for Babcock, Rushton & Co.

Henri P. Pulver

J. F. Reilly & Co. Opens Chicago Office

CHICAGO, ILL.—J. F. Reilly & Co., Inc., has announced the opening of an office at 39 South La Salle Street, to maintain trading markets in Illinois and Eastern unlisted securities.

This office will be under the management of Ralph M. Bloom, formerly of Kitchen & Co. and Mitchell, Hutchins & Co., Chicago. He will have as his associate, John N. Danner, who served as a Lieutenant in the U. S. Navy during the war, and was associated with Bond & Goodwin, Inc., and earlier, with G. L. Ohrstrom & Co., Chicago.

The company further announced the installation of a private wire between its Chicago office and Cayne & Co., Cleveland, thereby widening the scope of its trading in Mid-Western securities. Other wire facilities include an open-end phone to Boston and direct wires to Chicago and Los Angeles.

Weiss With Warner

Morton N. Weiss is now associated with J. Arthur Warner & Co., 120 Broadway, New York City, in their Foreign Securities Department.

Real Estate Securities

Industrial Real Estate Trust General Mortgage 3-6% Income Bonds Due April 1 1949

It has become increasingly difficult to purchase sound real estate bonds with large accumulations of unpaid interest at substantial discounts from par.

One such attractive situation has recently come to our attention and concerns the bonds constituting a first mortgage lien against the property held by the Industrial Real Estate Trust of Chicago, Ill.

Before proceeding with an analysis of the potential value of these securities, it might be best to summarize the salient features of the issue.

The present bonds were issued June 1, 1937 in the amount of $1,917,000. Interest is payable up to 6% per annum, 3% being cumulative. Unpaid accumulations of interest total 18½%. Pro rata payments against the principal (reducing each $1,000 par bond to $965) and retirement of bonds by means of a sinking fund have reduced the issue to $1,261,737.50. Collateral for the bonds consists of three parcels of property and a 20% interest in an old established industrial enterprise. These are as follows:

1. The most valuable tract is a 16.97 acre plot in the City of Chicago within the Central Manufacturing District. The property is improved by two large two and three story buildings.

2. A 154 acre plot in New Jersey near Cresskill and Englewood about six miles from the George Washington Bridge. It is unimproved but suitable for residential development. In 1941, 11¾ acres of the 166 acres originally comprising this property were sold for $11,000 cash, or nearly $1,000 per acre.

3. A 15.5 acre tract north of Joliet, Illinois, adjacent to the plant of the Illinois Steel Company.

4. 10,000 shares of stock or a 20% interest in Harris Brothers Company, lessee of 59% of the Chicago property described above, and retailers of pre-fabricated houses, wholesaler and retailer of building materials, and building contractors. The book value of this stock as at March 31, 1945, was slightly over $9.00 per share; the trust's interest may therefore be estimated conservatively at $90,000.

The income of the trust is derived almost entirely from the rental arrangement it has with its tenant, Harris Brothers Company, under which the latter pays an annual rental equal to 3% of its gross sales up to $3,000,000 and 4% of the excess. For the fiscal year ended in 1945, Harris Brothers grossed nearly $3,800,000 the trust receiving approximately $120,000 which sum permitted a 3% interest distribution on the bonds.

Net proceeds from the sale of any property of the trust together with any other cash the trustee may deem available is set aside as a bond retirement fund to be used to purchase bonds in the open market, or in payment pro rata on outstanding bonds. All net proceeds received from the sale of any property leased to Harris Brothers Company shall be applied pro rata on outstanding bonds.

The trust is managed by the following trustees:

W. McCormick Blair, President of Blair, Bonner & Co., Chicago, investment bankers. Richard Hackett, General Manager of the Central Manufacturing District, Chicago. William P. Hemphill, Vice-chairman of the Finance Committee of Borg-Warner Corp.

Potential of Bonds

Since from all indications, the trust's properties and holdings may be liquidated for a sum far in excess of the present amount of outstanding bonds, plus interest accruals (totaling $1,492,004.59) it is evident that the bonds might easily be paid off at par and accumulated interest, returning $1,141.11 for an investment of $772 per $965 bond at current market prices:

Present par of bonds	$965.00
Accumulated interest	176.11
Total	$1,141.11

Saturday Evening Post To Raise Adv. Rates

In advices from its Philadelphia bureau, the "Wall Street Journal" of April 9 indicated that the Curtis Publishing Co. announced that advertising rates for the "Saturday Evening Post" will be increased with the Oct. 5 issue. The advices from which we quote added:

"The last rate increase went into effect with the April issue.

"The new rates are based on an average net paid circulation of 3.7 million compared with 3,350,000 under the present rates.

"The new rates are as follows: Full page, black and white, $10,000 against present rate of $9,200; second and third cover, $14,300 against $12,800; fourth cover, $18,500 against $16,750; center spread, $28,600 against $25,600.

"'Ladies' Home Journal' advertising rates will be increased with the July issue.

"The company plans no change in 'Country Gentleman' advertising rates during 1946."

Iran Official Answers Millspaugh On "Guardianship" Suggestion

Says country welcomes foreign advice and assistance in facilitating economic development, but contends that there is no justification for proposals that it be placed under joint guardianship of foreign powers.

In answer to charges made by Dr. Millspaugh, speaking before the Brooklyn Institution, stating Iran is unfitted for self-government and that the present Government is disorganized and incompetent and urging Iran be placed under American-British-Russian guardianship, Dr. Ali-Gholi Nabil, Director of the Iranian Information Service in New York City, issued the following statement on April 9:

Dr. Ali-Gholi Nabil

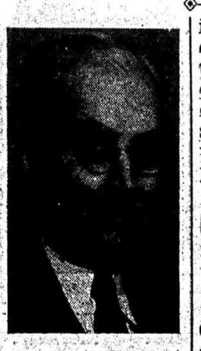
"Iranians are not so narrow as not to welcome foreign help and Premier Ghavam plans to invite United Nations experts and advisers to visit Iran. Iranians' ability to govern themselves and their intelligence and capability to undertake their own political and technical administrations is evidenced not only by Iran's achievements and progress under her constitutional regime during the last 40 years, but is also testified by Morgan Shuster, Iran's first financial administrator, who, after his return to America in 1912, rightly paid tribute to the intelligence, progressiveness, and patriotism of the Iranian people.

"If any further evidence is necessary, one need look no further than Millspaugh's own 1925 publication, 'America's Task in Persia,' in which he speaks in the highest terms of Iran's self-governing ability and which is a direct antithesis of his recent statements. It seems that Dr. Millspaugh, for whom I have a genuine respect and personal friendship, has forgotten Persian history from the time of its origin to the present day and does not realize that the strength of the United Nations lies in free and independent, sovereign states and obviates the necessity for any nation whose independence has been guaranteed by treaties to be put under the guardianship of foreign powers."

Holds Iran Needs Constructive Interference

Dr. A. C. Millspaugh, recently administrator of Iran's finances, sees need of American-Soviet-British guardianship for from 25 to 50 years to end competitive concession-grabbing.

Through the Brookings Institution of Washington, with which he is now connected, Dr. A. C. Millspaugh, who served as Administrator-General of the finances of Iran from 1922 to 1927 and also from 1943 to 1945, on April 4 furnished the press with the following statement regarding the international situation of Iran:



Dr. A. C. Millspaugh

"Current discussions of the Soviet-Iranian dispute seems to have created the impression that the problem will be solved if and when the Soviets withdraw their troops from Iran.

"The fact is that during the last 75 years conditions inside Iran have frequently invited and at times justified foreign interference and even armed intervention. The Soviets should, of course, withdraw their forces unconditionally, in accordance with treaty obligations and as a condition precedent to the removal of international tension; but, after the Russians have evacuated the country, they will still possess powerful means of pressure on the Iranian Government and ample opportunity to interfere in Iranian political and economic affairs. Moreover, British-Russian rivalry and the sphere-of-influence tendency, now stronger in Iran than ever before, may be expected to persist unless some effective countermeasures are instituted.

"The Iranian Government has rarely been weaker or more subject to under-cover manipulation than it is today, and it has probably never been more disorganized and incompetent. Discontent and disloyalty are widespread. The government neither represents nor serves the people; and, without outside control, it is, in my opinion, incapable of doing the things that are necessary if Iran is to establish stability at home and command respect abroad. In Iran, neither independence nor self-government is a reality; and neither can become a reality if it is assumed that Iranians are now politically capable of solving their own problems.

"What Iran needs for a time is more foreign interference, but interference of a new and constructive kind. . . .

"Prime Minister Ghavam is quoted as desiring the United Nations Economic and Social Council to make a survey and prepare a five-year plan of economic development for Iran. When conditions get too bad, the Iranian governing class always talks about reform and usually gets foreign advisers. Past experience has fully demonstrated that as soon as the politicians have escaped their immediate difficulties, they forget reform and ignore advice. No hope lies in the oligarchy that has long misruled Iran. Revolution is possible; but it would in all probability lead to dictatorship and further deterioration.

"My opinion is that the country needs an American-Soviet-British guardianship for a period of from 25 to 50 years, to end competitive concession-grabbing, to start a healthy political evolution, and to build up within Iran the conditions necessary to a rising standard of living, and to a decent, orderly, and democratic national life.

"With respect to this problem, our own government has thus far appeared to act in a spirit of appeasement or of negation, resting its case largely on narrow concepts. It may not yet be too late to act strongly, realistically, and constructively, with Soviet co-operation, and for the purpose of safe-guarding the world's peace, while benefiting the Iranian people."

Greenfield Charges Dropped by SEC

The Securities and Exchange Commission on April 2, withdrew a complaint in which it accused Albert M. Greenfield, Albert M. Greenfield & Co., the Bankers Securities Corp. and the Realty Owning Co., all of Philadelphia, of violating provisions of the Securities Exchange Act involving fraud and misrepresentation, in view of a stipulation agreed to by the defendants, states the New York "Times" in a Philadelphia news dispatch, which further adds:

The complaint, filed last Nov. 7 in the Federal District Court at Philadelphia, charged the defendants, acting through Bankers Securities Corp., had bought outstanding debentures of the Greenfield company for the account of its wholly owned subsidiary, the Realty Owning Co., for $450 to $520 per $1,130 debenture, each of which had an equity of about $790 in the net assets of the company.

The SEC also alleged that the defendants did not disclose that the Greenfield company's profits had risen sharply or that the market price of such securities was "based upon wholly inadequate information because of the deliberate suppression of information upon which a fair market could be based."

Without admitting the allegations of the complaint, the defendants stipulated that the Greenfield company would have its books for 1944 and 1945 audited and would supply copies of the audits to the trustee, the Continental Bank & Trust Co. of New York, and that similar audits would be made at least annually in the future.

It was also stipulated that the defendants—they maintained that they were advised and believed they had acted in accordance with the law—would offer to rescind all purchases of debentures made since March 27, 1945. The defendants also agreed that full disclosure would be made in connection with all future purchases or sales of the company's debentures.

Healy of SEC Denies He Plans to Retire

Rumors that he plans to resign were denied on April 8 by Robert E. Healy, only remaining original member of the Securities and Exchange Commission, and at the same time he stated that he is a candidate for reappointment. Associated Press advices from Washington reporting this added:

"Mr. Healy, whose term expires June 5, said he had made known that he would like to be reappointed. The Commissioner, who is 63, is a native of Bennington, Vt. He served as chief counsel of the Federal Trade Commission from 1928 to 1934, when he was appointed to the SEC."

Iran Must Remain A Sovereign State

By CHARLES C. HART*

U. S. Minister to Persia (Iran) 1929-1933

Mr. Hart protests against suggestions of robbing one of the oldest civilized nations of its independence. Says Westerners must understand Eastern mentality.

To take a census of the number of economic quacks applying for the job of making over the Government of Iran would require almost as many enumerators as to make a list of all the crack-pot panaceas they have to offer.

Hon. Chas. C. Hart

It seems a pity in these times, when most Americans are trumpeting their faith in independence for almost every ethnical unit in the world, that there are some who would suggest robbing Iran, one of the oldest civilizations in the world, of its independence which goes back at least 50 centuries and placing the Iranian administration under a trusteeship.

Of course such proposals do not fail to include the United States as one of the trustees. This is natural because of the superiority complex which has captured the minds of most Americans. It never seems to occur to our people that we might do well to take a rest so as to observe how well we solve our own economic and social problems which have been assuming an increasingly calamitous state for the last 40 years.

When westerners have sought to solve problems of the East they have as a rule made a mess of things, because only Eastern mentalities can solve Eastern problems. In being invited to send missions of one kind and another to Iran to help improve conditions we have had ample opportunity to prove our efficiency and in every instance we have sublimely failed; not because the men sent out lacked ability, but because American administration was never infallible anywhere. Upon careful analysis they might have discovered that such administrations had not on all occasions been a howling success here at home.

Iran has the statesmen and the brains to solve Iranian problems. Outside interference in Iranian affairs is just as wicked and misplaced as embryonic diplomats are taught to believe it is elsewhere.

Hussein Ala, Iranian Ambassador in the United States, standing before the UNO conference in New York, has afforded splendid demonstration of Iranian statesmanship, of Iran's abundant mental equipment for defending itself before the world and of that country's readiness to meet the best minds in the struggle for justice and fair play.

The United States, Britain, and the Soviet Union, strong powers that they are, have yet to prove themselves fully qualified to find their own way through the fogs and bogs that beset their pathway before taking too much responsibility for the rest of the world.

Iran is a sovereign state and must so remain, or we have been insincere all through the years.

*Charles C. Hart was a newspaperman for 30 years, a Washington correspondent for 15 years for the Portland "Oregonian," Spokane "Spokesman-Review," Minneapolis "Tribune," Sacramento "Bee," Boise "Capital News," Seattle "Sun," Toledo "Blade" and many other papers He was American Minister to Albania four and one-half years and Minister to Persia for four years. He negotiated concessions on an area of 500,000 square miles in Afghanistan, Persia, and the south half of Palestine for an American company and a concession on south Iraq, which was never closed.

He traveled widely for several years, his travels including a flight around the world from Bagdad to Bagdad.

Bank and Insurance Stocks

By E. A. VAN DEUSEN

This Week—Insurance Stocks

We present this week excerpts from a few of the annual reports to stockholders of fire insurance companies on 1945 operations. No earnings figures, however, are presented. For net underwriting results, net investment income and total net operating profits for the years 1945 and 1944, the reader is referred to the March 14 and 28 issues of the "Chronicle."

Aetna Insurance Company—"During the past year much progress has been made in revamping the rules, rates, and practices of the fire and casualty insurance companies to comply with the changed conditions brought about by the Supreme Court Decision in the South-eastern Underwriters Association case. The companies are rapidly recovering from the first confusion and shock of this fundamental change in the method by which the business has been so successfully operated. They are now cooperating with the states in revamping laws which are workable and practical and which will preserve to the states the surpervising of the insurance business, but laws sufficiently flexible to avoid the putting of the business in a straitjacket. If the free enterprise system is to be allowed to continue, the insurance business will find a reasonable solution." W. Ross McCain, President.

Hanover Insurance Company—"The volume of premium was the largest in the company's history, increasing the unearned premium reserve $613,551 to $8,583,903.

"The Hanover's underwriting loss on a statutory basis was $478,731 brought about by the large increase in unearned premium reserve, continuation of excessive fire losses further reduction in rates, liberalization of forms without increased cost, and an unsatisfactory automobile experience.

"The management of your companies did not in 1945, nor will it in the future, violate the principles of sound underwriting, so is hopeful that when there is an improvement in conditions which affect the fire insurance industry as a whole the underwriting results of the Hanover will at once show a profit." F. Elmer Sammons, President.

Hartford Fire Insurance Company—"Fire losses throughout the country were greater in 1945. Also certain sections of the country were subjected to heavy wind and hail damage. We suffered no real disaster, although we did have some fairly substantial losses. . . .

"Early in the year an Act of Congress known as Public Law 15 became operative. This Act provides that until Jan. 1, 1948, the Federal anti-trust Acts, except for actions or agreements involving boycott, intimidation or coercion, are suspended with respect to the insurance business. After Jan. 1, 1948 these various Federal Acts will apply to the insurance business except to the extent that the business is regulated by several states. The passage of this law has already resulted in the enactment of some regulatory state statutes, and it is expected that the various state legislatures which have not already done so will pass laws similar in purpose, giving them power to regulate certain underwriting features of the business. They will continue to exercise their customary supervision over the financial condition of the companies. We believe a few of these regulatory Acts will appear in the current year but probably more of them will be enacted in 1947. We have been able to adjust our operations to these new conditions and we anticipate no insurmountable difficulties." C. S. Kremer, President.

Home Insurance Company—"According to the National Board of Fire Underwriters fire losses in the United States during 1945 amounted to $455,329,000, a 7½% increase over 1944. This is the largest reported in this country since 1930 and with exception of nine consecutive years during the 'Prosperity' period of the 1920's, the largest since the year of the great San Francisco conflagration in 1906. It should be noted that during the five-year period 1941 through 1945 fire losses were 40% higher than during the preceding five years.

"Some experts view the fire loss experience of 1945 as a signal that underwriters may be facing a period similar to that suffered during the reconstruction decade following World War I. Whether or not this may be so, management in preparing for such a contingency, will call upon every resource at its disposal. Fortunately problems of this nature, however formidable, are not new to the business which has its hand so closely on the pulse of the nation and must be forearmed in its service to owners of homes and industry everywhere. . . .

"Policyholders largely have failed to keep their insurance up to increasing values with the result that many are finding themselves coinsurers in their own losses. Loss adjusters are confronting constantly increasing cases of underinsurance in all classes of risks. . . .

"From a modest beginning The Home Insurance Company has reached its 93d milepost in years. Compared to 1945 figures of more than 74 millions of premium income dollars, in 1853 the company wrote $160,000 in premiums. Surely the enterprising spirit of its owners and the hard work and vision of its staff members throughout the years have more than fulfilled the dreams of its founders." Harold V. Smith, President.

Insurance Company of North America—"All of the principal lines of business written by the Company contributed in varying degree to the favorable results recorded. Profits from underwriting resulted in each of the major classifications of ocean marine, ocean war risk, and inland marine. The fire account as a whole, including motor vehicle insurance, showed an underwriting loss for the year. However, the loss was some $700,000 less than that of 1944, due largely to satisfactory experience on hail and windstorm business.

"The investment phase of the Company's activities contributed substantially to the income for the year. Interest on bonds and dividends on stocks exceeded the amounts received in any previous year, and appreciation in the market value of securities held, over the cost thereof, was a major factor in the continued growth of assets and surplus. . . .

"On Jan. 1, 1946, an Aviation Department was established to serve the insurance producers of all companies in the North America Group. The Department is in charge of Charles A. Sanford, Lieutenant Colonel in the Army Air Forces during the War and formerly engaged in aviation underwriting for a considerable period of time. Progress is being made in the assembly of an underwriting organization. The Department has begun to function on a properly conservative basis, but it is hoped ultimately to write all types of aviation insurance. . . .

"Stockholders were advised under date of Nov. 30, 1945, of the proposed increase in the capital of the Company from $12,000,000 to $15,000,000 and received Subscription Warrants entitling them to subscribe to additional shares of capital stock at $40.00 per share in the ratio of one new share for each four shares held. Over 98% of the 300,000 shares offered was subscribed by Dec. 31, 1945, the date on which the Subscription Warrants expired. . . .

"The ownership of the Company is held by a widely diversified group of stockholders—individuals, estates, trusts, charities, educational institutions, and other corporations, residents of every State in the Union and several foreign countries. One effect of the issue of additional shares of stock was to materially increase the number of stockholders." John A. Diemand, President.

The following quotations are taken from the "Foreword" to the report: " 'The Insurance Company of North America began business in 1792 at a time of national peril. It is the lot of underwriters to deal with perils as an everyday happening. Virtually the first 22 years of the North America's life were spent amid conflict on the seas. Its part in keeping the American flag afloat during the troubled era was noteworthy and if the flag had not been kept on the seas between 1793 and 1815, it would fly nowhere now. A company thus living by dint of surviving hazards learns the arts of self protection. In this way it is able to protect others.' " From Biography of a Business, by Marquis James.

"During World War II heavy demands were made on the Insurance Company of North America and on its subsidiary companies for insurance coverage not only on the sea, as in the early days of the Company's existence, but also on land and in the air. Fortified by the experiences of war, and buttressed with a strong financial position, the North America Companies now face the future with confidence in their ability to meet every fire, marine, and casualty insurance requirement of business and the individual."

Officers of insurance companies are realistic and fact-facing men, not given to the making of glowing and over-optimistic statements. Certainly no extravagant statements are to be found in the reports from which the above excerpts were taken. However, in each report one detects a note of quiet assurance that, even as the insurance business has served, prospered and advanced in the past, so will it continue to do in the future.

Denmark Joins International Bank

Denmark has officially joined the International Monetary Fund and the International Bank for Reconstruction and Development, according to Secretary Vinson, Chairman of the Board of Governors of the two international agencies. Henrik de Kauffmann, Danish Minister to the United States, signed for his country in Washington after ratification by the Danish Parliament. The Treasury Department in making this known on April 4, further said:

"Denmark participated as an observer at the Bretton Woods Monetary Conference in 1944, but no quota was established because Denmark was then occupied by German forces. At the recent Inaugural Meeting in Savannah, Ga., her quota was established at $68,000,000 for the Fund with a like subscription for the Bank.

"According to Mr. de Kauffmann, his Government has named as Governor for the Fund and Bank Carl Valdemar Bramsnaes, Governor of the National Bank of Denmark. Einar Dige, Assistant Secretary of the Danish Treasury, was named Alternate Governor of the Fund and Erling Sveinbjornsson, Chief of Division of the Ministry of Commerce was named Alternate Governor of the Bank.

Purcell Advises Against Change in Utility Act

Opposition to changes by Congress, in the Public Utility Holding Company Act, were voiced on April 8th by Ganson Purcell, Chairman of the Securities and Exchange Commission, according to Associated Press advices from Washington on that date, which also said:

Summing up the detailed testimony he and Milton H. Cohen, director of the Commission's Public Utilities Division, have given during the last two weeks before a House Interstate Commerce subcommittee, Mr. Purcell said:

"The objective of simplified intergrated utility systems is well on its way to achievement. All experience under the Act has confirmed the determination of Congress in 1935 that this is a desirable and necessary objective.

"We feel that the amendments proposed by the various company witnesses would frustrate or impede attainment of this objective, and that no other amendments are necessary."

Reynolds Adds Lea

Charles Russell Lea has been added to the staff of Reynolds & Co., 120 Broadway, New York City, members of the New York Stock Exchange. Mr. Lea has been serving in the U. S. Navy. Prior thereto he was with Eastman, Dillon & Company.

Cray, McFawn Admits Kane, Vander Voort

DETROIT, MICH.—Cray, McFawn & Co., Ford Building, members of the Detroit Stock Exchange have admitted Carl E. Kane and Henry Vander Voort to general partnership.

Lt. Comdr. C. E. Kan Henry Vander Voort

Mr. Kane was formerly a partner in the firm and has recently been released from active duty as Lieutenant Commander in the Navy. During the war he served in various naval military government units on Okinawa, other Ryukyu Islands and the Palau Islands.

Mr. Vander Voort has been with the firm since 1930 doing analytical and statistical work in connection with underwritings. He has recently been engaged in primary and secondary distribution of securities.

Frank Bruck Joins Morton Seidel & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Frank O. Bruck has become associated with Morton Seidel & Co., 458 South Spring Street. He was formerly manager of the trading department for Oscar F. Kraft & Co. and was with Quincy Cass Associates.

Ayers Rejoins Taussig As Trading Manager

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO.—Clifford T. Ayers has rejoined Taussig, Day & Co., Inc., 506 Olive Street, as manager of the trading department. Mr. Ayers, who was recently discharged from the U. S. Army as Captain, was manager of the trading department of the firm.

Ohio Bars Sale of Benguet Mines Shares

Requests that blue sky registration of 50,000 shares by Allen & Co. be withdrawn on ground that selling price is not justified and that dealers are making an unconcionable profit. Allen & Co. make statement refuting allegations of Ohio authorities.

On April 3, the Securities Division of the Ohio Department of Commerce issued a memorandum in which it requested the withdrawal of an application by H. B. Cohle & Co., distributors for Allen & Co. of New York for the sale of 50,000 shares of the capital stock of the Benguet Consolidated Mining Co., whose properties are located in the Philippines, on the ground that the selling price of $4 per share is not justified, that the spread between the price Allen & Co. paid ($2.10 per share) and the selling price is excessive, and that the book value of the properties is only between 9¢ and 10¢ a share, and that because of the Japanese invasion, the properties will require an immense sum for rehabilitation. All these allegations are denied by Allen & Company in a statement issued on April 4.

The text of the memorandum issued by the Ohio authorities and signed by Ernest Cornell, Chief of the Securities Division, is as follows:

MEMORANDUM

Re: Benguet Consolidated Mining Company
Section 10 Number 12113.

H. B. Cohle and Company, licensed dealers of Cincinnati, Ohio, made application to register by qualification 50,000 shares of the capital stock of the above named company, on March 30, 1946. The Benguet Consolidated Mining Company is a corporation engaged in mining gold and chrome in the Philippine Islands. Said company was organized in 1903 under the laws of the Philippine Islands and has been engaged in mining operations until the Japanese invasion of the Philippines in 1941 when the mining operations were suspended. The company has only one class of stock, being common shares, all issued and outstanding. The shares desired to be sold in Ohio were purchased by Allen and Company, New York underwriters and brokers from the Haussermann Trust on February 7, 1946. The price that Allen and Company paid for said shares was $2.10 and it is now desired to offer said shares, a few weeks later, at an estimated price of $4.00 per share. It must be clearly understood that the shares which are desired to be sold in the state of Ohio are all issued and outstanding shares formerly belonging to the Haussermann family and now the property of Allen and Company, and that not one dollar from the proceeds of said shares will go into the treasury of the company.

There is no evidence in the files to show that an estimated selling price of $4.00 is justified at this time, when these shares apparently were only worth $2.10 on February 7, 1946. An examination of the latest balance sheet of the Benguet Consolidated Mining Company would indicate that these shares only have a book value of between 9 cents and 10 cents per share, although the par value is 50 cents per share.

A further examination of the application and exhibits indicates that these mines, upon which the stock issue is predicated, due to the Japanese invasion and later on to the re-taking of the Philippines by the United States, show much destruction of property in that the mines are estimated to be between 50% and 60% caved in and that it will require an expenditure of over $2,000,000 to clean up and rehabilitate said mines in order that they may be operated. The last balance sheet of the company does now show that the company has money or liquid assets in the amount of $2,000,000, the amount which it is estimated would be required to clean up and rehabilitate said mines.

It would, therefore, appear that if the proceeds from the sale of said shares would be used to rehabilitate the mine and place it in operation, it would be much fairer than to have said proceeds go into the pockets of Allen and Company, whose profit spread on this stock is of an unconscionable character.

Without considering the speculative character of the enterprise, it would seem, for the reasons stated above that the proposed offer is upon grossly unfair terms and should be withdrawn from this Division, or otherwise denied.

Statement of Allen & Co.

The statement issued on April 4th by Allen & Co., in New York, in which a hearing is asked before the Ohio Commission follows:

"We have asked the Ohio Commission for an opportunity to be heard on its request to withdraw our application. When we submit to the commission all the facts relative to Benguet Consolidated Mining Company we are confident of getting its approval.

"When the Philippines were invaded, Benguet was the second largest gold producer under the American flag. It had an uninterrupted dividend record for 25 years prior thereto, and has never had to raise a single dollar by corporate financing, nor does it now. It paid out during that period $36,875,000 in cash dividends. In 1939 alone it paid out dividends of $5,100,000 for the first nine months.

"During the war great damage was done to everything above the ground, but it is expected that this will be compensated in a measure by legislation now pending in Congress. The properties are now being rehabilitated. Over $3,000,000 cash on hand is available for that purpose and the company does not seek or need new financing. The book value cannot be limited to cash on hand, for engineers' investigations show that the ore reserves are intact. In addition to gold, Benguet has a working arrangement to the extent of 50 per cent in the world's largest known refractory chrome mine.

"There has been a free and open market in Benguet stock both here and in the Philippines, the market here being maintained by more than 25 brokerage houses. The current over-the-market quotation is from 3½ to 3¾. Allen & Co. has been purchasing blocks of this stock from Haussermann family trusts in liquidation for three years. Judge John W. Haussermann and his wife have not sold a single share of their own holdings, which approximate 1,000,000 shares"

Allen & Co. Counsel Defends Profit Margin

Complying with the request of Allen & Co. for a hearing, the Securities Division of the Ohio Department of Commerce heard on April 8, arguments of Jacob Holtzmann, attorney for Allen & Co. The hearing was presided over by Ernest Cornell, Chief of the Securites Division, who issued the order against the sale of Benguet Consolidated Mining Company shares in Ohio.

Mr. Holtzmann stated at the hearing that Allen & Co. had bought 2,200,000 shares from Judge John Haussermann, Judge Advocate for the Army in the Philippines during the Spanish-American War, getting 1,110,000 shares for $1.05 each in 1943, another block at $1.80 last year and the remainder at $2.10 on Feb. 7.

When asked how Allen & Co. justified the spread between the latest buying price and the proposed $4 offering price, Mr. Holtzmann replied that present over-the-counter quotation was $3.50.

"You oughtn't to damn us," Mr. Holtzmann contended, "if we took a risk and the market rose. Your test and approach is unfair to Allen & Co. and other banking houses."

Lucien H. Mercier, counsel for Benguet Mining Company and for the Haussermann family, declared the stock had an intrinsic value of $3 a share. Mr. Cornell's memorandum gave it a book value of between 9 and 10 cents.

Mr. Cornell reserved decision and gave Mr. Holtzmann until Thursday, April 11, to file a memorandum with additional arguments.

Judge Haussermann's Statement

Judge Haussermann, who disposed of the Benguet shares to Allen & Co., made a personal plea to the Ohio Commissioner at the hearing.

"I hated to part with any stock," he stated, "but I had set up trusts for my family and I knew that, as a mining stock, it was not a trust stock."

He said he wanted to convert his trust investments into nondepreciable holdings.

"In 1943, when the Japs were in the mines, Allen made me a firm offer of $1.05 net and I accepted. Later, others wanted to buy but I felt that Allen should have first choice because they had taken the original risk."

He added that the only reason the mines are not producing gold today, is the inability to get machinery, and stated that two shiploads of chrome from the mines have been sent to the United States.

Ranson-Davidson Co. Appoints McVey & Read

SAN ANTONIO, TEX.—The Ranson-Davidson Co., Incorporated, specialists in municipal bonds, announces the appointment of George J. McVey, formerly assistant manager, as manager of their San Antonio office, Milam Building. W. L. Read, formerly with Central Life of Iowa, will be assistant manger.

The firm's main office is located in the Beacon Building, Wichita, Kansas.

Fransioli & Wilson to Admit John Creem, Jr.

John J. Creem, Jr., member of the New York Stock Exchange, will become a partner in Fransioli & Wilson, 14 Wall Street, members of the Stock Exchange, on April 12th, on which date W. Wilson Hewitt will retire from the firm. Mr. Creem has been active as an individual floor broker for many years.

Canadian Securities

By BRUCE WILLIAMS

The pressure towards lower interest levels has penetrated the northern border. During the entire war period Canada was able to preserve a stable 3% coupon on Dominion issues. Demand in this country for Canadian internal bonds was on a very limited scale. As a result of the accentuation of the low interest pattern here, however, Canadian Government bonds suddenly appeared in a very attractive light. Previous inhibitions based upon reluctance to invest in a foreign obligation were promptly forgotten. The foreign exchange bogey also lost its frightfulness in the urge to purchase income. So great was the flow of funds across the border that the Canadian authorities took an initial step in stemming this tide by the removal of the registration privilege.

Not only was the heavy influx of U. S. exchange an immediate embarrassment to the Foreign Exchange Control Board, but it also constitutes a future source of concern as "hot money" that is likely to be withdrawn as rapidly as it has been deposited. Furthermore, the effect on the Dominion Government bond market has been of sufficient importance in the longer maturity section to render entirely inoperative the control of the market by the Bank of Canada. The slow upward tempo of the long term bonds was suddenly accelerated and to all intents and purposes the Dominion Government bond market has become a reflection of the U. S. Government bond market.

While the trend continues strong the general effect is to enable the Dominion Government to borrow on cheaper terms, but in the event of any important reversal of tendency the Canadian control will be subjected to aggravated pressure. Weakness in U. S. Government's would be immediately reflected in the Dominion Government bond market. Any serious relapse in the Canadian market would undoubtedly give rise to some liquidation of registered internals held in this country. Pressure to sell unregistered securities could add to the general unsettlement and in view of the limited market in this direction the market movement could attain major proportions.

There is little doubt that the Canadian authorities have already given serious thought to this problem and are ready to cope with the situation if necessity arises. Their action in removing the registration privilege is sufficiently indicative of proper concern. In this connection it is seriously believed by many over-optimistic and belated buyers of Canadian internal bonds that should the market for these bonds in this country ever suffer a serious setback the Canadian authorities would eventually take action to admit these securities to the internal market. It is only necessary in order to bring matters into proper perspective, to recall the precedent of previous inaction after the market break on Canada's entry into the war when securities outside the Dominion were permitted to find their own level and free funds were quoted at 20% as compared with the official level of 10% discount.

During the past week the high grade externals maintained their firm tone. A large volume of Nationals changed hands with little effect on the market level. Ontarios surpassed their previous highs with the 4½s of 1955 on a 1.85% and the 4½s of 1965 at a 2.50% basis. Nova Scotias also established a new high level and the 4½s of 1961 were placed at a yield of 2½%. Saskatchewans were unchanged and Albertas continued dull and inactive. The internal section was more active with renewed demand for internal bonds and paper stocks which went to peak levels on the Toronto board. Free funds were firm at 9 3/16%.

With regard to future prospects there appears to be little in sight to disturb the present firm pattern, but lack of supply in the external section gives little promise of increased activity.

J. R. Postlethwaite V.-P. & Sales Mgr. For First California

SAN FRANCISCO, CALIF.—George H. Grant, President, First California Company, has announced the appointment of J. Russell Postlethwaite as Vice President and General Sales Manager of the Company.

J. R. Postlethwaite

Mr. Postlethwaite has been in the securities business on the Pacific Coast for the past nineteen years. He was formerly vice president of Brush, Slocumb & Co.

He is a National Governor of the Investment Bankers Association, and was previously Chairman of the Executive Committee, California Group, of I.B.A.A. He is past president of the San Francisco Bond Club.

First California Company, one of the largest investment firms on the Pacific Coast, operates sixteen offices in California and Nevada, maintaining private wires between San Francisco, Los Angeles, Chicago and New York.

Shallcross Joins Staff Of Granbery, Marache

Granbery, Marache & Lord, 65 Broadway, New York City, members of the New York Stock Exchange, announce that H. Clifford Shallcross, formerly a Lieutenant Colonel in the Army, has joined the firm as head of the research department. Robert A. Don has been appointed to the same department.

Mr. Shallcross at one time was a corporate analyst with the Securities & Exchange Commission in Washington, D. C., and has been in the investment banking field since 1922.

Old Age Insurance for Small Business Man

(Continued from page 1928)

There no longer appears to be any doubt that the extension of social insurance coverage to all persons is practicable. The present old-age and survivors insurance program has been administered efficiently. After ten years of experience and with a smoothly functioning administrative framework established, the problems of coverage for the self-employed are undoubtedly less difficult than were those of initial coverage of wage-earners in 1936-37.

Need for Social Security

Before considering further the inclusion of small business men in the social security program, I should like to touch upon two questions of a more general nature. There are a few people who still ask: "Why do we need a comprehensive social security program?" They also ask: "Even if we do need it, can we afford it?" We must answer these questions before we can proceed to construct a sound and well rounded social security program.

In the early days of our country, every family was a business firm. All the members of the family worked together to make the family's living. Their living was the direct product of their own labor: growing and preserving their food; spinning and weaving cloth; making candles and soap; cutting their lumber for fuel, houses, barns, and furniture. Except for a few essentials, such as salt and nails, many families used little money over the course of a year.

Today we do not make a living directly. We buy our living. Machines can make many things cheaper and better than they can be made at home. The family economy of our early days, in which members of a household depended on the labor of one another and the help of their neighbors, has given way to the interdependence of people who are hundreds or thousands of miles apart.

When family farms and small family businesses were the backbone of our economy there was much useful work to be done by the young and old. Children got practical education and experience that equipped them for their adult responsibilities by watching and helping in the work of their elders. Often the grandparents were the owners of the business or the land from which the family's living came. Their experience would count in the advice they could give the younger members, even after their own strength was no longer equal to the heavier work.

Under today's conditions a child must go to school much longer than once was the practice if he is to be equipped to play a useful part in our present type of society. In factories, offices, and big stores there is far less opportunity to adjust jobs to the strength of the young or the old than there was in a family business. The complexity and competition of modern business and industry have shortened the economic work span.

At the one end of the age scale, the interest of the Nation and the individual have caused us to prolong the period of dependency, at least for the more fortunate children. At the other, they have caused the insistent demand for self-respecting means of support when old age makes it desirable or necessary to stop paid work.

Social security measures in this country, as in all other modern nations, are one important means of conserving in a money economy the human values that free men have always prized. They are a way in which people join as a whole, as once they joined by families, to assure that their members will have what they need for health and decency and self-respect throughout their lives.

From the standpoint of the individual, social security provides a means of acquiring, during the periods when one can work, a self-respecting right to maintenance when one cannot work. From the standpoint of society, social security provides an orderly and constructive means of offsetting, and to some extent preventing, catastrophes that menace all families at one time or another in the course of their existence. It is a way of meeting costs which society must bear in any event in one way or another. If they are not borne constructively, in ways which sustain the worth and integrity of the individuals who suffer catastrophe, they must be borne in terms of poverty, disease, emergency relief, and lowered efficiency and morale.

A comprehensive and adequate social security program thus tends to safeguard social stability in a country. It tends to stabilize the purchasing power of the Nation, on which private business and public revenues both depend. It contributes to the efficiency and vigor of the labor force by underwriting a basic minimum for family support when the breadwinner, through no fault of his own, cannot earn that minimum. It helps to keep the door of opportunity open for children who lose their parents, and enables the aged to stop work when physical vigor is past.

The extent to which society enjoys all of these advantages of the social security program is of course proportionate to the program's coverage. With full coverage, we increase the number of constructive and active individuals in our system of free enterprise.

Social Security coverage for all who work is desirable for still other reasons. Universal coverage is the only democratic way. There is no more justification for the exclusion of some sections of our population from the advantages of social security than there would be for their exclusion from the advantages of public education.

The usefulness and importance of social insurance also depend upon the payment of benefits adequate for a reasonable subsistence in terms of current living costs. Likewise, to be of full utility, the program must furnish protection against all major risks, including disability as well as old-age and death.

Can We Afford an Expanded Social Security Program?

The costs of social security are not new ones. Social security does not create costs. It is a method for their orderly and rational distribution. Without social security, the costs of old-age dependency, for example, are borne by the aged individuals themselves in the form of dire poverty and distress, or by relatives who must themselves suffer privation in order to support aged dependents, or by the community through public and private charities.

The community obviously bears the costs of dependency in the form of assistance and relief. The costs of such measures are especially burdensome because they are at their heaviest when the tax income is lowest. More important than the costs of assistance and relief, though not so obvious, are the costs which the community bears in losses of the less tangible values just described.

I believe that the United States can afford a broadened and more adequate social security program. We have never failed, even in the last three generations, to double our national production every 20 years. We should plan now for a social security program based upon an expanding economy—not the depression economy of 1929-1933.

Over a long period of time our per capita national income has been increasing at an average of 2 to 3% a year. With such continuous expansion we can adopt a more adequate social security plan now, which will not be a burden for the future. As our national income expands, the relative cost of any social security plan we adopt today will be less in the future.

Employers now pay the costs of dependency in other ways if they are not met through the orderly methods of social insurance or of group insurance and pension plans. They pay for them in terms of a less efficient and less stable labor force. Far-sighted employers have long realized that. By providing pensions, group life insurance, and sickness-benefit plans, these employers not only serve the general welfare but also gain advantages in employee morale and efficiency which compensate for the costs of such measures. Employers also have a special stake in those gains from social security which tend to promote a continuity in the flow of purchasing power.

Coverage of Small Business Men

Social insurance coverage must be universal if social insurance is to do its full job. The Department of Commerce is particularly interested in the coverage of small business men. The individual members of this group need social security protection. More important, however, is the fact that such protection is one means of preserving and safeguarding the existence of this group. That existence is one of the great bulwarks of free enterprise.

First let us identify those included in the ranks of unincorporated small business. The United States Census for 1939 listed over 4 million active owners of unincorporated businesses. This total, in round figures, includes the following groups:

1,700,000	retail store proprietors.
1,100,000	proprietors of service establishments, such as repair shops, laundries, barber and tailor shops, hotels and theatres.
275,000	persons engaged in manufacturing.
200,000	persons engaged in transportation, chiefly as owners of taxis and small trucking businesses.
200,000	in finance, insurance and real estate.
200,000	in wholesale trade.
550,000	in the construction industry—made up primarily of carpenters, painters, plumbers, and other artisans who were carrying on one-man businesses on their own account.

The importance of small business to the economic life of our country is hard to over-emphasize. But as we all know, small business men face a great number of difficulties. They are in competition with large business organizations having superior capital resources, research facilities, production techniques, and marketing and merchandising facilities. Mortality rates in the first year of life are especially high and life expectancy short. In retailing, one out of three new concerns does not survive the first year. Two out of three close their doors within six years. In wholesaling and manufacturing, one out of five concerns discontinues in the first year and two out of three within nine years.

The risks of establishing a new enterprise are great, and they restrain many qualified wage earners and salaried employees from going into business for themselves. Lack of old-age insurance protection adds another reason for remaining on a payroll. If a man has contributed toward a retirement income as an employee for several years, he may well hesitate at the thought of reducing his security in old age by dropping out of the insurance system. Thus the government has unintentionally discouraged new enterprise and has contributed to making the status of employee more attractive than that of a small independent business man.

In addition to his special economic problems, the small business man as an individual faces the other hazards to security which are shared by most persons in our society. The hazards of premature death and reduced earnings due to old age, of permanent disability or sickness, are as real for the self-employed person as they are for the worker. We have recognized the need for protection of our working population against the risk of reduced earnings due to old age and death. It appears only just and equitable that small business men should receive the same protections.

Small business men are very conscious of their exclusion from the old age insurance system. Many of them have at one time contributed to the plan as employees. They also make contributions on behalf of their own workers. It is strange to them that under the law as it now stands, the $50,000 a year president of a corporation may retire at age 65 and receive old age insurance benefits from the Government. In the event of death before retirement, monthly benefits or a lump sum may be paid to the family of the corporation official, but more than 4,000,000 business men who do not operate as corporations are excluded.

The average small business man works hard and risks his own money, but his income is not high. In 1936 more than half of the self-employed had incomes of less than $1,000 a year. Somewhat later information is available from a survey of self-employed men over 50 years of age made in Philadelphia in the winter of 1944. This survey showed that nearly two-thirds of those interviewed had net incomes of less than $2,000 for 1943 while about 80% of the group had incomes under $3,000.

The Chairman of the Social Security Board has testified before this Committee that the Board has been able to develop methods of meeting the problems involved in coverage of the self-employed. Under the plan presented in his testimony, social security contributions would be collected from self-employed persons on the basis of their income tax returns up to $3,600 per year. This plan seems both simple and practical. At the present time the success of business men with gross incomes as low as $500 in keeping records for income tax purposes has demonstrated their ability to make proper reportings for social security purposes. I believe that the coverage of persons down to this income level would include the great majority of small business men.

The evidence is clear that small business men need and desire the protection now afforded wage earners against the risks of loss of income in old age or through premature death. It also is clear that some additional types of protection which may be extended to wage earners, such as disability insurance, are also appropriate for self-employed persons. The administrative difficulties which deterred us from including small business men when the Social Security Act first went into effect now seem capable of solution. The feasibility of extending social security to self-employed persons, and the need for strengthening small business and fostering new enterprise are strong reasons for extending the benefits of the old age insurance system to the small businessmen of America. I urge, therefore, that the Social Security Act be amended to include small business in addition to the other groups not now included.

"Iron Age" Announces New Appointments

R. M. Gibbs, regional Pittsburgh manager of "The Iron Age," national metalworking paper, has been appointed assistant to the President with headquarters in the home office in New York City. Before joining "The Iron Age," Mr. Gibbs was advertising manager for Jones & Laughlin Steel Corp., Pittsburgh.

John M. Huggett, former Captain, USMC, and previously account executive with Ketchum, MacLeod & Grove, Inc., Pittsburg, has been appointed regional Pittsburgh manager of "The Iron Age" to succeed Mr. Gibbs.

Exchanges to Close Saturdays in Summer; Good Friday Closing

The New York Stock Exchange will be closed on Saturdays during June, July, August and September, it was announced by Emil Schram, President of the Exchange.

An official of the New York Curb Exchange, stated that the Curb would take similar action.

The New York Cotton and Wool Exchanges indicated they would follow suit and a spokesman for the Chicago Stock Exchange said they would also probably close. The New York Coffee and Sugar Exchange has voted to remain closed on Saturdays during the summer it was stated by an official. The San Francisco Stock Exchange will also close Saturdays during June through September, the board of governors announced. Other out of town exchanges are expected to follow suit.

Member banks of the New York Clearing House Association will vote shortly on permissive Saturday closings and large up-state New York banks are expected to take advantage of the New York State legislation empowering commercial and savings banks to close on Saturdays from June through September. Banks in rural areas have indicated they will remain open because of the trading importance of Saturday.

The New York Stock Exchange, New York Curb Exchange, New York Cotton Exchange, the Commodity and Produce Exchanges, will close on Good Friday, April 19.

Droulia With Reynolds

Reynolds & Co., members New York Stock Exchange, announce that Georges Andre Droulia is now associated with them in their office at The Sherry-Netherland Hotel.

Mutual Funds

New Service

With the April 1 issue of The New York Letter, **Hugh W. Long & Co.** initiates a new service to dealers. In addition to listing the industries considered most attractive for current investment, the Letter will also rate each of the other industries represented by the various series of **New York Stocks.**

Industries will be rated on the basis of "relative profit possibilities" and also on the basis of relative price risk." In the current Letter the building, metal and oil groups are rated as most attractive on both counts.

A Diversified Investment in 231 Securities

Keystone Co.'s current Keynotes illustrates how $6,000 might be invested in a well-balanced program, using classes of securities to obtain professional selection, constant supervision and wide diversification. The investment is divided between bonds, preferred stocks and common stocks and includes 231 securities.

Keynotes points out that if individual securities were used, this type of program would be available only to the investor of large means. For instance, the two bond groups used in this program represent 101 bonds and to purchase only one each of these issues it would require an investment of about $95,000.

Also, the selection and supervision of 231 securities would be a formidable task for one individual.

The bulletin concludes: "By using this program of trust funds in classes of securities, the investor can create a tailor-made investment plan with any amount of capital—large or small—and at the same time obtain the professional services of a large research organization in the selection and supervision of investments."

Tax Facts

Under the title, "Tax Facts," **W. L. Morgan & Co.'s** current Wellington News contains a summary of Federal estate taxes and tax rates. An example shows how estate taxes can be reduced by means of gifts to the members of the donor's immediate family.

It is reported that some donors have found **Wellington Fund** shares make an ideal gift for this purpose because they offer broad diversification of investments under constant supervision and continuity of income.

Chemical Stocks for Long-Term Growth

Distributors Group, in a new folder on **Group Securities' Chemical Shares,** outlines the favorable factors existing in the chemical industry today and stresses two important developments.

The first of these is the repeal of excess profits taxes. Chemical companies are among those which were most severely affected by the excess profits tax and therefore are most benefited by its repeal.

The second is the enormous potential export market for the American chemical industry. Prior to the outbreak of World War II, the German chemical trust dominated practically all foreign markets. Because of the intimate connection between the manufacture of pharmaceuticals, dyes and explosives, the Allied Powers are certain to prohibit any revival of German chemical activity in foreign markets—probably even in Germany itself.

"The American chemical industry is best equipped to supply world markets."

Chemical stocks are considered attractive at present levels for the long-term investor who is more interested in growth of principal than in current income.

Breakup

Lord, Abbett's current Investment Bulletin on **Union Preferred Stock Fund** reprints a news item from the N. Y. "Times" of April 2 entitled "'Death Sentence' is Constitutional." The item announces the ruling of the Supreme Court to uphold the "death sentence" provision of the Public Utility Holding Company Act of 1935, compelling interstate gas and electric corporations to limit their activities to a single, integrated system.

The bulletin comments that this Supreme Court decision will hasten the breakup of utility holding companies and the distribution to the owners of their preferred stocks of cash and valuable underlying operating company securities. The indicated value of these distributions is in most cases substantially above the present market price of the preferred stocks in question.

The degree to which Union Preferred Stock Fund may be expected to participate in these developments is indicated by the fact that its portfolio contains ten issues, representing 42.6% of its invested assets, which are expected to be favorably affected by this decision.

Current Dividend Irregularities

Nathaniel Stone Chadwick, Vice-President and Chairman of the Investment Committee of **National Securities & Research Corp.,** comments on the causes of dividend irregularities in the April 4 issue of Investment Timing.

With respect to dividend deferments and reductions, Mr. Chadwick pointed out that it was only natural for managements of companies in industries where the problems of labor unrest and the hampering effect of the OPA bulked large to be more conservative in dividend payments.

In contrast, continues the report, certain light goods manufacturers and their retail outlets have done so well from an earnings standpoint that many of them have increased their dividends and in some cases resumed paying dividends after a considerable lapse of time.

The conclusion reached is that "With production activity now resumed, barring a prolonged coal strike, early consideration should be given to restoration of dividends temporarily deferred or reduced. It seems logical that the stocks of companies in the heavier industries that have been most restrained in the past few months should discount their greater possibilities to a more marked degree than the stocks of those companies in the lighter industries that have already shown large price gains."

Dividend Shares

Calvin Bullock summarizes the features of **Dividend Shares** in a new leaflet entitled "A Low Priced, High Grade, Dividend Paying Security." Of particular interest is the record achieved by this Fund during the war period. From Aug. 31, 1939 to Dec. 31, 1945, Dividend Shares per share net asset value, after payment of 25 quarterly dividends including that portion paid out of profits on the sale of securities, increased 55.75%. In the same period the Dow-Jones Industrial Averages rose 43.52%.

Keystone Series K-1

The Semi-Annual Report for six months ended Feb. 28, 1946 on **Keystone's Income Preferred Stock Fund K-1** shows an increase in total net assets during the period from $20,653,303 to $24,207,561. Asset value per share rose from $19.94 to $21.74. At the end of the six months the market value of securities owned exceeded their cost by $4,876,990.

Change in Name

Hare's Ltd. has announced the change in the corporate name of **Institutional Securities, Ltd.** to **Institutional Shares, Ltd.** Commencing April 1, 1946 its new address is 19 Rector Street, New York 6.

Mutual Fund Literature

Hugh W. Long & Co.—Portfolio holdings folder on **Manhattan Bond Fund** dated April 1. . . . **Calvin Bullock** — Memorandum for Salesmen on **Dividend Shares.** . . . **National Securities & Research Corp.**—Latest issue of National Notes; Current Information folder for April; memo showing portfolio changes of National-sponsored funds during March; a work sheet for allocation of distributions received from investment company shares. . . . **Lord, Abbett** —Current issue of Abstracts; Composite Summary folder on all Lord, Abbett sponsored funds for April. . . . **The Parker Corp.**—Memo on **Incorporated Investors** showing net changes in portfolio for the three-month period ended March 31, 1946. . . . **Keystone Co.** — Current Data folder for April covering all **Keystone Custodian Funds;** new Supplement dated April 1, 1946, to the General Prospectus on series K-2. . . . **Distributors Group**—New folder on **Group Securities' Industrial Machinery Shares;** an Industrial Machinery News entitled: "Profits Expected to Increase This Year." . . . **Selected Investments Co.** — Current issue of "These Things Seemed Important." . . . **Hare's Ltd.**—Supplemental Data sheet dated March 20, 1946 to revised Prospectus of **Institutional Securities, Ltd.** dated June 15, 1945.

Dividends

Dividend Shares, Inc.—A dividend of 2¢ per share, payable May 1, 1946 to stockholders of record April 15.

Thomas G. Campbell Co. to be Formed In NYC

The New York Stock Exchange firm of Thomas G. Campbell & Co. will be formed as of April 22, with offices at 67 Wall Street, New York City. Partners will be Thomas G. Campbell, E. Edward Bollinger, the Exchange member, William T. Campbell, general partners, and Dorothy J. Luck and Mary E. Campbell, limited partners. Mr. Campbell was formerly with Francis I. du Pont & Co. where he specialized in transportation securities, and prior thereto he conducted his own investment firm in New York. Mr. Bollinger was formerly with A. C. Allyn & Co. and Hemphill, Noyes & Co. in Indianapolis and was with Paine, Webber & Co., in Cincinnati. In the past he was with Gertler, Devlet & Co., Westheimer & Co. and was Cleveland manager for the National City Company of New York.

Kuch Adds to Staff

PHILADELPHIA, PA.—H. G. Kuch & Co., Widener Building, announce that Joseph Schwartz and Raymond W. Lawn, recently released from active service in the armed forces, and Leonard G. Kuch, are now associated with their organization.

Birkins to Deal In Secs.

DUMONT, N. J.—George Galloway Birkins will engage in a securities business from offices at 315 East Madison Avenue.

The Fiscal Impact of British Social Security

(Continued from page 1929)

large amounts to the Unemployment Fund and the other state insurance undertakings to maintain the required benefit payments. All this was in addition to the relief "dole," which was a government payment made to those who could make no claim on the insurance funds. The indebtedness to the Treasury of the Unemployment Insurance Fund alone increased steadily from 1924 until 1932, and accumulated to a sum of £115,000,000.

Despite the efforts of the Ramsey MacDonald cabinet to support the system, it was recognized that this drain could not be continued. Accordingly, steps were taken to reduce the scale of the benefits, and parliamentary committees were appointed to study the revamping of the whole social security scheme. It was recognized, moreover, that the insurance system involved a burdensome tax on British industry, unrelated to the degree of unemployment in plants and industries, and that it prevented a readjustment of wages and labor costs, with the result that it stood in the way of recovery and actually increased the amount of unemployment. In addition, it was pointed out that, as an element in the increased cost of production of goods, it hampered the export trade on which the nation is dependent for its economic life. Accordingly, a new Act, known as the Economy Act, was passed in 1931, which decreased the burdens on industry, and increased the workers' contributions, and relieved the Treasury of the drains caused by covering the deficits in the insurance funds. Through this legislation, the Unemployment Insurance Fund was placed on a sound actuarial basis.

Beveridge Report

The Churchill Government, despite its difficulties in carrying on the war, was not oblivious of the Socialistic trends gaining ground among the British population. The Labor Party, which participated in the Government, never abandoned its policy of Socialism, and used its resurrected political power to enforce this policy on the British Government. In line with this movement, Arthur Greenwood, who was in the British Cabinet "without portfolio," on June 10, 1941, announced in the House of Commons that he had arranged with all the Departments concerned for a comprehensive survey of existing schemes of social insurance and allied services which would be considered in due course by the Committee on Reconstruction Problems, of which he was Chairman; and that Sir William Beveridge had accepted his invitation to conduct the survey, taking into account representations received from responsible organizations and persons connected with the problems involved. About six months later (on Jan. 27, 1942) Mr. Greenwood announced to Parliament that it would be within the power of the Beveridge Committee "to consider developments of the National Insurance Schemes in the way of adding death benefits and any other risks which are at present not covered by such schemes."

On Nov. 20, 1942, Mr. Beveridge submitted his report. It was, in a way, a personal report, for although Mr. Beveridge acknowledged the aid of members of his committee, he stated that he alone was responsible for the recommendations made.

As might be expected, the Beveridge Report was widely acclaimed. Mr. Churchill told Parliament that he was prepared to go along with it to a considerable degree. Naturally, the Labor Party members were for it, since it greatly amplified the social insurance scope, and provided an elaborate scheme of payments to cover all risks to which human beings, in the ordinary course of events, are subjected.

The New Plan

It was to be expected that when the Labor Government came into power, it would seek to put the Beveridge Scheme into force. A new National Insurance Bill was introduced into Parliament in February of this year, accompanied by two White Papers, one summarizing the main provisions of the scheme and the other constituting a report by the Government Actuary on the financial provisions of the Bill. In presenting the measure to the House of Commons, James Griffiths, Minister of National Economy, lauded the Beveridge Report as "one of the greatest documents in British history," and said the plan it proposed is "the best and cheapest insurance policy ever offered to any people anywhere."

The range of benefits to be given in return for a contribution by the worker of a little less than one dollar a week (at present sterling-dollar exchange rates), according to Michael L. Hoffman, a correspondent of the New York "Times," is as follows:

Type of Benefit	Weekly Benefit	Duration and Conditions
Sickness	$5.25	Indefinite, after 156 contributions.
Unemployment	5.25	180 days, after 156 contributions.
Retirement	5.25	Payable after 65 if not working; after 70 even if working.
Supplement to above:		
For wife	$2.23	----------
For first Child	1.52	----------
Widow's allowance	7.25	13 weeks.
Widow's pension	5.25	13 weeks for woman gainfully employed.

These benefits seem relatively small here in the United States. But it should be borne in mind that wages are much lower in Britain, that the workers' contribution compared to those in our States is less, and that productivity of the British worker measured by his output to his employer, is also substantially inferior.

Yet, though these benefits seem rather meager, the workers' payment to obtain them are also comparatively light. Apparently, it is not expected that they are actuarily adjusted to cover all the costs involved in every phase of the whole scheme. Thus, the British Government Actuary remarks:

"It should be borne in mind that, apart from the fact that the rates of benefits proposed under the Bill are substantially higher than are payable under the existing schemes, the numbers of beneficiaries from the outset under the proposals of the Bill will be greater than those covered by the existing system; for example, the wives under age 60 (if not gainfully occupied) of retired pensioners and the dependents of persons drawing sickness benefit will now attract benefits or allowances.

"In aggregate the services brought within provisions of the Bill, including assistance, will cost about £509 millions, or 42% more than the comparable services under the existing contributory schemes (with assistance). Owing partly to the operation of the qualifying periods for unemployment and sickness benefits and for death grant in the case of new entrants, and partly to transitional conditions limiting the scope of the benefits, the cost at the outset under the provisions of the Bill will be materially smaller than if benefits had been payable in full from the beginning."

And he adds further:

"For the evaluation of the contributions to be charged under the provisions of the Bill and the calculation of the emerging expenditure over a long series of years certain assumptions have been necessary. From the nature of the case these can be no more than estimates which have due regard to observed tendencies and expected developments, and it is unlikely that they will be fully borne out by actual experience. It should be added further that although the bulk of the proposals of the new National Insurance scheme are specified in the provisions of the Bill a variety of matters affecting the cost of the scheme and the income from contributions are left to be dealt with by regulations. In such circumstances there is necessarily an element of uncertainty in the financial estimates, though doubtless this factor is of minor importance."

The Financial Aspects

Will the scheme place an unbearable burden on the British Exchequer? Obviously, this question cannot be answered now. But in view of the estimate that from one-third to more than one-half of the cost is to come from Government funds and that the contributions of workers and employers are likely to vary substantially with changes in economic conditions, it can be said that the British taxpayers are about to assume heavy liabilities under the scheme.

It is recognized by the Government actuary that the costs will increase with the passing of years and that benefit payments will become heavier as the ages of beneficiaries advance. It is therefore quite possible that during the next five years or so, unless a severe depression develops in England (as it did after the first World War) that the scheme may be largely self-supporting. It may even indicate a surplus, if prosperity conditions prevail over a long period. Certainly, employment conditions in Great Britain at present cannot be said to be stabilized any more than they are in the United States and the percentage of unemployment now may be far below the normal level.

But any scheme of insurance, to be actuarially sound, must be based on what might be called "average conditions." In other words, account must be taken of both good and bad situations that may be required to be met by the insurer and a reserve must be at hand to meet adverse conditions when they occur.

The mathematical law of probability does not mean that any insurance scheme based upon it can be safely carried out without provision for a possible swing of the pendulum away from expected results, however well they may be calculated on the basis of previous observations and experiences. It is for this reason that insurance companies are required to put up capital as a guarantee fund to policy holders.

Some such arrangement apparently is contemplated in the Report of the Government Actuary, which accompanied the Bill. In this connection, he stated:

"It is apparent that the total annual charge on the exchequer will increase for a considerable period after the commencement of the full scheme.

"Taking insurance benefits alone, the exchequer's share of expenditure rises in the 30 years from £118 millions (or 26% of the total) at the outset to £416 millions (or 56% of the total); including assistance, the exchequer's share represents 34% of the total expenditure on benefits and assistance in 1948 and 58% in 1978.

"The expenditure on benefits and assistance apart from retirement pensions remains fairly constant in the period, rising from £271 millions in 1948 to £302 millions in 1968 and decreasing thereafter to £284 millions in 1978; the income from the contributions of insured persons and employers follows a similar course. Thus, it would appear that the steeply rising trend of the charge placed upon the taxpayer by the provisions of the Bill is determined almost entirely by the expenditure on retirement pensions, which after increasing, will mature gradually over a very long period.

"In order that the balance of expenditure to be met by the exchequer in respect of benefits under the Bill may not fluctuate widely from year to year, and to provide for a regular progression in the annual charge, the Bill provides that the payments by the exchequer, apart from contributions under the First Schedule to the Bill, shall be £3 millions a month for an initial period ending 31st March, 1949, £40 millions in the financial year 1949-50, thereafter increasing yearly by £4 millions until £60 millions is reached in 1954-55. After that time the yearly payments are to be as determined by Parliament. Provision is made for monthly payments at the outset because, at present, it is not possible to fix the appointed days with certainty."

How the Burden Can Be Met

Will the British taxpayers be able to meet this accumulating liability? To answer this we must look to the British workers themselves, as well as to the ability of Great Britain as a whole to maintain and improve her economic status. Looking back over the past two decades, there is nothing to indicate that under present trends Britain will be able to maintain her former commercial and financial supremacy. The growth of British capital has been hampered and retarded, private initiative has been stifled, unreplaced obsolescence has increased, and industrial productivity, measured by the progress made by other nations along these lines, has declined. If these adverse trends are to be reversed, the British worker must increase rather than restrict his output; private enterprise must be encouraged and not "nationalized"; and burdensome taxation removed, so that wealth and skill applied to capital investment in the most profitable fields may be allowed to grow without bureaucratic and socialistic controls. Unless these developments take place, this whole grandiose and humane scheme, in itself very commendable, will not work out and the Labor Party will have bitten off more than it can chew.

Redeem Argentine Bonds

Holders of Argentine Republic Sinking Fund External Conversion Loan 4½% Bonds, due Nov. 15, 1971 are being notified that $208,500 principal amount of the bonds have been drawn for redemption on May 15, 1946, out of moneys in the sinking fund. Upon presentation and surrender on the redemption date at the office of J. P. Morgan & Co. Incorporated, 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.

The Quest for Industrial Peace

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lems of this generation concerns the development of collective bargaining as an effective substitute for industrial warfare. Great emphasis has properly been placed upon the right of employees to strike and upon the right of employers to close down their plants as a way of resolving industrial disputes. These rights are fundamental to our concept of the way in which men should live and work together. Much too little is said and written, however, about the concomitant obligations of both labor and management consciously to develop their relations so as to make resort to economic force a rare and unusual occurrence. The adoption of collective bargaining as the cornerstone of the national labor policy was based upon the premise that this process would become an effective substitute for industrial warfare. Heavy responsibilities have been assigned to labor and industry to work out their mutual problems by negotiation, understanding and compromises.

The National Labor Program

The national labor program based upon the right of employes to organize and upon the acceptance of collective bargaining has been in effect only for about a decade. Its normal development was impeded, moreover, by war necessities. From that perspective the successes of collective bargaining can be appraised as significant. Nor is it surprising that collective bargaining attitudes and techniques are immature in many industries where the issue of the right of employes to organize and to have representatives of their own choosing has been but recently resolved. Struggles between employers and employes over this basic principle account for the major part of the history of the labor movement in the United States. The issue was not substantially resolved until 1937 when the Supreme Court upheld the constitutionality of the National Labor Relations Act which afforded protection from employer interference with the efforts of employes to effect self-organization for collective bargaining.

When the so-called Wagner Act was passed, no more than approximately 10% of all organizable employes were members of labor unions. Employes had to effect their organization before collective bargaining could be undertaken. Since 1937, the history of the labor movement has mainly been a story of the organization of employes for collective bargaining. Now comes the task of developing collective bargaining itself, and the results will determine the soundness of the national labor policy as a constructive force for preserving fundamental private rights and contributing to the goals of economic progress.

Difficulties of Collective Bargaining

As far as the National Labor Relations Act is concerned, collective bargaining is apparently conceived as a self-effectuating process. Labor and management are expected to evolve its procedures and techniques as well as to develop its constructive possibilities. There is a lack of experience to guide them in their task and many obstacles in the way of its performance. There is no generally recognized definition of collective bargaining and few commonly accepted concepts. Procedures and practices necessarily vary greatly from industry to industry and from plant to plant and can only be developed over a period of time. The scope and objectives of collective bargaining as well as disagreements about the subjects to be taken up in labor-management negotiations are still being hammered out. There are personal problems, too. Individuals newly charged by the employes or by management with collective bargaining responsibilities are sometimes inexperienced and have widely differing concepts of the uses to which their economic power should be directed. The necessities of organizations still spill over into the bargaining conferences and there are still some employers who are not ready fully to accept collective bargaining as the basis of their industrial relations program. These and similar characteristics of the present state of collective bargaining mean that a man-sized job was assigned to organized labor and management when they were given the responsibility for effectuating the next step of the national labor policy.

Collective Bargaining Free of Government Interference

The assignment to labor and to industry of the formidable task of making collective bargaining work in the national interest is not solely a matter of implication from the Wagner Act. It may be said that they voluntarily accepted the assignment. In November, 1945, President Truman convened a labor-management conference to work out a labor policy for the postwar years. The country looked to the conferees voluntarily to restrict the rights of strike and of lockout and to provide for some machinery at the national level to resolve labor disputes without interruptions to production and employment. The answer of that conference to the country was that collective bargaining free of government participation is the proper substitute for industrial warfare. Many observers concluded that the conference was therefore a failure. Events may prove, however, that a sound policy for the long run was evolved, for there are strong reasons in support of the decision that was made. The availability of a Government board with the power to settle labor disputes makes it difficult for the parties to settle issues themselves and centralizes control over labor relations in Washington. This was shown by the experience of the National War Labor Board. A major question before the labor-management conference related to the role of the Government in the conduct of labor relations.

The failure of the labor-management conference, in my judgment, was not in the fundamental decision to depend upon collective bargaining rather than on Government conduct of labor relations, but in the lack of attention to the ways and means by which free collective bargaining could be consciously developed more adequately to fulfill its functions. What are the obligations of the parties in negotiation? How can industry-wide issues be resolved without recourse to plant shutdowns? Under what conditions can voluntary arbitration be used in securing new agreements? Such questions, and many more like them, might well have been considered at the conference, and practices for the guidance of negotiators of agreements could have been set up. Such questions still need the attention of labor and of industry in order that the process of collective bargaining will be facilitated.

There is no better way of resolving labor disputes than by agreement of the parties and probably no more unsatisfactory way of resolving them than through governmental machinery established contrary to the will of the parties at interest. This conclusion has been verified by the course of labor relations since V-J Day. Recent events make it very clear that the basic job ahead in labor relations is to develop the agreement-making process to the fullest possible extent. The efforts of the Government and the programs of labor and industry should be oriented to this fundamental principle. This is no mere ideological concept. Some recent failures of collective bargaining have been of such vital concern to the community at large that the Government has had to intervene and restrict the personal rights of the parties to a labor dispute. Preservation of the employe's right to strike is important in a society which believes that no man should be required against his will to work for the profit and benefit of others. Retention of the employer's right to close down his plant is also important in a nation which believes in the private ownership and direction of industry.

When Government Interferes

These rights can nevertheless be restricted when agreement-making fails and when industrial warfare breaks out to interfere with the transcendent right of a community or of the nation to carry on activities essential for working and for living. The Government is under a strong compulsion to intervene when, for example, the operations of public utilities are brought to a standstill or when entire mass production industries providing basic materials are thrown into idleness. In recent months, plants and entire industries have been seized in order to institute Government operation as a necessary precedent to ordering striking employes back to work under threat of wartime penalties. There is no assurance that such procedures can always be confined to token seizures and token operations. Already the charge has been raised by labor that the Government has gone into the strike-breaking business. There is always the risk, moreover, that men will not return to work even for the Government, and then more fundamental questions are raised. Where seizure was not involved, there were recent cases in which fact-finding boards were set up by the Government. Their recommendations as to the terms upon which a labor dispute should be settled have approximated compulsory arbitration in actual practice.

Develop Collective Bargaining, Not Compulsory Arbitration

Recent failures of collective bargaining highlight the need for developing the agreement-making potentialities. They do not support the conclusion that "the labor problem" can be solved by legislation which brings the conduct of industrial relations under Government supervision and regulation unless we are ready drastically to limit the rights of labor and of industry by making plant seizures and compulsory arbitration an integral part of our system. Such procedures may fit in with the plans of the extreme left or of the extreme right; they don't fit in at all with the way of life which most of us cherish.

The quest for a basis of sound industrial peace is not for some law or for some formula. It is not possible to devise some magic rule to insure peace in industrial relations any more than peace among the nations can be insured by some easy exercise in romantics. The quest is for the development of a process—for the building up of collective bargaining as an institution capable of discharging specific functions which have been assigned to it. Strong representations have been made lately for the passage of other types of laws which are claimed to be essential for the development of collective bargaining along constructive lines. A demand for "equality before the law" has become a program of many industrialists and there are strong representations for the limiting of certain mass picketing practices.

Without discussing these matters, important though they are, I would direct attention to the three most fundamental areas for development which offer the greatest possibilities for long-time progress in the quest for industrial peace. They are:

(1) Conscious development of the agreement-making potentialities of collective bargaining.

(2) Attention to the working out of voluntary agreements between labor and industry restricting the use of economic force, particularly where stoppages of production can have crippling effects upon the community.

(3) Development of collective bargaining along sound economic principles which contribute to the attainment of the economic goals of full employment and of a plentiful supply of consumer goods.

Comments upon a program of this sort which emphasizes voluntary action are certain to include use of the words "idealistic" and "unrealistic," even though Plato long ago said so convincingly that "creation is the product of persuasion." The three fundamentals are actually an expression extremely pragmatic in nature if we really mean what we say about the strength of democracy and our goals of economic progress. It is highly unrealistic to embrace a labor relations program based upon government regulation or to think that economic progress for the country as a whole is unrelated to the terms of labor agreements.

Conscious Development of the Agreement-making Potentialities of Collective Bargaining.

The National Labor Relations Act states: "Experience has proved that protection by law of the right of employes to organize and bargain collectively safeguards commerce . . . by encouraging practices fundamental to the friendly adjustment of industrial disputes . . ." Acting upon that premise, the Federal Government took positive steps to increase the economic power of employes not as an end in itself but to make it possible for collective bargaining to become a substitute for industrial strife. The national labor program would be a failure, for example, if the economic power of the employes were exercised primarily to create disagreement, chaos and confusion as a step in securing political objectives. It would also fail if the program of employers turned out to be the avoidance of agreement as a means of undermining the union. The privileges of democracy, moreover, are always subject to abuse.

Consummation of the national labor policy depends upon the acceptance by labor and industry of the responsibility for developing the agreement-making potentialities of collective bargaining. The Government policy should be to assist such efforts since the nation as a whole has a vital stake in the matter. It is not timely now to discuss the nature of negotiations leading to agreement. It is appropriate now to point out that successful collective bargaining relationships have invariably been based upon genuine recognition by management of the employees' right to have a strong union and upon a clear acceptance by the union of management rights essential to efficient operation of a plant. Once these relationships have been understood, it has generally been possible to undertake negotiations on a factual basis for the purpose of solving problems rather than just winning arguments. In the labor battles which have been going on, the conflict of interests between the employee and his employer has come very much to the fore. It is now urgent to emphasize the vast area of common interests which they share in keeping their establishment competitive and efficient. Upon that depends the success of the enterprise and the continuity of employment. Collective bargaining is much more than giving "the lion's share to the lion."

A constructive first step toward making collective bargaining work could be a mutual agreement between labor and industry upon the status and rights essential to the continued existence of unions and management and upon the basic principles which should govern their relations. There is a need for a National Charter such as that which almost came to fruition a little more than a year ago under the leadership of Eric Johnston, President of the United States Chamber of Commerce. With the failure of that effort and the limited success of the President's Labor-Management Conference, the importance of policy meetings between labor and management has been temporarily overlooked. Such conferences on regional levels as well as on the national level could be of outstanding significance in strengthening and in building the national labor policy. Properly conducted, they could not fail to widen the area of agreement and narrow the areas of disagreement.

Labor and industry have not as yet taken on the job of exploring the conditions under which voluntary arbitration can be used to resolve labor disputes over the terms of future agreements. It certainly should not be necessary, for example, to resort to industrial warfare in a case in which the employer offered, say, $0.15 per hour while the union demand was for $0.18 per hour. The parties should be able to work out a satisfactory agreement to arbitrate such a difference which would avoid the losses of an interruption to production.

One cannot dismiss the fact that in the absence of accepted criteria for deciding a case by voluntary arbitration, an agreement to arbitrate may involve unpredictable risks of a serious nature to both parties. Relatively little attention has been given, however, to the possibility of limiting such risks by the terms upon which an issue is submitted to arbitration. A failure directly to resolve certain issues through negotiations might well be followed by an exploration of the possibility of agreement upon the criteria which could be used to resolve the issues. Success in that endeavor would enable the consummation of an agreement to arbitrate. Such an approach requires a devotion to collective bargaining as a peaceful process where the mark of success is the agreement.

The basic Government policy should, in my judgment, be geared to the development of collective bargaining as a substitute for strikes rather than to the creation of rules and regulations to serve as a substitute for collective bargaining. The work of the U. S. Conciliation Service in furthering this objective is favorably known even though the Service is understaffed and although its personnel is underpaid. The U. S. Conciliation Service should be strengthened. There is a need, moreover, for the development of mediation to supplement strict conciliation endeavors. A conciliator keeps the parties from breaking off negotiations; a mediator may take initiative in offering possible solutions for the consideration of the parties after he has understood their basic necessities. In addition, the Federal Government should provide arbitration boards to which parties could turn at their discretion for the carrying out of any voluntary arbitration agreement they may make. The personnel and the policies of such a board should be made as attractive to both sides as is possible. The availability of such machinery could prove of inestimable value in making it possible for disputants to choose peaceful methods instead of industrial warfare as the way of settling their differences.

There is also a place for Government fact-finding boards in a Government labor policy designed to support collective bargaining. The public has a right to expect labor and industry to use every reasonable effort to resolve their differences without disrupting the life of the community. There may be cases, however, where one or the other party to a labor dispute feels compelled to exercise its right to resort to economic force as the ultimate determinant of an issue. A Government fact-finding board could be highly useful as a body to which each side could report to the public why, in its judgment, a stoppage of production seems unavoidable. There would need to be no deferment of the right to strike and no delving into company books. The fact-finding board would receive those facts which each party elected to give in support of its position. Not only would the existence of such boards emphasize the responsibilities of labor and of industry but would act as a deterrent to the use of economic power as a way of escaping collective bargaining responsibilities.

In the quest for industrial peace, the first step seems to be a full recognition on the part of labor, industry and the Government that collective bargaining was adopted as the cornerstone of the national labor policy on the assumption that it could be made an effective substitute for industrial warfare. If collective bargaining can be consciously directed so that it fulfills this function, then a long step forward will have been taken in reconciling the rights of labor and of industry with the public necessity.

Voluntary Agreements Between Labor and Industry Restricting the Use of Economic Force.

The employee's right to strike and the employer's right to close down his plant are so fundamental that many persons believe any restriction of these rights should be made only by voluntary agreement of those affected. This type of voluntary agreement has been widely made and can be more extensively used in the quest for industrial peace. Labor contracts generally include a voluntary agreement outlawing strikes or lockouts for the duration of the contract. There have been, moreover, two notable voluntary agreements which broadly restricted the use of economic force in the determination of the terms of future agreements. The one led to the National Mediation Act for the railroad industry; the other resulted in the National War Labor Board which functioned throughout World War II. Reference may also be made to a number of labor contracts prior to the war in which the parties agreed that any failure to resolve differences between them over the terms of a new agreement would not lead to a stoppage but to the use of arbitration machinery specified in the agreement. The most notable arrangements of this type were in agreements covering certain crafts in the newspaper industry and a number of local transportation systems. The unions and companies which voluntarily gave up their right to economic warfare did so only after basic principles as to their status had been agreed upon and after mutually satisfactory arbitration arrangements had been made.

It is not likely that such programs have widespread application. They do have a significance to the dilemma of labor relations in public utility industries. In those industries, an exercise of the right to stop production reacts immediately against the public and calls for Government intervention. It may well be that this dilemma can best be resolved as it was in the railroad industry by the creation of machinery to make strikes or lockouts virtually unnecessary. The legislation covering labor disputes in railroad industry, which has effectively avoided widespread labor disturbances, was based upon principles and recommendations worked out by the parties. It was not an imposed method for handling industrial relations. It works because the parties want it to work.

In the public utility field an unusual responsibility devolves upon labor and industry to explore the conditions upon which it would be possible, before the coming of a crisis, to provide for peaceful methods of settling unresolved issues which arise between them. Such an approach will be most fruitful if these parties recognize at the outset that their obligations to the public often overshadow their ultimate right to stop production. An important part of the collective bargaining in such industries may be devoted to the devising of machinery which makes it unnecessary to resort to economic force.

Attention should be directed, therefore, to the conditions under which labor and management can find it possible voluntarily to agree to restrict their use of economic power. When such restrictions come as a result of voluntary agreement, as in the railroad industry, great progress is made in the quest for industrial peace.

Development of Collective Bargaining in Furtherance of Economic Progress.

The necessities of using collective bargaining as a substitute for industrial warfare should not blind us to the relation of this process to the supreme economic problem of our generation—the avoidance of mass unemployment in the years to come. Regularizing employment and leveling out the flow of national income are concomitant goals to which our best energies should be directed. As a practical matter, the attainment of these objectives is closely related to the production and distribution of consumer goods on a larger scale than ever before. Collective bargaining has an important role to play in that drive for economic progress.

Collective bargaining is not an easy process in which to engage when such objectives are set up for it. There are still persons on either side of the table, moreover, who would prefer to avoid such arduous responsibilities by having the Government step in and settle the issue. This is by no means the general rule. Even today, when free collective bargaining has not been fully resumed because of Government regulations necessary to the fight against inflation, thousands of agreements are being made without recourse either to industrial warfare or to the Government. These successes should not be minimized at a time when the failures of collective bargaining in the basic industries or in bottleneck industries understandably have given the deepest sort of concern.

The real development of collective bargaining as an instrument of economic progress is largely dependent upon the soundness of the goals which are sought by the negotiators and the spirit in which the bargaining process is conducted. In some instances, agreements result from the exaction of terms which, however onerous or uneconomic in the long run, are accepted because they are preferable to the heavy immediate costs of voluntary idleness of employees or the shutdown of plant facilities. This approach may avoid work stoppages. It does not contribute to the attainment of high-level prosperity, however, since the checks and balances to such collective bargaining are costly. Employees may secure high wages at which not to work if high prices drive consumers to refrain from making purchases or to use substitute products. Employers may be able to drive wages down but fail to hire or retain competent employees and even fail to secure the most productive efforts of the employees they do get.

The carrying out of collective bargaining responsibilities involves much more than charging what the traffic will bear at any moment based upon a cold appraisal of current economic strengths and weaknesses. The assignment to collective bargaining of the wage determination function requires union representatives to work with management in exercising business judgment. Efficient management will generally make its wage decision after intensive study of a series of related data. Efficient collective bargaining requires the same approach. Can there be any doubt that collective bargaining on wages should be based, as far as possible, upon the facts of past operations if informed decisions are to be made? Is it too idealistic to seek a factual approach to collective bargaining?

When management contends, and it frequently does contend, that collective bargaining is not concerned with the facts of business operation, it is, in effect, advocating wage determination on the basis of some concept of a fair wage per se without regard to the impact upon costs, prices or production. This is a policy for the strong. It is not difficult for the most efficient and relatively low-cost companies to advocate a policy which, if rigidly carried to the extreme, could force high-cost competitors out of

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business. In many industries, they are the small companies. Many unions, especially in the mass production industries, have also made their wage demands by reference to a fair wage per se, presumably on the ground that a laborer is worthy of his hire, irrespective of management shortcomings or difficulties. When union policies are made by a centralized body rather than by the local unions, moreover, it is not easy to take proper cognizance and account of the individual problems of particular companies. Wage determination by reference to some general standard may simplify collective bargaining and may limit the scope of collective bargaining. It cannot be depended upon, however, to provide the maximum production or the greatest number of jobs. There is an urgent need, therefore, for development of collective bargaining as a potent arm of the national goals for economic progress. Successes in this direction further the kind of industrial peace which is compatible with the national program.

It is unfortunate that the development of collective bargaining during the early stages of the reconversion period was marked with a number of crippling failures. They have resulted in many proposals for solving "the labor problem." We are again at a crossroad in the progress of labor relations. One fork of the road leads to the imposition of laws, inflexible rules, and Government regulation as a substitute for industrial warfare. Despite the opposition of labor and of most of industry, this road appears to be inviting since the sign post says the road leads to the protection of the public interest and to industrial peace. Close scrutiny, however, reveals the road blocks, detours and land slides which make that road virtually impassable. The other fork of the road goes the way of labor-management conferences, voluntary agreements, the development of the institutional aspects of collective bargaining, and the use of voluntary arbitration procedures. It takes effort and intelligence, self-restraint and goodwill to travel that road, but it seems to go somewhere. Voluntarism in labor relations is still the essence of progress in that field. As we stand poised at the fork in the road, labor and industry are called upon to assume new and arduous responsibilities to insure the effectiveness of the voluntary approach. If we of the general public can desist from putting our hope in some magic formula and curb our impatience and emotion to permit an objective appraisal and a thorough understanding of labor relationships, this generation can make a sound and significant contribution toward the attainment of industrial peace without the sacrifice of political and economic freedom.

Memorial Service Held For Charles R. Gay

A half-hour memorial service for Charles R. Gay, President of the New York Stock Exchange from 1935 to 1938 was held at Trinity Church at 8:45 a. m. on Wednesday morning, April 10. The Rev. Father Donald H. Morse was the officiant and the Rev. Doctor Frederic S. Fleming, Rector of Trinity Church, made the address. All members of the financial community were invited to participate. Members of the Exchange who acted as ushers were: Elliott D. Fox, E. Burd Grubb, James J. Gurney, Robert J. Hamershlag, Robert W. Keelips, Harold C. Mayer, Daniel F. McCarthy, Thomas C. O'Keefe, William F. Reilly and Charles E. Stewart. In charge of arrangements were Messrs Gurney and Keelips.

E. H. Martin & Co. Formed

ALBUQUERQUE, N. Mex.—Edward H. Martin has formed E. H. Martin & Co. with offices in the Franciscan Hotel to engage in the securities business. For the past four years Mr. Martin has been serving in the U. S. Army. Prior thereto he was with Fairman & Co. of Los Angeles.

Thomas Marsalis to Admit

Charles Edward Lucke, Jr., will be admitted to partnership in Thomas Marsalis & Co., 11 Wall Street, New York City, members of the New York Stock Exchange, on May 1st.

Roadblocks to Prosperity

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people's rights. The CIO economic plan, which the Administration has made its own, contends that purchasing power should be in the hands of labor. Wages to labor are only part of total purchasing power. Dividends also create purchasing power. The crops of agriculture create purchasing power. The salaries and wages earned in distribution create purchasing power. After nine years of peace and four years of war, it is clear that the Bureaucrat has learned nothing about the economy's functioning.

Wage increases are enforced at the level of peacetime wages plus wartime increases, plus 60% of war overtime increases, without equivalent increases in production of goods. Collective bargaining at a plant level has been displaced by decisions in Washington.

Governments are man-made. They derive their power from the consent of the governed. It's high time for the governed of this nation to speak up. When the Government buys its power with prodigal gifts in exchange for controls at the expense of the thrifty, it endangers every citizen of us. Some may not see the danger because of the immediate benefits obtained. Many are lulled into unconcern by the abundance of money caused by the war and its aftermath.

Government Has Become Partisan

Never was the prospect for prosperity greater than on V-J Day. Now, months later, the nation, which ought to be creating prosperity and wealth for all, suffers convulsions and multiplies shortages because the Administration has abandoned equity and justice. It has become partisan. Washington's subservience to CIO is now clear. The path toward collectivism which it implies is now plain.

Every American should be concerned about this unwilling progress toward a Government-controlled national economy. For instance, freedom for profits: In the CIO-US Steel wage dispute, even the OPA finally admitted that wages enter into the costs of goods. Under its newest plan, the OPA intends that increases in prices, if allowed to compensate in part for wage increases, will be held to the below-normal level of profits earned during 1936-39. That was a period, as the OPA admits, when six out of ten of the nation's companies were operating at a loss. Actually, OPA's plan will penalize business further by the difference in the 17% tax rate of that period and the 38% tax rate of now. It also will penalize business by denying profit for increase in volume. Does Stabilization Director Bowles expect production to climb on red ink and continued losses? The Administration will never stabilize our economy that way. It can paralyze it.

Savings result from postponement of the enjoyment of earnings. They buy the tools that create jobs. Income on business savings may be in dividends or profits. Enterprise cannot hire men until it first hires money for tools. Investment comes first, jobs come second. The saleable products for use come last. No one has anything to sell until he has first made it. He cannot get the money to start making it unless the hire of money is assured—unless there is a prospect of profit. The man who has savings to hire out has the option of not risking them. If he does hire his money out, he is letting someone else spend it, at his risk, to produce goods. The investor acquires income for the loan of his savings through time as the worker acquires salary and wages through time. When profit is withheld from money at risk by governmental decree, the jobs it makes cease to exist as the investor reduces his risk.

The Right to Profit

The right to sell at a fair profit is as fundamental to our economic freedom as the right to a job at fair pay.

The greatest contribution that American industry gives to the postwar period is its solvency. Except industry remain solvent, employees will be fewer or none. A busted business provides neither goods nor jobs. There are 2,700,000 business establishments in this country which have only one to three employees, or are individual businesses with no paid employees. OPA overlooks the fact that, at this smallest level of business, the profit is the businessman's living. It is his wage—his subsistence. Cut down his profit and you cut him down. There is no natural line of demarcation between small business, medium and big. According to the Department of Commerce classification, however, small business in 1939 gave eight million jobs and produced 43 billions of goods and services. The small manufacturers are nine times as numerous as medium and big manfacturers combined. The Administration has overlooked the massive importance of small business. Big business crowds the headlines. Small business makes our nation.

Importance of Small Business

The social significance of small business goes far beyond its economic aspects. It is the means of expression and development of the individual possessed of enterprise. It is enterprise which had no advantage of wealth of any kind except as it created wealth. It began in the ambitions of small folk trying to succeed. The small businessman pays as he goes. His investment is much more in working capital than in surplus. If he had a large surplus, he would not be a small businessman.

Washington gives no indication of understanding the effect of the profit-squeeze on the small businessman. With the profit-squeeze, the curtain for small business is quick. The small business is the new Forgotten Man. He will be the first casualty of the new wage-price policy. The second casualty will be the business system. If little businesses are sunk by the profit-squeeze, it will leave a hole big enough to sink the whole economy.

Take OPA Ceilings Off

To remedy our economic paralysis, to recover prosperity, requires individual effort from every responsible citizen in this room and in this nation to get OPA ceilings taken off. If and when OPA ceilings are taken off, there may be a rise in some prices, but such price increases will be corrected by a volume of competing goods which are now prevented by controls from coming on the market. Industry will stifle inflation with production when permitted by the Administration to do so.

Historically, we have never had runaway prices on a rising production trend. Runaway prices cannot be expected unless the Government runs the presses that print the money. This country has grown great in the experience that free and fair competition is an adequate regulator of profit. The price mechanism is as automatic and impersonal as gravitation. The elements are so independent that they are not subject to bureaucratic control. No one in Washington or New York knows what three million independent businesses of these United States are doing in time to direct them intelligently. It can only be done arbitrarily and at a loss to the economy.

Holding of Price Line Fails

The OPA attack on profit is impractical and irresponsible. Washington admits that its plans to hold the price line have failed. Within the past month, Congress has heard official testimony on the expected rise in the cost of living. Stabilization Director Bowles hoped it would not rise over 5%. Reconversion Director Snyder said the rise might be between 5 and 10%. Chairman Eccles of the Federal Reserve Board started his estimated cost of living rise at 10%. If subsidies are taken off, an additional 8% would be added to living costs. Actually, the 8% is being paid, but hidden. The American Meat Institute has testified that the black market plus subsidies was costing the consumers $2,000,000,000 a year above ceiling prices. Mr. Bowles advocates more and more subsidies for food and other agricultural products supposedly under price ceilings. Thereby he makes them cost more, but the public is supposed to think otherwise, because the advances show up as taxes or borrowings instead of directly on the price ticket.

Profit Control Leads to Statism

OPA does not deal with inflation, except to accelerate it. It deals only with the symptoms of inflation, by hiding them. These zealots of the new order who have turned price control into profit control know only too well that profit is what distinguishes private enterprise from socialism. It is what makes private enterprise go. The domestic economic policy of the Administration, if there is any, therefore leads directly to the statism that our sons and nephews fought to destroy in all parts of the world. Getting rid of OPA right now and cutting down Government deficit spending, are the two big steps we must take to realize the primary objective of economic freedom. In fiscal policy, the magnitude of the national debt requires that it not be enlarged. OPA ceilings should be put on the production of debt and taken off the production of goods.

Runaway Inflation

OPA has not stopped inflation. It is only trying to conceal inflation from the people. We are still in the first stage of inflation. We must avoid the second, or runaway, stage. Runaway inflation, the second dangerous stage, can be averted by a few principal safeguards, and you can help. One of these principal safeguards is all-out production, which the OPA hinders. Another safeguard against inflation is a labor policy that requires an increase of production equal to all increases of wages.

End Deficit Financing

The safeguard which I wish here to emphasize, however, is to end deficit financing. Deficit financing creates money, credit and purchasing power without producing the goods and services which alone can validate that money. OPA has not stopped inflation. OPA is a camouflage operation to hide the facts of Government weaknesses in its fiscal policy. Sooner or later, this hidden inflation has to be faced by the American consumer in the prices of the goods he buys. Mr. Bowles admits that whenever price controls are taken off, this hidden inflation will cause prices to rise. NAM's position is that the sooner the bad news of inflation is revealed to the people, and the sooner we get back to free and full competitive production and pricing, the sooner the danger of runaway inflation will be removed.

Inflation is not something to talk about only in terms of the billions of dollars that the nation owes in debt. It must be talked about in terms of what is owed by the people who pay for government. The people can't pass the debt along. They are the end of the line. The Government debt overhangs your job, your chattels and whatever savings that you have. The policy of deficit financing levies its cost against your living and your future.

Deficit financing reduces the value of every insurance policy by reducing the purchasing power of the money. Deficit financing goes through your safe deposit box and reduces the values in it without opening the box. Deficit financing reduces the value of every savings bank deposit without changing the credits in your bank book. Deficit financing reduces the value of the money in your pocket while you hold it, without changing the numerals on the folding money or the figures on your coins. Deficit financing robs all the elderly who on the sunset side of life depend on fixed incomes on annuities, and who lack the strength to reenter the ranks of workers. Deficit financing reduces the values of trusts for old and young, for retirement or for education. Deficit financing, in peacetime, is a device to give gifts to pressure groups at the expense of all the people. It is a selfish plan to enjoy privileges and immunities in the present at the expense of our children and grandchildren in the future. Deficit financing is an invasion of the purchasing power of the poor. It reduces the amount of groceries the housewife can purchase by increasing their prices. Deficit financing raises the costs of shoes and clothing by increasing the costs of the farmer who supplies cotton, wool and leather. Deficit financing invalidates the wage increases of labor by reducing the purchasing power of the money with which the increases are paid. Deficit financing menaces the security of all Civil Service employees, of all white-collar workers who function as servants in all parts of the economy but not as pressure groups.

Balance the Budget

The Government should get a realistic plan to balance the budget. Until it is balanced, we cannot sweep back the rising tide of inflation. The National Association of Manufacturers believes that a $20 billion budget, including debt reduction, will be adequate to serve the nation. Federal spending must be reduced if we are to amortize the debt of over $275 billion with which this nation is burdened. We must stop adding to the debt now: not five years hence. Nations, like individuals, pay their debts only when they plan to do so. Meanwhile, the only way to handle the Government debt is to expand the economy to fit the debt. We might well use at home the fiscal policy exported to Tokyo.

In January, General Douglas MacArthur required the Japanese Government to follow a correct fiscal policy. He required the Japanese Government to do in Japan what our own Administration must do in America if runaway inflation is to be prevented. The Allied Command demanded that deficit financing cease, and added this order:

"The Japanese Government must cut expense to the minimum;

"Deficits must be financed from the savings of the Japanese people—or from actual bank deposits rather than from newly printed currency;

"The Japanese Government must refrain from selling to the Bank of Japan or other banks hypothetical obligations demanding in exchange actual circulating currency."

MacArthur's fiscal policy for Japan is a plan for solvency. It should be the plan for America.

Believes in America

Your speaker believes in America. He is confident about its final future. He does not speak as a partisan.

Congress now considers measures which will determine our future freedom. If your liberties are further reduced, your indifference contributes to their reduction. Here you still express and practice the liberties that made America great. Every citizen of Georgia has the courage of his convictions and exercises by tradition the independence of free men. It is imperative that the people of Georgia demand the end of OPA on June 30, 1946, to end the production slow-down and prevent further inflation. The citizens of Georgia live within their means. You want your Administration to reduce its debt and pay its bills, as you must do. Well, why not stand up in the bold and courageous Southern manner and say so. Mr. Truman says this is the year of decision. This nation can't wait a year. By slow degrees, through OPA and other Government restrictions, your liberties are being lost. By governmental policy you are being dispossessed of your goods and chattels through inflation. Here in Georgia the spirit of individualism still prevails; here the fierce flame of liberty still burns brightly. Men and women of Georgia, your decision to regain your freedom must be made now.

April 3 Most Productive On Curb Exchange

April 3 proved to be the most productive day since 1937 for the New York Curb Exchange in the matter of new and additional listings, with applications for a total of 17 issues approved. The announcement of this by the Curb Exchange went on to say—of the total 8 are original listings bringing 6 new common and two new preferred stock issues to the Curb Exchange floor, while 9 are listings of additional shares of common stock issues already traded there. Approval of these listings adds approximately 4,620,000 common shares and 140,000 preferred shares to the grand total of shares presently admitted to trading on the Curb Exchange. Admission to dealings of the shares approved for listing will be announced at a later date pending effectiveness of registrations under the Securities Exchange Act of 1934.

The Expansion of Social Security

(Continued from page 1928)

The voting as to coverage of domestic workers just fell short of the two-thirds vote required to create Chamber policy.

Although the National Chamber has not passed upon extension of coverage to the self-employed, the Social Security Committee of the Chamber has agreed as follows:

Under a comprehensive scheme applying to all occupied persons, the self-employed are in principle not less entitled to coverage than those who are working for others. In the past, we have felt it wise to defer extension to the self-employed because of practical difficulties that seemed to be much greater in many cases than for employed groups. The Calhoun Report, after ably exploring the various complexities, suggested that the OASI plan be extended to include the self-employed who earn $500 or more in any year. That suggestion for a limited extension impresses us as one which should remove many of the practical initial difficulties of including all the self-employed. If it is adopted, the resulting experience should show whether or not a further extension is practical.

Veterans' Wage Credits

The Chamber's policy with respect to OASI protection for veterans states:

For discharged veterans of World War II, legislation is favored which will protect them under Old-Age and Survivors Insurance in such a way that their period of service will not result in any diminution of credits.

Total and Permanent Disability

The Chamber's policy with respect to this point states:

For workers totally and permanently disabled at or after age 55, a system of benefit payments, calculated on a basis consistent with that for the Old-Age and Survivors Insurance benefits, should be provided.

It is recognized that as workers approach old age the probability of becoming permanently disabled increases. The effect of total and permanent disability is usually to increase living costs while eliminating earned income.

It is undoubtedly true that the lower the eligibility age for any permanent disability benefits, the greater is the incentive to get on the benefit rolls and thus the cost of the program increases unnecessarily. For these reasons the Chamber feels that the eligibility age should not be lower than 25. That age would provide for a large portion of premature superannuation. The same formula could be used for determining total permanent disability benefits as is used for determining old age insurance benefits.

A substantial number of our members feel, however, that it might be better to approach the objective of disability protection through the old age assistance program and restrict the total disability benefits to a needs basis.

Benefit Structure

Unquestionably with the passage of time and accumulation of experience the benefit formula has shown some defects. While the Chamber has not concerned itself with the intricate details of the benefit formula, there is some recognition among businessmen that reconsideration is called for. Some feel that the $15 earnings limitation might be raised to $25 or $30 and that under a comprehensive OASI program, including the self-employed and other groups now excluded, there is some merit in the abolition of any earnings test after age 70. Whether a majority would favor reducing the qualifying age for women to 60 is not known.

There is little or no sentiment for raising the maximum benefit above $85, and there is a belief that the $10 present minimum, while very low, will become progressively of less and less significance with the mere passage of time.

Businessmen generally favor the financing of the program through joint contributions.

Your committee is to be highly commended for having originated the Calhoun report, "Issues in Social Security." Since this report makes few specific recommendations, it might still be wise to consider the advisability of appointing jointly with the Senate Finance Committee, a committee of experts to make recommendations on the technical issues involved in financing, benefit formula, and other related questions involving costs and benefits.

Conclusion

There is general agreement that the ultimate tax rate of 6% on payrolls will not completely support the present benefit structure; yet there is some pressure for liberalizing this benefit structure. Considering the size of the Federal budget and the pressures for spending tax monies, your Committee will continually be confronted with the problem of raising adequate revenues not only for social security but also for other purposes. The "Economist" (London) for February 6, 1946, a journal considerably left of center, in discussing the socialist Parliament social security proposals, which incidently provide a weekly retirement benefit of only $5.20, has the following to say:

"The country can perhaps afford social security. It can perhaps afford educational expansion. It can perhaps afford a national health service. It can perhaps afford to build 400,000 houses a year of more expensive design. It can perhaps afford to do without its overseas investments. It can perhaps afford to pay interest on a loan from America. It can perhaps afford to draft a million and a half more workers into the export industries. It can perhaps afford armed forces three times as large, with five times as much equipment as before the war. It can perhaps afford to pay twice as much for its coal. It can perhaps afford shorter hours and higher wages all round. Each of these, regarded by itself, it can perhaps afford. But can it afford them all together?"

This reasoning is adaptable to our own situation and we commend it for your consideration as you develop a comprehensive reconstruction of the entire social security program.

Railroad Securities

The market was remarkably unconcerned over the wage increases awarded the non-operating brotherhoods and three of the five operating brotherhoods by arbitration boards last week. The trainmen and engineers had refused to arbitrate and the dispute with those two brotherhoods is being studied by a fact-finding panel appointed by President Truman. Their report is expected some time around the middle of this month.

Meantime, it is impossible to say definitely just how much the increased wages are going to cost the railroads. It is obvious, however, that the added burden will be heavier than had generally been expected and that to a number of roads the raise, superimposed on higher material and fuel costs, will present a very serious problem.

The arbitration boards awarded increases of 16 cents an hour all along the line. Applied to the average straight time hourly wage in the industry in 1945 this would work out to just about 18%. This will be increased to about 19% by the accompanying boost in pay-roll taxes. Applying the 16 cents an hour increase only to the categories to which it was awarded it works out to somewhat more than 19%. If the trainmen and engineers receive a similar percentage increase rather than a straight 16 cents an hour the aggregate costs to the railroads will probably top 20%, including the higher pay-roll taxes. At the same time the railroads will be called upon to absorb materially higher prices for materials and fuel.

Railroad earnings during the first two months of 1946 in most instances made very sorry comparisons with results for the like 1945 interval. This is particularly true when comparisons are made of operating results before Federal income taxes. The carriers have been displaying their characteristic inability to control costs quickly when revenues begin to fall substantially. Except in one or two minor instances the January and February reports did not include any reserves against impending wage increases. These increases are retroactive to the beginning of the year. It is expected that most of the roads will charge the full wage increase for the first quarter of the year to March operations. If so, the quarter reports will present the first truly accurate picture of 1945-1946 year-to-year operating performances. There is no question but that they will make sad reading.

The consensus is that the railroads will get some freight rate relief and there have recently been some comments to the effect that this relief would be forthcoming quite quickly. The logic of the question is all against the likelihood of any important rate increases for many months, with the best bet being well into the Fall. It is considered likely that the request for freight rate increases will not even be filed until the fact-finding panel hearing the cases of the trainmen and engineers has issued its report and the full effect of those increases can be appraised. The ICC will then have to hold extensive hearings in various parts of the country, particularly if the rate increase is to be of any significant proportions. As adequate notice of the hearings will have to be given, it seems doubtful if the hearings themselves will even get under way before June. Even after the ICC has authorized rate increases there will be a lapse of 30 days before they can become effective.

In the light of existing conditions it seems doubtful if any blanket increase in freight rates can be looked for. This belief is bolstered by the fact that since the end of the war the Commission has ordered various reductions in already existing rates. These ordered reductions included rates on anthracite coal shipped to New York Harbor points, bituminous coal rates between certain points, and specific live stock rates. Also, it seems probable that there will be considerable pressure against increasing freight rates on agricultural products, and particularly grains, in view of famine conditions throughout the world.

All in all, it must be recognized that the general railroad earnings picture for at least the current year is decidedly drab. Except for the possibility of tax carry-backs, which are impossible to measure at this time, there is a feeling among many rail men that many roads, including New York Central; Erie; Lehigh Valley; Lackawanna; Baltimore & Ohio; Chicago & Eastern Illinois; Katy, etc., may have difficulty in showing any earnings at all on their common stocks this year. Such a prospect is hardly calculated to support any great degree of speculative enthusiasm.

Brooklyn Chapter of NACA Holds Plant Visitation; A. M. F. Pinspotter Viewed

On Wednesday evening, April 3, members of the Brooklyn Chapter of the National Association of Cost Accountants and its friends were the guests of the American Machine & Foundry Company at its plant in Brooklyn. A feature of the evening was the demonstration of one of the company's latest developments, the AMF Automatic Pinspotter. This new device revolutionizes the sport of bowling, for many years the oldest and most popular of participant sports. It makes for increased frequency of play and greater enthusiasm for the game, since it operates as fast as the player wishes to bowl and goes through hour after hour of play with utmost precision.

The company specializes in such types of machines as bread wrapping devices, cigar making equipment, dough mixers, cigarette machines and other special devices.

Following a tour through the different cost centers of the company's plant, refreshments were served and George Ingalls, AMF Controller, and President of the Brooklyn Chapter, addressed the members on some of the accounting problems which arise in a multiple product machinery industry.

Chapter members associated with the American Machine & Foundry Company who served on the visitation committee answering questions along the tour were: John A. Lacey, Director of Publicity for the Chapter; Francis MacCauley; Raymond C. Morse; William A. Lentz, factory manager; Frank Maslan and others.

Throckmorton Resumes

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Howard Throckmorton is again acting as a securities dealer from offices in the Van Nuys Building. Mr. Throckmorton for many years was active as an individual dealer but has recently been acting as administrator of estates and guardian by court appointment.

Tennessee Gas Securs. Offered to Public

A nationwide group of 64 underwriters headed by Stone & Webster Securities Corp. and White, Weld & Co., on April 9 offered to the public securities of Tennessee Gas & Transmission Co., priced at more than $55,000,000. The offering comprises $35,000,000 first mortgage pipe line bonds, 2¾% series due 1966, priced at 101½ and accrued interest, to yield 2.65% to maturity; 100,000 shares of 4.10% cumulative preferred stock, (par $100), priced at $106 per share and accrued dividends, to yield 3.87%, and 484,444 shares of common stock (par $5), priced at $19.75 per share.

Of the 484,444 shares of common stock being offered, 350,000 are new shares being issued by the company and 134,444 are outstanding shares being sold by certain stockholders.

Net proceeds to be received by the company from this financing, together with $10,000,000 to be received on a bank loan, will be applied to the redemption of its outstanding funded debt consisting of $34,525,000 of first mortgage 3% bonds due 1965; to the redemption of 75,000 outstanding shares of 5% cumulative preferred stock, and to the repayment of an outstanding 2% bank loan in the amount of $15,000,000. The balance of such proceeds, after deducting expenses, is estimated at $2,640,000, which will be added to the general funds of the company.

In October, 1944, the company completed the construction of a 1,265-mile natural gas transmission pipe line extending from the Stratton-Agua Dulce field near Corpus Christi, Texas, into West Virginia where deliveries of natural gas are now being made under long-term contracts to the company's two principal customers, United Fuel Gas Co. and Hope Natural Gas Co. Since March 1, 1946, the system has delivered in excess of an average of 270,000,000 cu. ft. of natural gas per day.

Upon completion of the present financing the company will have outstanding $35,000,000 of 2¾% bonds due 1966; a $10,000,000 bank loan bearing interest at 2%, due 1948-56; 100,000 shares of 4.10% cumulative preferred stock, and 2,100,000 shares of common stock. For the twelve months ended Dec. 31, 1945, the company's operating revenues amounted to $14,310,639.

Cheaper Money In Britain

(Continued from page 1926)

effected largely with the aid of an increase of the floating debt, though in this respect the Treasury subordinates its cheap money policy to anti-inflation considerations. It aims at neutralizing some of the new purchasing power put into circulation through the budgetary deficit, by inducing the public to subscribe to medium-term Government loans. As far as long-term loans and irredeemables are concerned, however, the market is kept in short supply. The amount of the available stock is limited, and the Treasury is not going to increase it.

In order to induce investors to compete for the limited supply, the Treasury is endeavoring to discourage a rise in industrial common stocks. To that end, Mr. Dalton repeatedly expressed his wish that corporations should abstain from increasing their dividends. This request has lately been disregarded in a number of instances, and the Chancellor warned the City that, should there be many more increases of dividends, he would have to take steps to prevent them. Whether this will be done through an outright prohibition to raise dividends, or through a tax on dividend increases, it remains to be seen.

The Government has many other means at its disposal to discourage a boom. The ever-present threat of nationalization goes a long way toward deterring investors from buying industrial common stocks; for there is no means of knowing how fair will be the compensation paid by the Government to stockholders. The continued existence of powers to interfere with enterprise by fixing prices, allocating raw materials, etc., and the prospects of higher wages also tend to discourage many investors from buying common stocks. There is, therefore, a very large amount of funds seeking investment which competes for the existing amount of long-term Government loans.

The question is, what will happen if, as a result of the commitments assumed through the acceptance of the Bretton Woods Agreement, it should become necessary to defend sterling against an adverse trend after a refusal by the Fund to authorize a devaluation. A reversal of the cheap money policy might then become unavoidable. Will the Government decide to abandon the policy it has been popularizing by every means at its disposal? Or will it choose by preference to withdraw from the International Monetary Fund?

Agricultural School For Bankers at Cornell

An agricultural school for bankers, the first of its kind in the nation, it is stated, will be conducted at Cornell University next summer by the New York State Bankers Association in cooperation with the New York State College of Agriculture. Fifty country bank loan officers, comprising the school's first student body, will arrive on the campus on Aug. 12. For six days the bankers will live in student quarters, attend lectures and classes, and go on supervised field trips as part of an intensive course in farm management, land classification and use, soils and fertilizers, crop production, animal husbandry, dairy management, fruit growing, poultry management, and gardening and vegetable crops.

The school's purpose, as expressed in a prospectus the Bankers Association is sending its 709 member banks, is "to make available to bankers up-to-date information about farm management which will equip them to render improved service to their farm customers."

On a typical school day the banker-students will visit farms where they will witness demonstrations of soil testing, erosion control, dairy and poultry management, and other farm operations. They will also attend seminars at which country bank operation, farmer-bankers relations, and similar topics will be discussed.

"A majority of the New York banks place heavy emphasis on service to farmers, because of the important role of agriculture in our State's economy," Albert L. Muench, Secretary of the New York State Bankers Association, said on March 30. "New York ranks eleventh in the nation in the value of its farm products. More than 50 of the State's 62 counties are agricultural, and nearly 500 of our 709 commercial banks are farm-lending institutions. The Bankers School of Agriculture is an outgrowth of a series of four two-day farm credit schools conducted by the New York State Bankers Association during the war years," he said. "It is the Association's hope that it will be a step in creating a generation of country bankers better equipped than their predecessors to serve farmers and to help keep agriculture financially sound."

The school's curriculum will include courses in farm management, agronomy, dairying, fruit growing, vegetable growing, poultry management, and agricultural economics taught by members of the Cornell University faculty.

New OPA Drive Against Meat Black Market

President Truman, on March 22, signed legislation providing an extra $1,600,000 for the Office of Price Administration to use in its drive against black market operations in meat. Meanwhile, the OPA had ordered subsidies withheld from slaughterers dealing in the black market, the United Press reported from Washington. The order, it was stated, applies to slaughterers who exceed ceilings by an average of more than 2%. Those exceeding ceilings by less than 2% will be penalized on a sliding scale.

The OPA has announced its intention of moving against illegitimate operations of what it describes as "fly-by-night, get-rich-quick" slaughterers who are said to have recently entered the field and with their disregard for price ceilings are keeping meat from legitimate slaughterers.

Norfolk and Western Railway Company

SUMMARY OF FIFTIETH ANNUAL REPORT FOR 1945

Railway Operating Revenues decreased $14,736,000, or 9.23 per cent., under 1944. Railway Operating Expenses increased $9,212,000, or 10.27 per cent. Balance of Income, after deducting Sinking and Reserve Funds Appropriations, increased $494,000. In 1944 there was a non-recurring charge of $7,930,000 representing miscellaneous appropriations account Excess Profits tax post-war credits for 1942-1944. After deducting dividends on Adjustment Preferred Stock, the balance remaining, $21,799,000, was equivalent to $15.50 per share of Common Stock held by the public.

Condensed Income Statement

		1945		Comparison with 1944	Per Cent.
Railway Operating Revenues		$144,863,518.76	—	$14,735,516.27	9.23
Railway Operating Expenses (See Note 1)		98,924,453.32	+	9,211,619.43	10.27
Net Revenue from Railway Operations		$45,939,065.44	—	$23,947,135.70	34.27
Railway Tax Accruals:					
Federal $33,054,828.29					
Less: Credit (See Note 2) 6,131,000.00					
	$26,923,828.29				
State, County and Local	5,714,036.36				
		32,637,864.65	—	19,037,167.00	36.84
Railway Operating Income		$13,301,200.79	—	$4,909,968.70	26.96
Rent Income—Equipment and Joint Facilities—Net		9,466,216.59	+	1,733,851.98	22.42
Net Railway Operating Income		$22,767,417.38	—	$3,176,116.72	12.24
Non-Operating Income (See Note 3)		2,989,510.96	—	4,046,817.56	57.51
Total Income		$25,756,928.34	—	$7,222,934.28	21.90
Deductions from Total Income:					
Interest on Funded Debt		$2,106,008.26	—	$7,625.02	.36
Other Deductions		117,240.23	—	1,467.27	1.24
		$2,223,248.49	—	$9,092.29	.41
Net Income		$23,533,679.85	—	$7,213,841.99	23.46
Sinking and Reserve Funds—Appropriations		854,756.50	+	222,718.88	35.24
Miscellaneous Appropriations (See Note 4)		------	—	7,930,482.30	100.00
Balance of Income		$22,678,923.35	+	$493,921.43	2.23
Dividends on Adjustment Preferred Stock—$4.00 per share		879,392.00	—	1,932.00	.22
Balance Transferred to Earned Surplus		$21,799,531.35	+	$495,853.43	2.33

Note 1—Includes $15,319,000 balance of unaccrued amortization of defense projects completed prior to September 1, 1945.

Note 2—Adjustment of Income and Excess Profits taxes due to amortization charges applicable to prior years.

Note 3—1944 included $4,810,482.30 Excess Profits tax post-war credits for 1942 and 1943.

Note 4—Excess Profits tax post-war credits for 1942-1944, appropriated from Income in 1944 and transferred to Earned Surplus in 1945.

Condensed Earned Surplus—Unappropriated

Credit Balance, January 1, 1945		$193,227,316.99
Credits:		
Balance Transferred from Income	$21,799,531.35	
Miscellaneous Credits	8,427,795.08	
Total Credits		30,227,326.43
		$223,454,643.42
Charges:		
Appropriation of Surplus for Dividends on Common Stock—$13.00 per share	$18,284,279.00	
Miscellaneous Charges	1,316,645.64	
Total Charges		19,600,924.64
Credit Balance, December 31, 1945		$203,853,718.78

Dividends

Dividends were paid upon the outstanding Adjustment Preferred Stock at the annual rate of $4.00 per share, or $879,000. Dividends were paid upon the outstanding Common Stock in 1945 at the annual rate of $10.00 per share, and an extra dividend of $3.00 per share was paid March 9, 1946, out of 1945 earnings, making a total distribution of $13.00 per share, or $18,284,000.

Taxes

Railway Tax Accruals, after credit adjustments, were $32,638,000, a decrease of $19,037,000, or 36.84 per cent. Taxes amounted to $1,486 for each employee, to $23 for each share of Common Stock, to 23 cents per dollar of Operating Revenues and to 6 per cent. of Railway Property Investment. Federal taxes, $26,924,000, representing 82.49 per cent. of all tax accruals for the year, decreased $19,083,000, or 41.48 per cent. Included in this amount were accruals for Normal tax and Surtax, $14,150,000, Excess Profits tax, $9,100,000, after credit adjustments, Railroad Retirement and Unemployment Insurance taxes, $3,240,000, and Capital Stock tax, $405,000. The decrease in Federal taxes was due in part to reduced revenues, but principally to adjustments resulting from revision of Federal tax legislation and accelerated amortization expense charges in 1945.

Amortization of Defense Projects

This Company had received authority from the Government to amortize, over a five-year period, expenditures totaling $33,463,000, incurred in connection with national defense and the war effort. Of this amount $17,936,000 had been charged off as of December 31, 1944. Following proclamation by the President of the United States on September 29, 1945, ending the emergency period, the Company terminated the amortization period, and in 1945 charged to Operating Expenses $15,319,000, the unamortized balance of such emergency expenditures, except for facilities sold or retired, otherwise accounted for, amounting to $208,000. The termination of the amortization period resulted in reduction of tax liability of $2,246,000 for 1945 and $6,131,000 for prior years, aggregating $8,377,000, which is reflected in lower excess profits tax accruals for 1945.

Reserve Fund for Taxes and Contingencies

The Reserve Fund for Taxes and Contingencies aggregated $58,705,000, which is invested in United States Government securities. Total taxes accrued for the year and payable in 1946 were $38,769,000, before credit adjustments.

Abnormal wear and tear, experienced by the Company's property during the war period, and deferred improvements and expansion of facilities will require expenditure of large sums. The reserve will be used for such expenditures when critical materials and essential manpower are available, as well as for the payment of future tax obligations and other contingencies.

Financial

The Capital Stock of the Company held by the public was $162,638,500, and represented 76.29 per cent. of outstanding stock and bond capitalization. On December 31, 1945, the Company's stockholders numbered 13,979.

The total Funded Debt held by the public was $50,538,331.92, and represented 23.71 per cent. of outstanding capitalization. Fixed charges were earned 12.04 times in 1945 and an average of 13.80 times over the last ten years.

At the end of the year appropriations to the voluntary sinking fund for retirement of direct Funded Debt and income from investments totaled $3,014,000, and investments in securities had a market value of $3,177,000.

Wage Demands

During 1945, demands for wage increases and for revision of working rules were received from organizations representing practically all operating and non-operating employees. The demand of the non-operating employees for a uniform increase of 30 cents per hour is now being arbitrated in accordance with provisions of the Railway Labor Act. The operating brotherhoods demanded a wage increase of 25 per cent., or $2.50 per basic day, whichever is larger. Three of the brotherhoods agreed to arbitration under the Railway Labor Act, deferring for the present the matter of working rule revisions. The other two operating brotherhoods refused all proffers of arbitration, broke off mediation and announced a strike effective March 11, 1946. This emergency was avoided by appointment by the President of the United States of a fact finding board to investigate and report upon the situation resulting from the demands of these brotherhoods.

The wage demands of the two groups of employees, if granted, would increase this Company's annual payroll by approximately $16,300,000. This estimate does not include increases to any employees in the supervisory or official classes. The rules changes, if granted, in addition to interfering seriously with operation, would increase operating costs greatly in excess of all wage demands.

Employees

The average number of employees during the year was 21,968. Railway Property Investment of $567,302,000 averaged $25,824 per employee. The Company's total payroll for 1945 was $54,734,000, an average of $2,492 per employee. In addition to wages and salaries, the Company paid $3,796,000 for Railroad Retirement and Unemployment Insurance taxes and employee Relief and Pension Funds, which averaged $173 per employee.

The Board expresses to the officers and employees its appreciation of the continued fidelity, diligence and efficiency with which they have served the Company and the Nation during the year.

W. J. JENKS,
President.

CANADIAN PACIFIC RAILWAY COMPANY

Sixty-Fifth Annual Report of the Directors of Canadian Pacific Railway Company, Year Ended December 31, 1945 (Abridged)

To the shareholders:

The victorious ending of the war in Europe and in Asia and the partial readjustment of the Canadian economy to peacetime pursuits were the most significant factors affecting the year's operations. Though the flow of freight traffic derived from war production and from the export of war materiel suddenly ceased, the conversion needs of Canadian industry, the relief and rehabilitation needs of devastated Europe, and the repatriation of thousands of Canada's fighting men provided new sources of traffic. Notwithstanding a slight decline in gross earnings, an all-time record volume of transportation service was achieved by your Company.

Net earnings from railway operations were substantially less owing to increased costs. This was partially offset by an improvement in other income and a reduction in fixed charges. After providing for dividends on preference stock the earnings per share on ordinary stock amounted to $1.98 as compared with $2.21 in 1944.

During the year the sixtieth anniversary of the completion of your Company's transcontinental line was observed, and wide recognition was accorded the significance of this historic event by the press and by the public. Glowing tributes were paid to the great services rendered by your Company to Canada throughout the years since 1885. In the successful discharge of its responsibilities for wartime transportation service your Company has lived up to its highest traditions.

Income Account

Gross Earnings			$316,109,358
Working Expenses (including taxes)			280,055,024
Net Earnings			$ 36,054,334
Other Income			15,106,957
			$ 51,161,291
Fixed Charges			19,547,129
Net Income			$ 31,614,162
Dividends:			
Preference Stock			
2% paid August 1, 1945	$ 2,521,391		
2% payable February 1, 1946	2,510,109		
		$ 5,031,500	
Ordinary Stock			
2% paid October 1, 1945		6,700,000	
			11,731,500
Balance transferred to Profit and Loss Account			$ 19,882,662

Profit and Loss Account

Profit and Loss Balance December 31, 1944		$251,715,008
Final dividend of 3 per cent. on the Ordinary Stock, declared from the earnings of the year 1944, paid March 31, 1945		10,050,000
		$241,665,008
Balance of Income Account for the year ended December 31, 1945	$ 19,882,662	
Portion of steamship insurance recoveries representing compensation for increased cost of tonnage replacement	712,258	
Net exchange credit in respect of expenditures for new steamships and steamship insurance recoveries	323,785	
Miscellaneous—Net Credit	189,115	
		21,107,820
Profit and Loss Balance December 31, 1945, as per Balance Sheet		$262,772,828

(The final dividend of 3 per cent. on the Ordinary Stock for the year 1945 which was declared subsequent to the end of the year and is payable March 30, 1946, amounting to $10,050,000, is not deducted from the Profit and Loss balance shown above.)

Railway Earnings and Expenses

Gross Earnings from the transportation of freight, passenger, and incidental railway services amounted to $316,109,358 in 1945. This is barely one per cent. less than the record earnings of 1944.

Charges for services continued at the pre-war level which prevailed when price-fixing regulations were imposed in 1941.

The volume of traffic handled exceeded that carried by all Canadian railways in any of the immediate prewar years and this accomplishment, after five years of wartime stresses, emphasizes in telling fashion the effectiveness of the teamwork of your officers and employees.

Working Expenses for the year totalled $280,055,024, and were the largest in the history of your Company. Payrolls charged to operating expenses were $133,592,959, taking 42 cents of each dollar earned, as compared with 41 cents in 1944. At the same time the proportion of the earnings dollar required for material, supplies, taxes and other expenses increased from 45 cents to 47 cents.

Net Earnings, as a result of the fixed level of charges for services and the higher costs of operation, were smaller, in proportion to gross earnings, than at any time in the past.

The results of railway operations in 1945, compared with 1944, are shown in the following table:

	1945	1944	Increase or *Decrease*
Gross Earnings	$316,109,358	$318,871,034	*$2,761,676*
Working Expenses (including taxes)	280,055,024	275,711,370	4,343,654
Net Earnings	$ 36,054,334	$ 43,159,664	*$7,105,330*
Expense ratios:			
Including taxes	88.59%	86.46%	2.13
Excluding taxes	81.66%	78.92%	2.74

Freight Earnings accounted for $227,707,486, or 72% of the gross earnings, a reduction of $5,410,987 from last year's all-time record. Approximately one-half of this reduction was in the earnings from grain and grain products. The wheat crop on the Prairies, estimated to be 280 million bushels, was considerably below the 1944 harvest of 390 million bushels, and grain loadings on your Company's western lines dropped 44 million bushels. This was offset to some extent by a greatly increased all rail movement of grain from the Lakehead and Georgian Bay ports to St. Lawrence and Atlantic coast ports.

The virtual cessation of the manufacture of war supplies in the last half of the year had the effect of lowering the general level of productive operations throughout the Dominion, with the result that revenues from traffic other than grain also showed a decrease.

A total of 54,822,012 tons of freight was carried an average distance of 497 miles—bringing ton miles for the year to more than 27,251 millions. The average revenue received for hauling one ton a distance of one mile was 0.83 cents, a decline of 0.02 cents from the previous year. In the decade prior to the war the average revenue per ton mile was 0.97 cents.

Passenger Earnings slightly exceeded those of 1944 and accounted for $56,854,297, or 18% of the gross earnings. The repatriation of service personnel and other military movements crowded into the last half of the year frequently necessitated drastic curtailment in sleeping car and other accommodation ordinarily available to the public. Civilian travel as a result declined substantially. A total of 17,740,684 passengers was carried an average distance of 162 miles. The average revenue received per passenger mile was 1.97 cents, compared with 1.94 cents in 1944 and 1943.

Other Earnings amounted to $31,547,575, or 10% of gross earnings, and they exceeded those of the previous year by $2,105,144. Revenues from sleeping and dining car operations were higher than ever before due principally to the magnitude of the demand for such services in connection with the movement of servicemen returning to their homes all across Canada. The number of meals served on your passenger trains reached a new high mark, averaging over 12,300 daily throughout the year. There was also an increase in the volume of express service rendered.

Maintenance Expenses, consisting principally of expenditures for repairing and renewing track, structures, motive power and rolling stock totalled $118,155,208, or 37 cents of every dollar of railway earnings. This proportion was the same as for the previous year.

The abnormally heavy use of your Company's facilities and equipment throughout the year, together with shortages of labour and material, particularly in the summer months, made it impossible to maintain them to the accepted standard of pre-war condition. Provision in the amount of $5,250,000 was made in the year's accounts for maintenance which was necessarily deferred.

There were expended on the maintenance of roadway, bridges and buildings 36,628,000 man-hours of labour in 1945. The work performed included the placing in track of 1,609,177 treated and 1,556,228 untreated ties and the laying of 609 miles of new rail. The Sperry detector car, which is used in the examination of rails for hidden defects, covered 8,747 miles of track. Ballasting operations were again at a restricted level, only 750 thousand cubic yards of gravel ballast being applied. The unusually severe snow conditions which were encountered in the early portion of 1945 saddled maintenance expenses with heavy charges and the snow plow mileage exceeded that operated in 1944 by 60%.

During the year 39,756,000 man-hours of labour were expended on the maintenance of rolling stock. Heavy repairs were given to 750 locomotives and 28,117 freight train cars. Passenger train cars given general overhauling totalled 1,157.

As part of the policy of continually improving the standard of equipment when units are shopped for repairs, stabilized trucks were applied to 215 refrigerator cars; arch bar truck frames on 1,541 freight cars were replaced by cast steel truck frames; and the braking systems on 1,457 freight cars were renewed with air braking of modern design. Generator direct drives were installed on 62 passenger cars to replace belt-drives.

Transportation Expenses amounted to $114,725,361, taking 36 cents of every railway dollar earned as compared with 35 cents in 1944. The allowance of holidays with pay to employees in the running trades became effective during the year for the first time. Higher prices for locomotive fuel added approximately $800,000 to expenses.

Notwithstanding the severe winter weather encountered at the beginning of the year and the frequent recurrence of adverse operating conditions in connection with the repatriation of service personnel, the level of efficiency was well maintained. The following averages are indicative:

	1945	1944
Freight Train Load—gross tons	1,790	1,785
Freight Train Speed—miles per hour	16.1	16.2
Freight Car Movement—miles per car day	48.2	47.8
Gross Ton Miles per Freight Train Hour	28,873	28,913
Passenger Miles per Train Mile	138	141

Other Working Expenses amounted to $47,174,455, a decrease of $360,438. Railway tax accruals were $21,933,197, of which $18,200,000 represented the provision for Dominion Income and Excess Profits Taxes. Since the beginning of the war your Company has paid to the Dominion Government a total of $103,400,000 in Income and Excess Profits Taxes.

Other Income

Other Income amounted to $15,106,957, an increase of $2,735,642.

All vessels in your ocean-going fleets, and one of your coastal ships, remained in operation throughout the year under charter to the Government of the United Kingdom. An adjustment in rates of hire for certain vessels and the settlement of various claims which had been outstanding contributed to an improvement of $936,124 in the net earnings.

Hotel net earnings were better than in any past year. The improvement over 1944 was $645,024. Large scale demand for accommodation at your city hotels existed throughout the year and a record volume of business was handled. Your resort hotels remained closed in 1945.

The net earnings of the communications department increased $206,447. Following the cessation of hostilities your communication services were utilized more extensively by the public and revenues for the year were substantially higher.

Dividends paid by The Consolidated Mining and Smelting Company of Canada, Limited, were again at the rate of $2.50 per share.

Net income from interest, exchange, separately operated properties and miscellaneous sources increased $950,417. Interest received from the Minneapolis, St. Paul & Sault Ste. Marie Railroad Company Income Bonds, which were acquired by your Company through reorganization of the Soo Line in 1944, amounted to $137,652. Exchange account and net results from the operations of separately operated properties improved. There was a decline in the management fees under your Company's contracts with the Government for the production of munitions, and reduced farm income in Western Canada adversely affected interest payments on farm land contracts.

Fixed Charges

Fixed charges amounted to $19,547,129. This was a decrease from 1944 of $1,284,020 and a decrease of $7,306,627 from their maximum in 1938. Fixed charges have now been brought back to the level of 15 years ago.

Net Income and Dividends

Net income for the year amounted to $31,614,162 as compared with $34,699,830 in 1944, a decrease of $3,085,668. Dividends declared out of the year's earnings amounted to $21,781,500. The dividends on Preference Stock and Ordinary Stock were 4 per cent. and 5 per cent. respectively, the same as for the previous year.

Land Accounts

During the year 278,932 acres of agricultural lands were sold for $1,603,044, an average price of $5.75 per acre. Included in this total were 638 acres of irrigated land, sold at an average price of $55.05 per acre.

Cash received on land account totalled $7,637,988, including $660,760 derived from the leasing of coal, gas and petroleum rights. Disbursements for land and irrigation expenses, including taxes, were $1,257,523 leaving net cash receipts of $6,380,465. This was a decrease of $430,706 from the previous year.

Certain concessions to contract holders were again approved for the crop year 1945-46. The assistance to holders of farm contracts since this policy was inaugurated in 1932, has amounted to $25,614,264.

Balance Sheet

The total assets of your Company at the end of the year amounted to $1,605,895,632, an increase during the year of $22,817,733. The net increase in property investment was $20,551,013, the additions and retirements being summarized for each of the various classes of property in a supporting schedule accompanying the Balance Sheet. The purchase of the line of railway in British Columbia between Princeton and Otter Summit, referred to in the 1944 Annual Report, was completed during the year. Among the larger retirements is that of the "Empress of Russia", which was destroyed by fire in September, 1945, while under charter to the British Government.

Current assets at the close of the year exceeded current liabilities by $82,854,705 or 175%. At the end of the previous year the excess was $88,484,875.

Finance

Serial equipment obligations, totalling $7,214,000, matured and were paid.

On October 1, City Bank Farmers Trust Company entered into an agreement under which $20,000,000 principal amount of Equipment Trust Certificates was issued, guaranteed as to principal and interest by your Company. This issue, designated as Series "H", maturing in equal semi-annual instalments from April 1, 1946, to October 1, 1955, inclusive, is payable in United States currency, and bears interest at 2% per annum. Under this arrangement, equipment constructed or to be constructed and costing $25,069,943 in Canadian funds is leased to your Company at a rental equal to the instalments of principal of and interest on the Equipment Trust Certificates. Pending delivery of the equipment, your Company deposited with the Trustee bonds of the Dominion of Canada and cash aggregating $25,069,943. As at December 31, units of equipment to the value of $6,273,350 had been delivered, leaving a balance on hand with the Trustee of $18,796,593, which amount is carried on the balance sheet in Other Investments as Unexpended Equipment Trust Deposit.

During the year, $1,000,000 4½% Collateral Trust Gold Bonds, maturing July 1, 1960, were purchased and cancelled. The balance of these bonds—$24,000,000—was called for redemption on January 1, 1946. The funds to meet this call were deposited with the Trustee on December 31.

The foregoing transactions resulted in the net retirement of $12,214,000 of bonds and other obligations, and a reduction of $30,268,000 in the amount of Consolidated Debenture Stock pledged as collateral.

On March 1, the 4% Second Debenture Stock of The Dominion Atlantic Railway Company, maturing July 1, 1956, amounting to £440,000 was called for redemption. Your Company placed this subsidiary in funds to meet the call. To consolidate its indebtedness, your subsidiary issued its 4% First Refunding Mortgage Bonds, maturing January 1, 1995, to the extent of $7,307,000, which have been accepted by your Company in settlement of advances made to enable your subsidiary to redeem its First and Second Debenture Stocks and as consideration for the surrender by your Company of £292,500 4% Extension Debenture Stock, maturing January 1, 1965, and $1,700,000 4% Mortgage Bonds, maturing May 1, 1966.

Canadian Pacific Air Lines, Limited

The scale of operations of your Air Lines during the year 1945 was slightly lower than in the previous year, owing to the termination of wartime activities sponsored by the Canadian and United States Governments in Northwestern Canada. The results of operations showed a loss, after depreciation, of $308,066. The loss during the first six months of the year more than accounted for this deficit. Considerable improvement took place in the last six months, largely as a result of the expansion of mining activities throughout the country, and a profit was recorded in net income for that period.

Under contract with Trans-Canada Airlines, your Air Lines' subsidiary Yukon Southern Air Transport Limited has undertaken, as Agent for T.C.A., the operation of a service between Whitehorse, Y.T., and Fairbanks, Alaska, which was inaugurated in October last.

The aircraft operated by your Air Lines flew a total of 5,373,403 revenue miles during 1945, as compared with 5,984,602 in the previous year. Passengers carried totalled 125,110 as compared with 104,166; freight transported was 9,419,556 pounds, compared with 8,027,442 pounds, and mail amounted to 1,253,537 pounds, compared with 1,436,153 pounds.

During the year all activities of your Air Lines in the Overhaul Plants operated for the Department of Munitions and Supply and in the British Commonwealth Air Training Plan came to a close.

Advances to the amount of $400,000 were repaid by your Air Lines during the year, reducing your investment to $7,000,000.

The Air Transport Board has commenced the review of existing licences and a number of applications are being made by independent operators for licences for charter services and services between specific points which might result in some duplication of services presently being operated by your Air Lines. In such cases briefs have been filed with the Board to protect the interests of your Air Lines.

Minneapolis, St. Paul & Sault Ste. Marie Railroad Company

During the year your Company exercised its option to acquire 33% of the stock of the newly organized Minneapolis, St. Paul & Sault Ste. Marie Railroad Company allotted to others in the plan of reorganization. $364,980 was paid for this stock, at the rate of $2.00 per share. Your Company now owns 49.94% of the capital stock of the Soo Line. In conformity with the terms under which this option was given, the traffic agreement executed in 1944, and referred to in the Annual Report for that year, has been extended for a period of eight years beginning January 1, 1951.

The Wisconsin Central Railway Company, of which your Company holds First and Refunding Mortgage Bonds in principal amount of $8,409,042, continues to be operated by the Soo Line as agent for the Trustees of the Wisconsin Central. Two plans of reorganization for that company have been filed with the Interstate Commerce Commission by committees representing groups of bondholders. These plans contemplate a continuance of the present operating arrangement. A public hearing was held before one of the Commission's examiners commencing October 30th. His report has not yet been issued.

Net earnings of the Soo Line in 1945 amounted to $2,804,235. After fixed charges and other deductions, net income was $1,754,433.

The Duluth, South Shore and Atlantic Railway Company

The plan of reorganization embodying the terms of the compromise agreed upon between your Company and the representatives of the holders of a substantial portion of the First Mortgage Bonds, which was referred to in the last Annual Report, is expected to be filed with the Interstate Commerce Commission and with the Court, during the current year.

An appeal by Louis Lober from the decision of the Court which denied his petition for subordination of the claims of your Company to those of the owners of the First Mortgage bonds was dismissed by the United States Circuit Court of Appeals. A petition to remove the case to the United States Supreme Court has been denied.

Net earnings of the South Shore were $410,141 compared with $642,880 in 1944.

Research and Development

A Department of Research, the need for which had become increasingly apparent, was established on February 1, 1945, with headquarters at Montreal. Its function is to carry on scientific and technical studies and to make recommendations for improvements and economies in various phases of your Company's operations. Satisfactory progress has been made in the organization of the Department and the advancement of specific projects which have been under study.

Public Relations

A Department of Public Relations was established on August 1, 1945. The new department will integrate the work of the former General Publicity Agency including its Advertising Branch, the Press Bureau and the Exhibits Branch, and will devote special attention to all phases of your Company's activities which have a bearing on public relations. It will ensure that your Company's rail, steamship, hotel and other services are effectively publicized and that the public and your employees are fully informed on matters of interest to them.

Rates and Services

Freight and passenger rates remained unchanged throughout the year. It is informative to record the extent to which the gross earnings of your Company would have expanded in each of the years since 1941 had the charges for its services increased in line with the advances in the index of Canadian wholesale prices. The basis of the computations is indicated in the following table:

Year	Price Index Yearly Average (October 1941=100)	Actual Earnings (in millions)	Computed Earnings (in millions)
1942	101.9	$ 257	$ 262
1943	106.6	297	317
1944	109.3	319	349
1945	109.9	316	347
Totals 1942-1945		$1,189	$1,275

Thus in the four year period your Company's earnings would have been $86 million greater if its rates had kept abreast of prices generally.

The world-wide services of your Company have played no small part in bringing the Dominion of Canada to the favourable attention of the peoples of many lands. Prior to the war your Company maintained representation in 22 countries of continental Europe, in 15 countries and territories in the Far East, in Australia and New Zealand and in the West Indies as well as the United Kingdom and the United States. These agencies greatly facilitated both trade and travel and created much good will for Canada. With the outbreak of war it was necessary to close all agencies located in Europe and the Far East, with the exception of those not in the combat area. Since hostilities ceased, some of these agencies have been reopened and plans are being made for the re-opening of others as and when business conditions warrant.

The needs of new plants and undertakings located on your lines required the construction of 145 sidings, involving 16.7 track miles, during 1945. At the close of the year an additional 43 sidings, involving 6.1 track miles, were in process of construction.

Automatic block signals were installed for 97 miles of single track in the Ontario District and 67 miles of track in the Manitoba and Alberta Districts. This efficient system of operation has now been installed on a total of 2,245 miles of your line.

New rolling stock placed in service during the year included 48 Pacific type steam locomotives and 13 Diesel switching locomotives; 750 box, 200 70-ton gondola and 300 70-ton hopper cars; and 50 cabooses.

Long range improvements in freight equipment were foreshadowed in the production of Canada's first aluminum-sheathed box car in your Angus shops. Another innovation is a special loading device ordered for the new automobile box cars soon to be delivered to your Company.

New sleeping car comforts, featuring a bed which folds into the wall by day, have been incorporated in certain sleeping cars being rebuilt in your shops. These cars will provide a practical laboratory for testing the new features for possible inclusion in new equipment. The programme of modernizing passenger equipment, providing more colourful and comfortable interiors, has been proceeded with as priorities for materials permitted. In addition, experiments have been made with a passenger train car fitted with free-wheeling axle units to test the degree of improvement obtainable in riding qualities.

There was recently placed in service the first of six streamlined stations of modern design being built by your Company. The innovations at these stations will be thoroughly tested for public approval and if acceptable will be incorporated into the general programme for post-war improvement.

In furtherance of your Company's intention to keep fully abreast of new developments in the field of communications, it is presently carrying out, jointly with the Canadian National Railways, exhaustive tests and experiments in the micro-wave radio field. From the results achieved it will be possible to determine the extent to which this new medium of transmission may contribute to long distance communications services in Canada, including ultimately facsimile and television transmission.

Re-establishment of Veterans

It has been the concern of your officers to develop policies for the employment of veterans going beyond the requirements of The Reinstatement in Civil Employment Act. Every effort is being made to ensure that returning employees may benefit to the fullest extent from such added skill, knowledge, and experience as they acquired in the course of their war service. Where advisable, re-training has been provided to enable employees to resume their duties with confidence and assurance, and every encouragement has been extended to those who desired to take advantage of Government assistance in procuring vocational or academic training.

More than 4,800 employees, who had been on leave of absence with the Armed Forces or engaged in special war services under direction of the British Admiralty, had returned to peacetime employment with your Company by the end of the year. In addition, some 6,300 veterans who had no prior service with your Company had been placed in positions, a development which indicates the broad approach taken toward the problem of re-establishment.

Steamship Replacement

Two ships, the Beaverdell and Beaverglen, were launched on the Clyde during the year. The keels of two more ships of the same class have been laid. Improved performance and economy of operation have been sought in the design of the new Beavers and they are being fitted with the latest navigational aids, including radar equipment. Their speed will be 16 knots. Each vessel will have 163,000 cu. ft. of refrigerated space for perishable traffic.

The early release from Government service of two of your passenger ships is anticipated and agreements have been executed with ship-builders for their reconditioning. The resumption of service on both the Atlantic and the Pacific, as well as improvements in the service on the British Columbia coast, is the immediate aim of your Directors.

Capital Appropriations

In anticipation of your confirmation, capital appropriations in addition to those approved at the last annual meeting were authorized by your Directors during the year in the amount of $5,048,226. Included was a provision of $3,866,567 for the construction of a fourth Beaver class vessel.

Your approval will also be requested for capital appropriations of $42,039,447 for the year 1946. The principal items are as follows:

Additions and betterments to stations, freight sheds, coaling and watering facilities and engine houses	$ 2,814,995
Replacement and enlargement of structures in permanent form	1,019,374
Tie plates, rail anchors and miscellaneous roadway betterments	1,360,936
Replacement of rail in main line and branch line tracks with heavier section	1,086,640
Installation of automatic signals	1,681,092
Additional terminal and side track accommodation	1,445,757
Additions and betterments to shop machinery	1,017,258
New rolling stock	16,840,399
Additions and betterments to rolling stock	1,095,802
Ocean and Coastal steamships	12,684,593
Additions and betterments to communication facilities	764,507

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The appropriations for new rolling stock make provision for 40 Pacific type steam locomotives, designed primarily for branch line working, and 14 Diesel switching locomotives; 1,750 freight train cars and 52 work units. The appropriations for Ocean and Coastal steamships provide for the purchase of two ships from the Government of the United Kingdom and for the construction of two coastal passenger steamers. The cost of these vessels will be met out of the Steamship Replacement Fund which has been accumulated for this purpose.

Agricultural Policies

In the early years of your Company's history little provision had been made for the development of agriculture in Western Canada, and your Company adopted the policy of establishing demonstration farms, and of building up herds of high-grade cattle for distribution to the farmers at reasonable prices to enable them to improve their stock. Substantial sums were invested in these undertakings, which made no immediate material return to your Company, but which contributed greatly to the growth and development of sound agricultural methods.

In later years the establishment of Provincial Departments of Agriculture and the organization of Livestock Breeders' Associations throughout the West brought these activities to some extent into competition with individual owners and it was decided to withdraw from the field as this could be done without disturbance to market conditions and without sacrifice of your investment.

This policy has now been fully implemented. The farms at Strathmore, Lethbridge and Coaldale have been disposed of and the herds of Holstein and Angus cattle sold at fair prices, so that your Company is no longer engaged in farming activities.

In 1935 your Directors reported that the Eastern Section of your Company's Irrigation project in the Province of Alberta had been transferred to the Board of Trustees of the Eastern Irrigation District, in accordance with the policy of encouraging the water users to undertake the operation of the system. In furtherance of this policy your Company has recently transferred the entire undertaking and works comprised in its Western District to the Board of Trustees of the Western Irrigation District.

The Agreement under which the transfer was made has been validated by act of the Alberta Legislature and provides for the assumption by the District of the liability of your Company to maintain and operate the system. The agreement further provides for the payment of $400,000 by your Company to the Board for the maintenance, operation, renewal and repair of the irrigation system transferred and, in addition, $20 per acre for all areas of irrigable land included in water agreements transferred, as compensation for the assumption by the Board of the contractual obligations of your Company for the delivery of water under these agreements. Your Company's total cash obligations under the agreement amount to $533,800, of which $100,000 remains to be paid on April 1, 1946. Your Directors believe that a substantial annual saving in expenses will be effected by this outlay and that a sound basis for the future prosperity of the District has been established.

Joint Purchase of the Assets of the Connecticut and Passumpsic Rivers Railroad Company

The joint offer of your Company and Boston and Maine Railroad to purchase certain lines of railway and other assets and property in the State of Vermont and the Province of Quebec, as provided for in the agreement dated April 6, 1945, which received your approval at the last Annual Meeting, was made and was accepted by The Connecticut and Passumpsic Rivers Railroad Company. Application has been made to the Interstate Commerce Commission for its approval.

If, as is expected, such approval is obtained, the line of railway extending from Wells River, Vermont, to the International boundary, a distance of approximately 69 miles, will be conveyed to Newport & Richford Railroad Company, whose capital stock is to be acquired by your Company, and there will be submitted for your consideration and approval a lease of the line from Newport & Richford Railroad Company to your Company. The lease will be for a term of 999 years, will provide for a rental equal to the interest on any bonds or other financial obligations secured on said line of railway and will replace the existing thirty-year lease of the line, which is to be cancelled.

It is also expected, as part of the same transaction, that there will be submitted for your consideration and approval an assignment from The Connecticut and Passumpsic Rivers Railroad Company to your Company of the unexpired term of a lease for 999 years of the railway of Massawippi Valley Railway Company extending from the International boundary to Lennoxville, in the Province of Quebec, a distance of approximately 32 miles. The rental under the lease will be $24,000 per annum, being an annual dividend of $6.00 per share on 4,000 shares of the capital stock of Massawippi Valley Railway Company.

Stock Holdings

The holdings of the Capital Stock of your Company at December 31 were as follows:

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	Ordinary No. of Holdings	Ordinary Percentage of Stock	Preference No. of Holdings	Preference Percentage of Stock	Total Percentage of Stock
Canada	22,267	14.60	158	.55	10.44
United Kingdom and other British	13,476	47.24	26,987	96.47	61.82
United States	18,605	31.89	74	.34	22.54
Other Countries	3,506	6.27	562	2.64	5.20
	57,854		27,781		

Directorate

It is with deep regret that your Directors report the death on November 19, 1945, of Mr. Selwyn Gwillym Blaylock who had been a member of the Board since December, 1942.

Mr. Blaylock, a distinguished citizen of Canada, achieved international renown and received many honours for his contributions to the science of metallurgy and electro-chemistry; his development of the great plant at Trail, B.C., was recognized as an outstanding achievement. His interest in community welfare was noteworthy and his relations with labour were such as to give him a place of distinctive leadership, while his wide and accurate knowledge of conditions associated with industrial enterprise enabled him to render valuable service as a Director of your Company.

It is also with deep regret that the Directors have to report that since the close of the year your Company has suffered a severe loss in the death of Major-General Frank S. Meighen, C.M.G., who rendered valued service as a Director for a period of over 30 years, having been so appointed in October, 1915.

The Rt. Hon. Sir John Anderson, G.C.B., G.C.S.I., G.C.I.E., M.P., London, was appointed a Director to fill the vacancy occasioned by the death in 1943 of the Rt. Hon. Reginald McKenna, P.C., and Mr. Edwin G. Baker was appointed a member of the Board to succeed Major-General Frank S. Meighen, C.M.G.

ADVERTISEMENT

The undermentioned Directors will retire from office at the approaching Annual Meeting. They are eligible for re-election:

Rt. Hon. Sir John Anderson, G.C.B., M.P.
Mr. L. J. Belnap
Hon. Eric W. Hamber
Mr. Ross H. McMaster
Mr. Morris W. Wilson, C.M.G.

Officers and Employees

Many tributes have been rendered to the efficiency and the sense of public responsibility displayed by Canadian railway workers of all ranks in the performance of their vital wartime tasks. Your Directors are proud to join in these tributes and to express their particular admiration of the accomplishments of the officers and employees of your Company.

During the war much anxiety was felt for those employees who in peacetime had been sent to the Far East in the service of your Company and who were interned by the Japanese. The satisfaction occasioned by their deliverance at the conclusion of the war was tempered only by the knowledge that three had died while in enemy hands.

It is with deep regret that your Directors record that 658 employees, serving in the armed forces or specially engaged under direction of the British Admiralty, lost their lives in the titanic struggle against evil and tyranny. Their names will ever be remembered and honoured.

For the Directors,

D. C. COLEMAN,
President.

Montreal, March 11, 1946.

CANADIAN PACIFIC RAILWAY COMPANY

General Balance Sheet, December 31, 1945

ASSETS

PROPERTY INVESTMENT:		
Railway, Rolling Stock and Inland Steamships	$ 841,233,381	
Improvements on Leased Property	99,262,694	
Stocks and Bonds—Leased Railway Companies	133,481,665	
Ocean and Coastal Steamships	40,091,223	
Hotel, Communication and Miscellaneous Properties	97,501,149	
		$ 1,211,570,112
OTHER INVESTMENTS:		
Stocks and Bonds—Controlled Companies	$ 69,743,699	
Miscellaneous Investments	47,285,852	
Advances to Controlled and Other Companies	5,803,641	
Mortgages Collectible and Advances to Settlers	1,513,178	
Deferred Payments on Lands and Townsites	16,602,926	
Unsold Lands and Other Properties	15,826,541	
Unexpended Equipment Trust Deposit	18,796,593	
Maintenance Fund	25,200,000	
Insurance Fund	11,122,713	
Steamship Replacement Fund	46,186,215	
		258,081,358
CURRENT ASSETS:		
Material and Supplies	$ 32,298,728	
Agents' and Conductors' Balances	15,486,672	
Miscellaneous Accounts Receivable	15,756,306	
Dominion of Canada Securities	20,790,000	
Cash	45,713,753	
		130,045,459
UNADJUSTED DEBITS:		
Insurance Prepaid	$ 229,363	
Unamortized Discount on Bonds	4,963,632	
Other Unadjusted Debits	1,005,708	
		6,198,703
		$ 1,605,895,632

LIABILITIES

CAPITAL STOCK:		
Ordinary Stock	$ 335,000,000	
Preference Stock — 4% Non-cumulative	137,256,921	
		$ 472,256,921
PERPETUAL 4% CONSOLIDATED DEBENTURE STOCK	$ 327,067,729	
Less: Pledged as collateral to bonds and equipment obligations	31,629,500	
		295,438,229
FUNDED DEBT		93,669,000
CURRENT LIABILITIES:		
Pay Rolls	$ 5,248,725	
Audited Vouchers	9,664,647	
Net Traffic Balances	3,314,585	
Miscellaneous Accounts Payable	9,544,012	
Accrued Fixed Charges	1,285,491	
Unmatured Dividend Declared	2,510,109	
Other Current Liabilities	15,623,185	
		47,190,754
DEFERRED LIABILITIES:		
Dominion Government Unemployment Relief	$ 1,447,223	
Miscellaneous	4,357,711	
		5,804,934
RESERVES AND UNADJUSTED CREDITS:		
Maintenance Reserves	$ 25,200,000	
Depreciation Reserves	281,528,223	
Investment Reserves	3,707,306	
Insurance Reserve	11,122,713	
Contingent Reserves	5,188,998	
Unadjusted Credits	5,785,961	
		332,533,201
PREMIUM ON CAPITAL AND DEBENTURE STOCK		34,458,562
LAND SURPLUS		61,771,203
PROFIT AND LOSS BALANCE		262,772,828
		$1,605,895,632

ERIC A. LESLIE,
Vice-President and Comptroller.

TO THE SHAREHOLDERS,
CANADIAN PACIFIC RAILWAY COMPANY:

We have examined the above General Balance Sheet of the Canadian Pacific Railway Company as at December 31, 1945, the Income and Profit and Loss Accounts for the year ending on that date and other related schedules, and have compared them with the books and records of the Company.

The records of the securities owned by the Company at December 31, 1945, were verified by an examination of those securities which were in the custody of its Treasurer and by certificates received from such depositaries as were holding securities in safe custody for the Company.

In our opinion the General Balance Sheet, Income and Profit and Loss Accounts and the other related schedules are properly drawn up so as to fairly present the financial position of the Company at December 31, 1945, and the results of its operations for the year then ended, according to the best of our information and the explanations given to us and as shown by the books of the Company.

Montreal, March 6, 1946.

PRICE, WATERHOUSE & CO.,
Chartered Accountants.

Banking at the Crossroads

(Continued from page 1926)

what must be done to maintain banking in this country as a private enterprise, and thereby to enable the private enterprise system to continue to function in business and in industry.

I suggest that, first of all, the banking business of this country belongs in the banks, not in the credit agencies of Government, and thereby on the backs of the taxpayers. We must not sit in our chairs on the defensive, moaning and wringing our hands at the competitive activities of the governmental credit agencies against us. We must get out of our chairs and go out and get such of this business, as is or can be made bankable, and bring it back into the banks where it belongs. In the doing of this we must develop a resourcefulness and an intelligent moral courage which will enable us not only to live up to the birth-right of private banking in this country, but to adjust our credit methods to the requirements of our clientele. We must definitely get away from any inflexible 2 to 1, 90-day note, or nothing idea. We must also recognize that by clear inference our repective charters to do a banking business impose upon us the obligation to do it forthrightly and constructively. Our first obligation, of course, is to our depositors, and has to do with handling their deposits in such manner that they will be available to them when they want them, and second only to that obligation is that of using our deposits and other resources in such a way as to best contribute to the private enterprise economy of this country by implementing through credit the operations of our business and industrial enterprises.

Please note that I have urged that we change from time to time our methods of providing credit. I have not in any way suggested that we change the sound basic principles of the lending of money. I think that all too frequently some of our people in banking confuse methods and principles. Also that in many cases they accept the plethora of qualitative and quantitative analyses of credit and a myriad of ratios as principles. We must learn to think with our brains and not with our prejudices and biases.

Our great artists have by no means all used the same techniques in art, and yet their works are recognized as true art by world-wide acclaim. A real artist can make a work of art out of an unglamorous subject.

Credit, to my way of thinking, is not a boiler-shop business, and its goodness cannot be determined in the making, or upon review, by a lot of ratios—any more than can the great engineering works be determined or accurately appraised by superimposing on them the multiplication tables learned in grammar school. I think that no one would test the greatness of Lincoln's Gettysburg address or of Mr. Churchill's defiant speech "on the beaches, in the fields, in the streets" by testing them against the alphabet, also learned in grammar school. The lending of money is an exercise of human judgment, which is, always has been and probably always will be, a fallible thing. We have all seen 2 to 1 ratios get us into serious trouble and losses, but likewise, we have also seen much less than 2 to 1 loans serve their real purposes with distinction, satisfaction and profit to all concerned.

The corner stone, as a matter of fact,—the very foundation—of any credit risk lies in the integrity and the know-how of the management of the borrower. Until the lender has a favorable judgment as to these two basic qualities, I think that figures mean nothing. As a matter of fact, in my own practice, I explore these two basic factors before I look at the figures.

We as banks can exist only as long as we enjoy the confidence of the people.

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

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

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

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

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

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

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

We in banking must learn again to stand on our own feet in the field of credit — to do a courageous job, and also to do it intelligently.

I suggest that one of our most prevalent faults today in banking is that we are too smug—that we, on many occasions, lack the patience and the will to take a credit request as presented to us, and, —drawing on our experiences in our own business,—undertake to make it bankable. To many people find it simpler to just say "No" as politely and tactfully as they know how.

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

Let us talk a bit about banks and bankers just among ourselves. We have about 15,000 banks in this country. In 1920 we had over 30,000. In all of the world outside of the United States there were only about 1,200 just prior to the war.

For my part I do not believe that a bank which cannot make a living in the banking and fiduciary business justifies its existence. There is a very considerable amount of banking business in this country. I do not know whether there is enough to provide a living for 15,000 banks or not. My suggestion is that if those of us who want the banking business would gird our loins and go out and get it, real banks and bankers will then have it and the other banks will have the service charges and the Government bonds. By that means I think we will then know fairly accurately how many unnecessary so-called banks we have in the country.

The opportunity is wide open for the banker who has the integrity, the "know-how" and the intelligent moral courage and the will to work to do a great job for himself, for his bank and for the banking profession.

Banking is unique in that, while it is virtually a profession, there are no required tests of the qualifications of an individual to embark upon the duties and obligations of banking. Lawyers, doctors, dentists, osteopaths, chiropractors, veterinarians and even barbers are required to submit to tests of their qualifications before entering practice.

The responsibilities of banking are such that it requires for its proper performance men whose integrity will not only match or out-do that of "Caesar's wife" but who also know and understand the business. Running a bank is not a part time job. It is a full time job.

Let us know our jobs—then let us stand up and be counted.

In an effort to offset the effects of Government guarantee and to bring to bear on requests for credit collective talent and experience and the facility for spreading credit risks, banking in this country, out of its own thinking and out of its own resources, has created 48 bank credit groups which cover every area of these United States—one of which you have here in the State of New York. To my way of thinking the local banks are like the linemen in a football team. If an opposing player gets by the line, or through it, he is still faced with the secondary defense—generally the backs. This secondary defense corresponds to the correspondent banks in our banking system. If the opposing runner succeeds in getting either through or around the line of play and also by the secondary defense, he is still faced with the problem of getting by the safety man—generally the quarterback, who plays well behind the team. In my simple analogy, the bank credit group is that quarterback or safety man.

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

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

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

Now, I have talked a good deal about risk lending. In order that you may not think that I advocate this without any knowledge of realities, let me say to you what you all well know, namely, that we have been in a rising economy since the late summer of 1932. In my humble opinion, it has required real genius to make a bad loan during that period. The real test of our lending ability will come when the economy levels off or even perhaps tends to turn down somewhere in the general area of the satisfaction of the pent-up demand for civilian goods.

Our bankers, I believe, are aware of this fact and are diligently at work implementing the education of their lending officers. Now, what is banking doing about all of this?

Those of us who are associated with the banking associations have undertaken to assemble the facts and figures in such a way that we can from time to time realistically tell the members of the Congress or their committees the "Facts of Life" in banking. What we have done, what we are planning and educating ourselves to do is to correct the impresion, which has gained considerable currency, that banking is not forward-looking.

Banking in considerable part is doing a fine job today, but we are not going to stop until all of banking is awake, alert, up on its toes and doing its part.

We are even going to try to proselyte old man sourpuss of the "Sourpuss Bank & Trust Company."

If we cannot proselyte him, we shall let him find out for himself and in his own way that the devil takes the hindmost. Then there will be only 14,999 banks in the country.

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

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

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

Over the period of the past forty years, the medical profession and research in medical laboratories have increased longevity of human life about 15%. This has not been the case with business life. The average life of a business enterprise in this country is still between 5½ and 6 years, with the greatest percentage of failures in the first three years. In my opinion, the next great forward step in the economy of this country will be a substantial improvement in the adequacy of business management. What a magnificent and inspiring thing it would be if our banks would bestir themselves sufficiently to become an important factor in implementing this accomplishment! We have many facilities in this country to which these small business—and indeed, medium-sized businesses as well

(Continued on Page 1954)

Securities Salesman's Corner

By JOHN DUTTON

It is never good policy to take anything for granted. Sometimes we forget that the people with whom we do business have entirely different ideas regarding investments than we carry around in our heads from day to day. Sometimes we are too close to our business AND WE THINK THAT EVERYONE ELSE IS AS WELL INFORMED REGARDING INVESTMENT MATTERS AS THE PROFESSIONALS.

Take this matter of interest rates. We all know that savings account interest is down to levels of from 1 to 1½%. We also imagine that most people are aware of this fact AND THEY ARE. But what do we imply when we offer an investor a return of from 4% to 5%. To those of us who are familiar with the situation, we know that there are still many attractive common stocks that yield an income return at this attractive rate. We also know that for all practical purposes the comparative degree of risk which is involved in some of these particular stocks, is slight enough to warrant their purchase AT THE PRESENT TIME. But here is where we may sometimes be fooling ourselves. We take for granted that some of our customers, or our prospects, may also have the same viewpoint on this matter.

Here is a specific instance. It happened just this week. During a discussion of certain securities that were offered by a salesman, he mentioned to his customer that income returns of around 4½% could be secured through investment in the stocks which he was offering. This remark was made after he had emphasized the low rate of return available upon municipal bonds and bank accounts. The customer was well aware of these low interest rates but the reaction to the opportunity for obtaining about 4½% was something like this. Was there not too much risk in such an investment that paid 4½%—and if the banks couldn't do any better than 1½%, how was it possible that a good investment could pay about three times as much income?

Those of us who are in the business know the answer to this question. It is not so with many of our customers. In this instance the salesman made the explanation very clear and after quite a long talk about how his firm spent time and effort in investigation and research, these opportunities were uncovered. He mentioned also, the legal limitation placed upon banking and eleemosynary institutions which compelled them to compete for a few restricted issues that were legal for the investment of their funds, thereby driving prices upward and interest rates down. Although he made his point he did it the hard way.

It is better to anticipate an objection than be forced into answering one. Objections are part of every sale that is made. But it is best to eliminate being placed upon the defensive, and that is where you are if you have to justify a set of conditions like those which presented themselves in this case. It would have been much better if the salesman had brought out the fact that interest rates were low, but that it was still possible to obtain a fair return because of his firm's ability to uncover attractive investments even in these times of low return on investment. He could have amplified his remarks in this connection by stating that good securities often sell below their true value due to circumstances that have nothing to do with their intrinsic quality; that these securities sooner or later are uncovered by astute investors and eventually reach a level where they too are selling on a basis where their income return is in line with their true worth. A few remarks could also be injected regarding the fact that it is usually not the most popular names of securities that represent the best opportunities for investment; and he could refer to the restricted list of popular bonds that have been bid up to a point where their income return is now very low.

By handling this matter of income return in such a manner the salesman is only stating facts, but he is also showing why a certain course of action is justified. He takes the positive approach and he eliminates a doubt in the mind of his customer. You may say, this seems to me like a far fetched case, but it happened just the same. It is best to take nothing for granted. Some day when you are talking to one of your customers about the nice fat return of about 5% that is obtainable on some special security you are offering (AND YOU WILL THINK NOTHING STRANGE ABOUT IT) that customer may be thinking "I wonder if it's too risky a proposition; after all, the savings bank only pays me 1½%." We know why you can still buy a pretty fair investment on a 4 or 5% yield basis, but some of our customers don't know very much about bargain hunting.

Banking at the Crossroads

(Continued from page 1953)

—can turn for first class managerial advice. It is a curious fact that so few of them do it. It is a good deal like the horse—we can lead him to water, but cannot make him drink. There is an amazingly fine opportunity right now—when so many people are starting new businesses, and others, with improvident management, are only barely able to struggle along in their existing businesses—to induce these people to take advantage of the opportunities for improving some one or more of the phases of their respective managements with a view to raising the average of the skill of the whole management in any concern, large or small. Every one of these concerns, except the tax evaders, who use currency, banks with some bank. We must make it our business to know these clients of ours better, to have the talent ourselves to recognize the weaknesses in management and to urge these people to go and seek the benefit of skilled advisors in that particular field. As to those enterprises in this country—regardless of their size—who are seekers of credit, an educational program such as this would vastly improve the whole credit structure of the country.

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

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

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

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

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

How many of your clients know, or even reasonably understand, the implications of their income taxes and are thereby enabled to take fully and wholly legal advantage and benefit of that knowledge?

How many of your clients know anything about a budget or a cash forecast?

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

Most people go to a general practitioner, who points the way to a proper specialist.

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

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

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

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

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

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

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

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

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

We, in the private banking system of this country, have invested capital in excess of ten billions of dollars. We have deposits in excess of one hundred and fifty billions of dollars, and we have in the aggregate about 75 million depositors.

Banking in this country over the years has given a splendid account of itself, and has had a great part in the development and building of this, the greatest nation on the face of the earth, and will continue to do so if we in banking possess the moral courage, or guts, if you will, and the talent to exert some real leadership in these troubled and confusing times.

Let us, at least in our own field, give active evidence of this faith and leadership, which are so sadly lacking in so many quarters today. In the words of General George Patton, one of the greatest troop leaders of all time, "And if you are going to lead, you must get out in front and lead, and not sit behind and try to push." It is like a piece of spaghetti, you cannot stand behind it and push it, you must get out in front and pull it with you. We would do well to disregard and put aside the sad, doleful and dreary ideas of the crackpots and the enemies of private enterprise, which has made this country what it is today, and to develop the will to go out and do this job, and then to get out of our chairs and forthrightly and valorously go and do it.

Sackman Named Chief Of Life Bureau of N. Y. Insurance Dept.

Superintendent of Insurance Robert E. Dineen announces the appointment of Julius Sackman as chief of the Life Bureau of the New York State Insurance Department effective April 1. Mr. Sackman has been acting chief of the Life Bureau since the death of Dillon F. Broderick, former chief, Aug. 18, 1945. Mr. Sackman joined the New York Insurance Department as an Examiner in 1923. He has examined nearly all of the domestic life insurance companies in this State and has made special examinations in behalf of the Insurance Departments of California, Missouri and Iowa.

Mr. Sackman is a graduate cum laude of New York University School of Commerce, Accounts and Finance with a degree of B. C. S. During World War I he was a Sergeant in a machine gun battalion and served overseas with the famous Lost Battalion. He received the Purple Heart decoration. Prior to joining the Insurance Department in 1923, Mr. Sackman had engaged in the practice of public accounting and served with the Internal Revenue Department-Income Tax Unit as a Field Agent operating from the Washington, D. C., office of the Treasury Department. In 1921 he was employed in the Underwriting Department of the Maryland Casualty Company.

FHA Urban Unit

Establishment of an urban redevelopment unit within the Federal Housing Administration to develop means of FHA participation in the rehabilitation of American cities was announced recently by FHA Commissioner Raymond M. Foley. The unit was organized in realization that cities in increasing numbers are coming more and more to recognize the importance of long-range, over-all redevelopment plans. Furthermore, it is stated, a considerable number of cities have recently been authorized by new state laws to redevelop blighted and slum areas with the aid of private capital, as well as with public funds. Several requests for FHA participation in planning redevelopment programs have been received.

The FHA urban redevelopment group, which will work closely with the Land and Governmental Service Branches of the Office of the National Housing Expediter, consists of members of the headquarters staff in Washington, as follows: Donald Alstrup, Administrative Officer, Chairman; George Bremer, Zone Commissioner; Robert Van Denbergh, Underwriting Supervisor; W. Stanley Newlin, Administrative Office, Rental Housing and Property Management Division; Stanley W. Kadow, Associate Director, Division of Research and Statistics; J. Don Kerlin, Administrative Officer, Title I Division, and Burton C. Bovard, General Counsel.

Business Prospects in the Post-Reconversion Period

(Continued from first page)

duction or productive capacity. To my way of thinking all of these points of view represent false guides to sound policy because they ignore the basic truth that only by full production can we in fact attain full employment, raise the real income of the nation and provide the substance of a rising standard of living for our people.

One of our Government officials said recently that he stood for the people first and for property second, implying, that there is something bad about property. Yet, the author of that statement knows as well as the rest of us that property creation is the very essence of economic progress and that in this age of mass production a continuous increase in capital investment—in property—is absolutely necessary to a rising standard of living. There is no other way to achieve economic strength and it is time for us to speak forthrightly in placing the emphasis where it belongs, namely, on increased production. This thought was recently voiced by one of the nation's elder statesmen, when he recommended to Congress that in our national economic policy first importance be attached to increasing production without which he said the rest of his suggestions were meaningless.

All-out Production the Prerequisite

I submit to you that we have reached a point where all-out production is a prerequisite to the continued progress and strength of the nation. There are a number of compelling reasons why this is true. In the first place, our national debt is now so high relative to the national wealth that we are under the necessity of building up the economic productivity and the wealth of the nation as quickly and as efficiently as possible. In a larger sense, there are only two ways of lifting the burden of the debt, which has increased in the past few years by nearly one-quarter of a trillion dollars, and now is nearly twice the national income and approximately equal to the national wealth. One method is through inflation but this is clearly intolerable for it would subject the whole economic organization to stresses and strains which would leave it prostrate. Furthermore, inflation would wreck our middle classes, do violence to the great savings and banking institutions of the country, and levy a terrible toll on the recipients of fixed incomes, who in most cases would be unable to protect themselves. The alternative way to deal with a debt of the size of that we have inherited from the war is to validate it through increased production.

History has furnished some classic examples of the fact that a large growth in public debt is not necessarily disastrous to the economic well-being of a nation, provided the increase in the debt is accompanied by or followed by a commensurate growth in the production of economic goods and services. Repeatedly during the 18th and 19th centuries, there were times in the history of Great Britain when relatively large increases in the public debt as a result of war were the subject of the gravest misgivings by the contemporary observers of the day. But each time their fears failed to materialize because in the ensuing years of peace the economic vitality of the nation surged quickly upward to new heights of physical production which validated the increase in debt. Close study of this British experience clearly indicates that the lesson to be learned from it is not that increasing debt is harmless but rather that it need not prove unduly burdensome or ruinous if it is paced by a proportionate or bigger growth in economic productivity.

Production Will Lessen the Burden of Debt and the Threat of Inflation

Here is a lesson of tremendous import for the United States over the next few years. To the extent that America's great potentialities to produce are fully and efficiently exploited, the problems connected with the public debt, the real burden of the debt and the threat of inflation will be greatly lessened.

If we will but capitalize upon the forces making for expansion in the system of private enterprise—which has in times gone by raised the American standard of living to a point where it is the envy of the whole world—we can raise the national wealth and the national income in real terms to a point where the debt need no longer be a cause of serious concern.

Another reason why a program for increasing production has become imperative is that an increasing supply of goods is an essential part of any program for preventing inflation. Of course, we shall need also to take action to reduce the oversupply of money inherited from the war but it is unlikely that we will be able through monetary contraction alone to remove the inflationary danger. It is essential that the markets be flooded with goods so that the people will be able to buy their money's worth instead of having the value of their funds dissipated in a spiral of rising prices.

High Productive Capacity Necessary for Nation's Political Strength

Still another reason for increasing production is that we must fortify the nation against the economic, political and military emergencies of the future. It is perhaps not too much to hope that in the post-reconversion period we shall be less plagued with economic crises than was true throughout the dismal thirties, but we live in a turbulent, uncertain and dangerous world and it would be foolhardy to expect that we shall not have some troublous times in the years ahead. In any event, those difficulties will be more easily met and our democratic way of life will be protected from internal and external dangers if in the period ahead we bend our efforts to building the economic strength and health of the nation. Real progress in that direction is to be gained not by subservience to easy economic panaceas, but by clearly recognizing that the road to strength lies in hard work, in high productivity, and in policies which encourage saving and investment in new and improved productive capacity. There is no other road to make this nation strong.

It is fortunate that at a time when the need for increased production is so great the potentialities for productive prosperity are present in unusual degree. Unless we fail to capitalize on our opportunities, the period ahead should bring great economic development, a vast increase in production, higher standards of living, and accelerated social progress. There are several reasons for optimism concerning our ability to increase production.

Psychological Factors Toward Expansion Are Favorable

First of all, we seem finally to have liquidated the depression of the early thirties out of our psychological system. In the later thirties investment in new and improved production by American industry responded only feebly when business volume increased. Everyone sensed the need for expansion; there were millions of men seeking jobs and the people's wants were high, but private investment did not respond. While the reasons for this were many, one of the most important of them was the psychologically depressive after-effects of the most vicious deflation of economic values in modern times. The last five years have witnessed a great resurgence in the values of many of the properties, loans and securities which had suffered so greatly in the depression. The rise in real property and security prices has lifted many bonds, loans and investments held by investors to a point where they are no longer pressing problems of liquidation. Again, many of the productive plants which industrial organizations built in the optimistic twenties constituted excess capacity until the war put them to active use. These factors had a severely restrictive effect on the ability as well as the inclination of small and large businesses to seek opportunities for the productive employment of funds but now I sense that we are free of these psychological depressants and can justify an expansionary attitude towards new investments.

This factor is of great importance and it ought to be pointed out that many of the business decisions of the twenties turned out to be so embarrassing and costly to those who made them, not because the public did not want an increased volume of goods or because the labor and materials were not available to increase production, but only beacuse the whole economy subsequently was subjected to a vicious and prolonged deflation. The psychological and monetary costs of "picking up the pieces" from the last depression were heavy indeed but that depressing task seems now to have been completed and it is no accident that for the first time since the late twenties many American business enterprises are actively planning to expand markets, increase production and go ahead vigorously.

Our Greatly Expanded Markets

A second reason for viewing our economic future with some optimism is that we have several great new markets to develop. During the war years, as we all know, several million new families have been formed and these will have to be housed and supplied with the automobiles, electric gadgets, community facilities and the other goods and services which are part of the American standard of living. Here is a tremendous market for the products and services of American business.

Another new market for the postwar period is a temporary one but it is large. I refer to the deferred demand which has accumulated in recent years because production in our durable consumers' goods industries was shut off when the nation's productive organization was mobilized. Estimates of the magnitude of this market differ considerably, depending upon their sources, but it is of great significance that they are all large. Deferred demand is sizable enough to require the maintenance of capacity production for from one to two years in many industries and in others the time required to catch up with pentup demand is three, four, or even five years. A related factor is the deterioration and obsolescence which has occurred in our industrial, transportation and distribution establishments. Through the entire range of our manufacturing and service industries there are huge expenditures of these types which have been deferred for a long period and now must and can be met. Here is another big market.

Still another market is to be found in the foreign demand for American productive machinery. Aside from needs for rehabilitation, which are enormous, almost everyone familiar with conditions in the world outside this country agrees that there is a real opportunity for rapid industrialization. Foreign industry needs to catch up with American productive progress and we know it will make better markets for us if our foreign customers are prosperous. The underlying purpose of the international economic and financial organizations which have been proposed is to provide foreign nations possessing usable resources with the means to develop them. The chances that a loan will be repaid are much greater—as we know from expenrience—if the loan results in an increase in production.

War-Induced "Know How" Has Expanded Our Productive Capacity

One fact frequently lost sight of is that the war taught us how to industrialize at a rate far beyond anything we believed feasible before. We now have the "know how" to build new productive capacity quickly and have demonstrated that relatively unskilled labor can quickly be trained to tend the machines in an assembly line. Our great productive output during the war was made possible by the use of housewives, people from clerical occupations and youngsters, who had no previous experience or skill in tending the elaborate and complex machinery of modern industry. But, they did the job because industry's production executives divided the work into parts so small that they could easily be performed by workers without long training. Thus, it seems clear that we are now in a position to help the world catch up with the industrial revolution and to provide a great market for our industry in doing so.

Another new market for the postwar period has its origin in the fact that close to ten millions of our people, who were completely or partially unemployed in the depressed years of the thirties, obtained well paying jobs in the war period. In effect, they were raised from the pauper class to the middle class. This is a fact of massive significance, for these people, who were living rather close to the subsistence level after they lost their jobs, homes, insurance, bank deposits and self-respect in the great depression of the early thirties, now have a very sizable stake in cash, deposits and War Bonds, in addition to the prospect for continual employment. Thus they represent a vast new market for all of the goods and services which go to make up the American standard of living.

Another market of lesser importance has its origin in the migration of people from the farm to the city and from smaller to larger communities, which came about because of wartime changes in the location of our productive establishment. A smaller migration following World War I was in part responsible for the building boom of the twenties and there is good reason for believing that this migration factor will provide a market for a much larger number of new homes in the period ahead. That this is not an unimportant element in the building outlook is clear from the doubling up of families which is so prevalent today and from the fact that people are still living in trailers in many sections of the country.

The final market to which I would like to direct your attention is the good old-fashioned American one. It is the market for machinery and new facilities to produce the new goods and gadgets which are now ready for development as a result of the technological progress of the past few years. We have a long list of new things which the American people will want; they represent our new industries of the future. Then too it must be remembered that the new processes and new raw materials now available to American industry are capable of reducing the real cost of quite a large number of familiar goods and this in turn means wider markets.

Our Historic Opportunity to Achieve Productive Prosperity

These new markets add up to a tremendous potential but the problem we still must face is whether that potential will be realized. It will not, of course, if we settle back into the bleak stagnation and frustration which characterized the thirties or if we subject ourselves to a vicious inflation with its inevitable sequel of deflation. It is clear for all to see that we need not do so, but our economic policies have become such a patchwork of self-contradiction and confusion that we shall have to be extremely careful lest we let an historic opportunity to achieve productive prosperity slip away from us. With such a potential we should be able in the years ahead to realize a long period of high-level prosperity interrupted only infrequently by brief corrective depression-readjustments; it will be a shame if instead, we return to the conditions of the thirties when we experienced chronic depression punctuated now and then by half-hearted and short lived periods of only moderately good business.

The problem of devising policies which will enable us to realize on the potentialities I have described is not an easy one, but I submit that we cannot have productive and durable prosperity unless we provide an environment favorable enough so that basic incentives to economic expansion again are activated. I shall discuss briefly a few major elements of a program looking in this direction.

Necessary Steps Before Us

First among these is balance in the budget of the Federal Government by a reduction in expenditures. With the potentialities for good business as favorable as they appear to be in the years immediately ahead, a balanced budget at a low level of expenditure is feasible, but it will require a firm resolve to resist the demands of pressure groups and to pare exenses drastically. After successive years of deficits during which the debt has grown to over $275 billions, a balanced budget would carry more than ordinary significance for it would attest the determination of the nation to kee its credit standing inviolate. Conversely, if at this juncture we as a nation are unwilling to set the early balancing of the budget as an unalterable goal, we will put to test our claim to financial integrity in fiscal affairs. We should, of course, plan for a budget surplus so that we will be able to retire some of the debt but a condition of balance in the reasonably near future is indispensable.

In working toward this goal, emphasis should be placed on economy in Government operations wherever possible because it is highly desirable as a second requirement that we further revise the tax system in a manner which will provide increased incentive for saving and for the owners of capital to assume the risks of new business ventures. In time of war, everything properly becomes subordinate to the all-embracing needs of the state for the sinews of war and the means of paying for them. But once the emergency is over it is equally important for us to recognize in our tax structure the great impelling force underlying our free enterprise system, namely the profit incentive to expand production and employ people. This is essential if we are fully to capitalize upon the potentialities for good business that lie within our grasp.

Another condition which must be present if we are to translate the potentialities of the future into actual prosperity is balance in the money supply. Enterprise cannot thrive in an atmosphere of violent credit inflation or credit deflation. If these two threats to economic progress and stability are to be avoided, it is necessary that government monetary and banking authorities adopt policies which will prevent a further concentration of the Government debt in the commercial banking system, for such concentration results in an increased money supply. We need instead to bring about an increase in non-bank investment in Government securities and a reduction in bank holdings so that banks may make additional credit available to business and provide the funds for aggressive business expansion in the coming years without a further increase in an already over-expanded money supply. The time has come for the authorities to give serious consideration to such increases in coupon rates on Government securities and to such changes in their form as will make them more attractive to non-bank investors. We shall need the most skillful and courageous management of the public debt in the period ahead if we are to have real prosperity.

Finally, if the future is to bring a great exansion in production, then the nation must reaffirm its faith in the private enterprise system and in the profit incentive as a motivating force of that system. We must test public policies in terms of whether they hinder that system or aid it effectively to do the job of which it has demonstrated that it is capable. We must remove as quickly as feasible all of the controls, limitations and regulations which, though necessary in wartime, cannot but block the progress of productive development in time of peace. We must not sacrifice the period of prosperity which lies ahead to misguided policies with respect to profits, prices, security regulation or labor relations. We must recognize that the owners of capital, large and small, cannot be expected to risk their capital in job-producing and goods-producing enterprise unless they can foresee a return for themselves.

Let me sum up by saying that we are on the threshold of a period which not only demands that enterprise be free to increase production but which, fortunately, affords great potentialities for productive prosperity. Personally, I believe that the spirit of American enterprise is still basically strong, that we are not ready to accept the despairing philosophy of economic maturity and that once we have completed the postwar reconversion adjustments we are likely to emerge into a period of great economic progress.

Now Emanuel, Deetjen

The firm name of Emanuel & Co., 52 William Street, New York City, members of the New York Stock Exchange, was changed to Emanuel, Deetjen & Co., effective April 8th.

Cullman Bros. Admit

Edgar M. Cullman will become a partner in Cullman Brothers, 161 Front Street, New York City, members of the New York Stock Exchange, as of April 18th.

Boyer & Co., Inc. Opens

(Special to The Financial Chronicle)

TERRE HAUTE, IND.—Boyer and Company, Inc., is engaging in an investment business from offices at 524 Crawford Street.

Debt Management and the Controlled Interest Rate

(Continued from first page)

creases in the money supply of the country. The attention of insurance policy holders and other large groups is finally being called to the fact that the cheap money policies of Government are not an unmixed blessing. Congress is becoming more aware of some of the fundamental problems inherent in banking, credit, debt and interest rates. On the whole we are becoming more alive to the basic causes of price inflation and the manner in which it can bring about great alterations in the American system. This is a change for the better and is definitely encouraging. Debt management, however, is a complicated subject and unfortunately it is not easy to follow the changes in the details of policy and method that continually take place—details that in themselves force or mark major changes. I thought, therefore, that I might attempt to outline this evening what seems to have taken place in the broad fields of debt management over the recent period. I shall divide this into three subdivisions:

The technical aspects of the recent period;

The progress in this interval that has been made in attaining a better general understanding; and

The less real progress which has been made in devising remedies, and I shall comment on the elements of definite danger which are inherent.

Finally, I wish to renew some suggestions for general consideration.

A man may approach a window on the forty-sixth floor of some skyscraper, gaze out reflectively for a moment and turn away to go back to his work. You and I might notice that and give it no thought. Yet that man may have been beset by numerous troubles and he may have been contemplating suicide by hurling himself out of that window. His action, therefore, in turning away may have represented a momentous decision. This somewhat gruesome suggestion is perhaps analogous to some of the decisions which have recently been posed for the Secretary of the Treasury and which have been the subject of discussion in other official Washington quarters.

The Question of Reducing Interest Rates

Of course, there is nothing to stop our man who went to the window from returning to it and changing his mind. Similarly, there is nothing to stop the Secretary of the Treasury from changing any of the decisions which have been clearly evidenced. In making a recent decision on short-term interest rates the Secretary was indeed in a position similar to that of our potential suicide. I think he deserves praise for deciding against a reduction in the rate of interest paid, particularly when he had before him the precedents offered by similar reductions in Great Britain and Canada.

This story, however, is perhaps as important as the decision. Last summer it seemed fairly certain that some of those in Government (whose suggestions help to formulate Treasury decisions) were in favor of a further reduction in the interest rates paid by our Treasury on its borrowings. Those who were inclined to this view had in mind that the first move should be to reduce the coupon rate on Treasury Certificates from ⅞% to ¾% or perhaps ⅝%. Later, within a year or so, these persons expected that the interests of national welfare would clearly call for, and market conditions would justify, a reduction in the long-term Treasury rate from 2½% to 2%. The advocated decrease in the short-term rate was presumably to be a part of the stage-setting for this later development.

It was fairly well known at this time that the Federal Reserve Board was concerned over the monetization of public debt that had accompanied our wartime fiscal policies and financial methods. It had been general knowledge, also, that the Board was more in favor of actions which would tend to firm the short-term rate than ones which would ease it. During this period we began to hear more of various and complicated plans designed simultaneously to reduce the earnings of commercial banks, to reduce the overall costs of interest on the public debt, and to restrict the future growth in the money supply that, under existing circumstances, is inherent in a partial reserve banking structure such as our Federal Reserve System.

This combination of views, goals and possible remedies became a source of considerable concern for at least four reasons:

1. The direction of any change in the short-term interest rate would be a powerful psychological force, as well as a measurably mechanical one, in determining the direction of change in, or the stability of, long-term interest rates.
2. Under our debt management and controlled interest rates the direction of changes in the latter, and the relationship between the short, intermediate, and long-term rates could be a dominant consideration in determining the magnitude of the future expansion in the money supply.
3. Further large (or prospective) growth in the money supply, on top of the vast wartime accumulations, could be strong physical and pschological factors in accelerating the price inflation that originates from an unbalance between money and goods.
4. Many of the suggestions which were being outlined as remedies were either too general to be practical or seemed to be technically deficient to the point that their repercussions could be as bad as the condition they sought to cure. In some cases the potential results seemed for worse.

These reasons for concern were becoming recognized over a wider area as the fall of 1945 progressed. Finally in January 1946 the expected meetings between the Federal Reserve and Treasury officials (at times in consultation with private groups such as the representatives of the commercial banks, insurance companies and savings banks) took place. Of the subjects discussed, one concerned the changes, if any, that should be made in the certificate rate of ⅞%. Others concerned similar details that indirectly would affect the yields of these same securities. All seemed to have a full day in court, including the advocates of a reduction in the short-term interest rates.

It has been apparent from subsequent offerings of Treasury Certificates that Secretary Vinson decided to make no changes in these at this time. To those of us who have followed such details of Treasury financing this was a "passive" decision but one of outstanding importance. It was virtually the first time since the war financing pattern was inaugurated that the Secretary of the Treasury seemed to have definitely refused to follow the counsel of those who have advocated lower and lower interest rates.

The Progress of Debt Reduction

Some have believed, including myself, that a mere continuation of the existing short-term interest rate would be insufficient to insure a stabilization of the intermediate and long-term yields. I am glad to say, however, that another circumstance has arisen which has made this passive action somewhat more effective in halting the monetization of debt, the general growth in bank deposits, and the toboggan in interest rates, than I thought might be possible a short while ago. The "other circumstance" is the vast improvement in the relationship between Treasury expenditures and Treasury receipts.

You may be interested in the latest guesses as to the scope of this debt reduction. In the President's budget message last January, it was estimated that by June 30, 1947, the relationship between Treasury receipts and expenditures would permit the Treasury to redeem about $7 billions of outstanding debt by using that amount of the exceedingly high General Fund balance for that purpose. When that budget message was released many observers believed that the estimates were of an ultra conservative character. Subsequent developments have made such a description a major understatement. Of course the outlook can again be changed by Congressional appropriations of excessive amounts for subsidy purposes, other Federal grants etc., as well as by the voting of substantial tax reductions, but as of today the prospect is that the Treasury may be able to use $17 to $18 billions of its General Fund balance for the purpose of redeeming debt. Up to April 1 only $5 billions have been used and thus $12 to $13 billions may be available over the coming 15 months.

The character of this debt reduction is of equal or greater importance than its scope. All of us have been taught that the retirement of debt is deflationary. This retirement cannot be considered, however, as a customary one. Its effects are likewise different. The $17 to $18 billions which may be used for this purpose are the proceeds of the Victory Drive. In largest measure, therefore, this retirement represents a "de-inflation" of the bank deposits and Reserve credit that resulted from that drive, and that would otherwise still be in existence.

As far as bank deposits are concerned they will be pulled down. A force is set in motion which will operate to reduce the total of Reserve bank credit in the market. The bank deposits, however, had not yet become a part of the money supply of the country. They constituted a potential increase which now will be cancelled. Treasury War Loan Deposits are a potential, not an actual addition to the monies that are available to businesses and individuals for expenditures for goods, etc.

The unexpected use to which these funds will now be put means simply that the Victory Drive accomplished an unexpected end. The funds that were truly available for permanent investment in long-term 2¼s, 2½s and Savings Bonds were absorbed in the process of this operation. The rest of the operation now appears in the light of a triple-play refunding. Almost $15 billions of marketable 2¼s and 2½s were sold in the Victory Drive. Almost $13 billions of these were purchased by other than commercial banks and Treasury accounts. A majority of these purchases was made possible by current or prospective exchanges of bank-eligible securities for these ineligible ones. In effect this constituted a refunding operation by non-bank investors in which they sold eligible securities of comparable or shorter term.

Obviously the commercial banks had to acquire the bulk of the shorter and the comparable maturities of bank eligible securities. Some of the shortest Treasury issues, however, were in turn resold to the Federal Reserve banks who faithfully supported those operations in accordance with the established policy of protecting the short-term interest rate of the Treasury. Thus, the commercial banks obtained a substantial total of Treasury securities other than Certificates.

The proceeds of the drive are largely set up as War Loan deposits. As these deposits are called for and disbursed for various purposes many sections of the country have witnessed previously a substantial "permanent" deposit increase. Other sections, such as New York, lose the War Loan at a faster rate than the regular deposits come back. Hence, as War Loan Deposits are called it is necessary for the Federal Reserve to make net purchases of certificates and notes. To this extent the after-drive operation is financed by Federal Reserve credit also.

The deflationary effects of the present debt redemption operation, therefore, are confined to (a) the "de-inflation" of bank deposits which have not yet come into the hands of business and individuals but are simply War Loan Deposits; and (b) the establishment of a "cooling-off" period for the Treasury securities markets which have been boiling.

This "cooling-off" is largely felt in bank eligible issues. This is partly because only one side of this triple-play refunding has been accomplished, that is, before the debt-retirement operation came clearly into focus. The banks are losing, actually and in prospect, a substantial block of deposits on the basis of which their investment program has naturally been based. These pro-

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Debt Management and the Controlled Interest Rate

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grams have been upset by the unexpected and fortunate state of Treasury finances.

In the ineligible market we are now, however, at the stage where new investible funds are starting to accumulate, and the near-future supply of longer term Treasury issues seems destined to be confined to that obtainable in the market. Thus, the "cooling-off" in this section has been less marked.

While the large prospective debt retirement seems likely to be made preponderantly via the redemption of bank-held maturing obligations several factors obscure the probable degree:

1. In the process of redeeming debt through 100% redemption of some issues and partial refundings of others, it is difficult to foresee what amounts of non-bank investment will be lost. To whatever extent this occurs, then to an equal extent the deferred-inflation gain of wartime financings is lost, and a lesser contraction in bank deposits results.
2. It is difficult to predict how many marketable bank-eligible securities maturing after June 30, 1947, will be sold in the market by businesses and individuals. To the extent that these are acquired by the commercial banks (in conjunction with further use of Federal Reserve credit) the deposits and earnings assets of the commercial banks will be "re-inflated."
3. It is difficult to predict how quickly, and in what amounts, non-marketable debt such as Savings Notes and Bonds will be redeemed, thus reducing the debt retirements that will occur via maturing obligations.

The total disinvestment of Treasury securities by businesses and individuals is a moot question. The Federal Reserve Board has estimated that as of Dec. 13, 1945, businesses and individuals held about $88 billions of marketable and non-marketable Treasury securities. Of these, businesses held between $31 and $32 billions. Trust funds of individuals held $15 billions. Individuals, as such, held about $41 billions.

Business holdings are bound to decline as the wartime tax burdens and consequent tax liabilities are reduced. Evidence of this may be found in the several billions decline in the outstanding totals of Savings Notes.

In Savings Bonds the picture is less clear. Total Savings Bonds outstanding increased throughout 1945, partially as a result of the Victory Loan. For the first two and one-half months of 1946 sales of Savings Bonds continued to exceed redemptions, but this has been largely due to sales of F and G bonds. Series E redemptions have slightly exceeded sales.

To shorten a long and inconclusive story: most people agree that business holdings of Treasury securities will decline as we move along into peacetime production. The Treasury and most people have been encouraged by the record on Savings Bonds to believe that net redemptions of these issues will be far less than previously has been indicated. Several polls have supported this contention by indicating that people will use consumer credit to buy before they resort to redeeming their bonds. I think it is too early to draw definite conclusions. Consumer and durable goods are in too short supply. Changing conditions may change many opinions that have been tested in different circumstances. As goods become plentiful and it is as easy to buy things then as it is difficult today, we will be better able to judge.

In the period between now and June 30, 1947, I would guess that some measurable decrease in business holdings will occur, and that some decrease in the holdings of individuals will also be seen. In largest measure I would expect this relinquishment to occur via maturities and redemptions. To the extent this is true deposit "de-inflation" will be reduced.

Prospective Debt Retirements Not Deflationary

On the whole, therefore, it seems that the debt retirements in prospect are not deflationary insofar as they directly affect the money supply of the country that is already at the disposal of businesses and individuals. If anything, the prospect is that we may lose some minor degree of Treasury security investment that otherwise might not be disturbed. We still face the prospect—undefinable as to scope—of seeing wartime acquired Treasury securities transferred into a demand for goods, services, stocks, etc., and some corresponding increase in deposits.

But we have other considerations involved. The normal refunding operations of the Treasury force commercial banks to accept largely only ⅞% Certificates or to seek higher return investments in the market. The methods and policies of the debt management in dealing with this situation have been a major factor in producing the low levels of market yields that prevail. Many banks had believed their requirements and outlook to be the source of some concern even after receiving the deposit and earnings asset increases that resulted from the Victory Loan. The reversal of some portion of the effects of that debt increase does several things:

1. It throws some investment portfolios and programs out of balance by changing the prospective flow of funds and "final" position (both of deposits and investments).
2. It deprives most banks of "temporary" or "permanent" earnings assets. Therefore, it increases their concern as to the future outlook for earnings.

Here again I wish to make a long story short: if the banks could see in prospect a sufficiently substantial volume of loans of a bankable type the loss of deposits and earnings through reduction of Treasury debt would be one thing; in the general absence of such prospects it is another.

Estimates of the prospective loan demand vary. In the largest banking centers the estimates of the future over-all increase are relatively low and certainly insufficient to equal the combined effect on earnings of increased expenses, lower income from Treasury securities through normal refunding operations and the loss of earnings from debt retirement. In other centers and outlying districts the attitude is more hopeful, although not sufficiently so to cause the banker to become complacent about this new influence tending to decrease bank earnings. On the whole, therefore, we expect to see a reasonable number of banks endeavor to better their prospective earnings position by the purchase of intermediate and longer Treasury, or other, securities. In some cases this will be accomplished via increases in deposits but in most it will be accomplished by the sale of shortest-term issues.

In this analysis I am forced by time to ignore a number of things such as circulation trends, past and future, recent Federal Reserve activity under the circumstances, etc. I shall dwell on the Federal Reserve's primary relation to the market later, but I want to tie-up this one point re current debt retirements:

The market supply of Treasury securities has undergone a terrific reversal. For several years the yields in the market have been reduced in the face of a virtually unlimited supply. More recently the burden of the supply has been placed directly on the long-term rate, and only indirectly on the intermediate rates. Now the supply of the longer issues has been removed, consequently the supply of the intermediates has been commensurately lessened. Even if the demand side of the market shrank in the same proportion as the supply the ratio of supply and demand (consequently the trend of rates) would be unchanged. Actually, however, a new factor of demand has been introduced—that which originates with the loss of earnings as a consequence of the "de-inflation" of the Victory Drive.

I shall largely ignore, to save time, questions of portfolio balance. Short-term securities will be lost but short-term liabilities (War Loan Deposits) will be reduced in greater degree.

Before we attempt to summarize this phase of the situation I should like to cover one more point. In the Victory Drive the Treasury issued almost $15 billions of long-term marketable issues. Between now and June 30, 1947, the Treasury may well have retired, and thus refunded, an equal amount of short-term or demand indebtedness and some $2 or $3 billions in addition. Had the Treasury announced in November 1945 that it planned to refund short-term debt into long-term debt to the extent of $15 billions, in the ensuing 15 to 20 months, and to actually retire $2 to $3 billions additional, it would have been hailed as a convert to orthodox Government fiscal policy. Certainly those who see in such refundings the solution to our debt management problems should find this an ample acceptance of their views. In other words, the mechanics of debt management are sometimes more important than the general acceptance of an orthodox principle. Here is a debt retirement which is essentially deflationary as to money supply only in that it "de-inflates"; i.e., it is not actually deflationary at all insofar as we confine our attention to the existing money supply. Moreover, the mechanics of the retirement are such that while it provides a "cooling-off" period for the Treasury markets it actually has the effect of creating a greater out-of-balance between demand and supply or the trend of interest rates.

There is only one potential offset—the hope of, or prospects for, a sufficient demand for money and credit from other sources to pull down the demand for Treasury securities so that a better balance exists and real stabilization of yields is witnessed. In the meantime we continue to deal with an unbalance in which demand rules.

Relations of Federal Reserve Board and Treasury

So finally we get to the Federal Reserve. The dominant control in wartime finance has been the shot-gun wedding between the Federal and the Treasury. The Federal has been the hen-pecked spouse. Under Treasury domination the Federal Reserve has been carrying the major burden of protecting three different price levels for Government securities during years in which the increasing popularity of two of them has brought increasing pressures on the third—namely, the short-term rate. The most important method of control was by means of abdicating to the commercial banks the decisions as to the amount of Federal Reserve credit to be used in war financings.

The Treasury failed to face the facts: after a crescendo of public appeal to patriotism and thrift (a virtue previously decried), the methods devised to sell Treasury securities to other than banks could produce only a given sum. The balance had to come from commercial banks. This balance had already been predetermined by the taxes which were or were not levied. Yet under the Treasury's wartime financing methods the class of the securities acquired by the banks was largely determined by the preference of non-bank investors both with respect to the issues offered in a current drive and those previously acquired. Of course, the preferences of the commercial banks were a dominant influence in the preferences of the middle-men—in this case the non-bank investors. The commercial banks in turn were influenced by the three-price system decided upon some time after the outbreak of the war. The three-price system was, of course, that set by the three primary financing issues, the ⅞% and 2% bank-eligible issues and the 2½% ineligibles.

We have around 15,000 banks in this country. They are a part of the free enterprise or private capital system which, with all its faults, has been without an equal in producing the best results for the so-called "forgotten man." These banks operate under the same energizing influences as the rest of the American system. The basic source of energy is the American competitive spirit. The rules of this country are that each should be encouraged to compete with the others, and the greater rewards presumably are due those who obtain the best results. In banking this requires the maximum of service to depositors both as a custodian of funds and source of credit. To engage in the latter function it has available to it a certain amount of capital to risk. The banks realized during the war that they would be expected to risk that capital at low rates in the post-war period. The only change as the war progressed was that the rate at which credit might have to be extended, and from which losses had to come, would be lower than that which had previously existed. Consequently the amount of capital needed would have to be larger. Only earnings or new capital could provide this and good earnings are conducive to obtaining the latter.

Our banking system was confronted with its place in the three-price system of war finance. The lower rate—⅞%—was embellished with many attractive doodads and the 2% rate was so low at the time as to be considered in advance as disappointing. As the individual banker, however, looked the facts of his business in the face, and set alongside of these the powers of the Government, he elected to prefer the 2% price for Treasury lending and the non-banker increasingly preferred the 2½% one.

The history of the war financings is a record of one of two things: that the Treasury wished to take full advantage of this situation for purposes of obtaining ever lower interest rates and bally-hoo drive results, or it just failed to realize the ultimate results.

In any event when the lower lending rate became popular (⅞%) Treasury methods and decisions caused the debt to become needlessly monetized. The Treasury "sat by," and stood by, its earlier decision as to the level of the short-term rates. The effect toward lowering Treasury borrowing costs presumably was adequate excuse to permit this needless monetization of debt—and the Federal Reserve was impotent to stop it.

National Welfare More Important Than Low Cost Government Debt

All of this leads to two points: It is the task of Government to have major objectives—not minor ones. The cost of interest on the public debt—as such—is definitely minor as respects the long-run national welfare. It is not the task of Government to enforce rules that attain a minor objective and cause us to run the dangers of fundamental alterations in the accepted system of American economic life. The commercial banks, as a part of the competitive American system, played the game according to the Government's rules. Certainly they were reluctant to accept them. Constant endeavors were made to impress upon the Treasury the necessity of changing the rules, particularly as conditions changed, but the Treasury and the Government stuck to their guns—namely, a three-price market with the Federal Reserve obligated to render unlimited support to the least popular section.

We still have that system with us. Unfortunately, the resulting wartime burden of debt, even at the ill-advised low level of short-term rates that was established and still exists, has become a political obstacle to the dissolution of the shot-gun wedding. Consequently, while Federal Reserve credit is retired as a part of the debt retirement operation it seems to me that this has no greater result, under the circumstances, than to constitute a difficult operations problem for those in the Federal who must—above all else—protect the Treasury's desires as to market and financing rates. This applies to those instances where the desires are clear-cut and subject to positive decisions and those in which the situation is less clear and results in a "ride-with-the-tide" attitude.

The Present Situation

The picture to date may therefore be summed up as one in which, thanks in part to Secretary Vinson's decision not to reduce the certificate rate, and in part to the fortuitous condition of the Treasury's probable net receipts—we have a breathing spell. In this period we must make real progress at a faster rate than heretofore—and yet we must make it slowly.

Our general progress to date has consisted primarily in obtaining greater publicity for the fact that debt can have a profound effect on our future; that the monetization of debt has been an underlying cause of inflationary pressures; that the mechanics of monetization are still with us; that low interest rates may adversely affect a far greater number of people than they benefit, and that too large a proportion of debt is in the hands of the commercial banks. In other words, a wider interest in the problems of debt management has been aroused, and with it a properly expanding concern.

It is important that this progress be continued. I think it of equal importance, however, that we not fall prey to the frailty of quarreling amongst ourselves as to which segment of the economy is most to blame for what has happened. On the whole, the American people have conducted themselves well. The blame, if it must be placed, falls at the doors of Government where the rules of wartime debt management were devised. But underneath all that lies the fact that we undertook to borrow too much and to tax too little. And, we have a greal job ahead in solving the problem; one which will require the maximum of our cooperative effort and unselfishness.

Our less real progress falls into two classes:

One, it is too general, or

Two, it is too specific.

The essence of one general statement is that interest rates are too low. Which rates? Those on Treasury Certificates, on Treasury new offerings of long-term issues, the market rate of these, the rate on E bonds or on mortgages?

Are interest rates too low on the basis of debt monetization or is it that their lowness discourages individual buyers?

In the field of debt monetization or credit expansion I would say that it is the disparity between the short-term Treasury rates and the successively longer ones that encourages debt monetization. It is the necessity for the Federal Reserve to protect this disparity that underwrites and encourages both monetization of debt and credit expansion.

I am sure that as many arguments could be advanced against the claim that increased savings and investment in Treasury securities would accompany higher long-term rates, as could be marshalled in defense of such a statement.

Another generalization is that the banks should be caused to dispose of their longer term investments so that the non-bank investors will buy them. How could this be accomplished? I have heard no convincing explanations.

Another is that short-term debt should be refunded into long-term debt. I have outlined how a $15 billion refunding has been made or is in progress. How much further is practical at this particular time?

Specific Remedies Proposed

In the field of specific remedies we find that they fall into three groups:

One, that the commercial banks be required to invest some portion of their demand deposits in special non-marketable Treasury issues, or

Two, that all or some of their wartime increase in deposits be secured only by short-term marketable issues, or

Three, that the percentage of required reserves be increased and that these reserves be secured either by deposits with the Federal or by short-term Treasury securities.

The results to be attained by these suggested remedies can be classified in turn, about three ways:

One, they would provide a convenvient solution to the impasse occasioned by a short-term rate that is too low relative to other rates, and the monetization of debt that results from the Federal Reserve's cooperative defense of such a rate.

Two, the political convenience of a reduction in bank earnings would be attained by marching in the direction of a 100% reserve banking structure, the desirability of which may be seriously questioned.

Three, either additional controls over the extension of other bank credit would have to follow or the extension of adequate credit would thereby have been rendered sufficiently difficult as to be described as inadequate to the needs of satisfactory production, employment and prosperity.

In short, most of these moves endeavor to compromise between the interest rate requirements as laid down by inefficient debt management, and the requirements for the normal functioning of a private banking system in the American economy.

How can one obtain a satisfactory workable result when one endeavors to compromise a detail (regardless of its apparent political importance) with a requirement that is fundamentally important to the continued vitality of the country?

I have tried to make several things clear:

One, the important starting point in our interest rate problem is the short-term interest rate and the disparity which it bears to other rates.

Two, that the monetization of debt and the unnecessary expansion of bank credit that has resulted, and still potentially exists, is tied basically to the defense of this too low short-term rate.

Three, that the general and specific suggestions which have occupied our attention either

(a) fail to adequately consider the problem, or

(b) devote themselves to living with a situation which is untenable in a free enterprise economy which must be energized in part by a reasonably free private banking structure.

It should be easy to see that, in largest measure, the original conception of the ideas which have created our problem is born of political considerations. Similarly, the solutions so far specifically provided are based on political expediencies.

In conclusion, therefore, I return to a suggestion which I made in an article published in the recent Winter Number of the "Harvard Business Review." Briefly it was as follows:

Proper debt management is of crucial importance to the satisfactory resolution of our peacetime problems. It is impossible to sufficiently marshal unbiased information and advice on this subject within the framework of our present management set-up. Congress is entitled to as intelligent and unbiased advice on the subject of debt management and related problems as it is possible to provide. This requires that the research and suggestions be as free as possible of political and private interests. Furthermore, debt management and all other major elements of our complicated economy must be weighed in their relationship to each other as well as individually.

It is gratifying to see that Mr. Baruch is calling for similar action. I do not know quite how to attain it. Some of my friends say that such suggestions are naive, Utopian, or belong to the history of classical thought such as is exemplified by "'Atlantis Lost."

I remain convinced of only one thing—there is much misinformation, misconception, and politics involved in much of the general criticisms, suggestions and specific remedies proposed. I sincerely doubt that any political group could afford to sponsor with adequate force the more desirable remedies.

Under such circumstances, and particularly in the light of the unfortunate results to date—we must:

First, remove the subject of debt management from the political arena, and

Second, provide Congress with an advisory staff whose qualifications are outstanding practical knowledge and experience, and who will be free to produce the facts on a comprehensive basis.

E. W. Clark Dead

Edward Walter Clark, well-known investment banker and sportsman, died after a brief illness, at the age of eighty-eight. Mr. Clark was active in business up to his death, heading the investment firm of E. W. Clark & Co., Philadelphia, with which he had been associated for sixty-four years; he had been senior partner of the firm since 1904. He was director in several corporations, including the Lehigh, Wilkes-Barre & Scranton Railroad, the Lehigh & New England Railroad Company, and the Nesquehoning Valley Railroad Company.

Mr. Clark, with Winthrop Aldrich, George Whitney, Vincent Astor and others, financed the construction of the racing sloop Enterprise in 1930 to meet the renewed challenge of Sir Thomas Lipton for the America's Cup in that year; the yacht won the race. Mr. Clark won the Vanderbilt Cup with the yacht Resolute in 1929. The race of the Resolute in 1920, before Mr. Clark owned it, resulted in the defeat of Sir Thomas Lipton's Shamrock IV.

Rejoins Warner in Boston

BOSTON, MASS. — Wilfred G. Conary has resumed his duties in the trading department at J. Arthur Warner & Co., 89 Devonshire Street. He has been serving in the U. S. Navy.

Move to Consider Air Agreements Treaties: Labor Spokesmen Critical

The Senate Commerce Committee on April 2 opened its hearings on the McCarran Bill which would provide that all international aviation agreements must be considered treaties and sent to the Senate for approval; the committee's chairman, Sen. Bailey (D.-N.C.) expressed the opinion that air agreements recently concluded by the State Department with Britain and France are in reality treaties and should therefore be submitted to the Senate for ratification.

The air agreements were severely criticized, a special dispatch to the New York "Times" from Washington Apr. 2 stated, by representatives of three organized labor organizations and one trade association on the basis that they would operate to the disadvantage of American enterprise. Spokesmen for the American Federation of Labor was Lewis G. Hines; for the Brotherhood of Railroad Trainmen, Martin H. Miller; for the Brotherhood of Locomotive Engineers, Donald W. Hornbeck; and for the National Federation of American Shipping, Almon E. Roth, its president.

Appearing before the Senate committee, Mr. Hines attacked what he said was the secrecy with which the Bermuda agreement, and subsequent accords, were reached, holding that the pacts are "in violation of the law." Alleging that they would operate to the detriment of domestic airlines, bus lines and railroads, the witness said that the agreements should have been made only after full information had been given out. The special advices to the "Times" added:

"Mr. Miller objected that only a few airlines were represented at Bermuda, and demanded to know 'by what authority does the State Department assume totalitarian powers over the important subject of air transportation in the field of international relations?'

"Mr. Hornbeck took the position that rates, under the negotiated agreements, 'will be set by cartel action and not by competition and this for the sole purpose of protecting the comparatively weak foreign air transport companies.'

"Mr. Roth, speaking for the eight steamship companies, out of the total membership of 100 in his organization, which have sought the right to supplement surface vessel operations with airplanes, said that the companies believed that 50% of first-class overseas passenger traffic would be carried by air in the near future. In this view of the case he told the committee that all American steamship companies should have the right to adjust their operations accordingly.

"Mr. Roth declared that the Government was concurring in foreign applications for airlines owned, in whole or in part, by steamship companies while at the same time it denied applications from domestic airlines if any steamship line owned an interest in them."

Kaiser & Co. Open New Seattle Office

SEATTLE, WASH.—Leland M. Kaiser, head of the San Francisco investment banking firm of Kaiser & Co., is in Seattle for the opening of his firm's office in that city.

Kaiser & Co.'s new office, located at Second Avenue and Columbia Street, on the ground floor, is the second branch of the firm to be established in the Pacific Northwest, a Spokane office having been opened recently.

The Seattle branch is linked with other West Coast and New York offices by direct private wire.

Regional manager in charge of the Seattle and Spokane offices is T. E. O'Connell, who has been prominently identified with the investment banking business in the Pacific Northwest since 1922.

J. L. Valentine, who has been active in Portland and Seattle investment banking circles since 1923, has been named manager of the Seattle brokerage department, and Frank N. Ward, with many years experience as an investment banker, will also be a member of Kaiser & Co.'s Seattle staff.

Kaiser & Co. are members of the New York Stock Exchange, New York Curb Exchange, San Francisco Stock Exchange and Los Angeles Stock Exchange.

Flynn & Levitt Formed

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Paul R. Flynn and Harold E. Levitt have formed the partnership of Flynn & Levitt with offices at 411 West Seventh Street to engage in the securities business. Mr. Flynn was formerly with Oscar F. Kraft & Co.

The Reparation Settlement

(Continued from page 1927)

zones were combined into a single unit; the Eastern zone was set apart for Russia and Poland. A reparation frontier was set up dividing German assets abroad. Those in Bulgaria, Finland, Hungary, Roumania and Eastern Austria were to go to Russia, those in other countries, including neutral countries, to the other Allies. According to President Truman, Russia is to get 50% of all reparation takings, but this percentage has not been incorporated in the written agreement. Russia has undertaken to compensate Poland; she has ceded to her that part of her zone lying East of the Oder-Neisse line, the cession to date from the Potsdam agreement. She will give her 15% of her takings after the Berlin Conference, from the remaining Russian zone and 30% of the capital equipment goods, which the Western Allies have promised to remove to Russia from the Western zone. The Western zone, being more highly industrialized—though this is not true of its Southern half—has to contribute to the Eastern zone in order to establish full equality; 10% of the industrial capital equipment in the Western zone. The Western zone, the peace economy of the German people was to be given to Russia. Another 15% of it was to be exchanged with Russia in return for goods (coal, potash, zinc, timber, clay products, petroleum products and such other commodities as may be agreed upon). These 15% do not increase Russia's total share, they represent a barter of western capital goods against eastern raw materials and foodstuffs: Russia is allowed to spread over five years this return payment for goods she is to receive within two years. Poland's share of western removals will work out at 7½% (30% of Russia's share).

Procedure in the eastern and western zones do not seem to be identical. In the eastern zone, Russia has received a blank check for looting; everything which can be removed may be removed. Removals from the western zone seem to be limited to "usable and complete capital equipment unnecessary for the German peace economy." The amount of removals from the western zone is to be determined within six months—from Aug. 2, 1945—and was to be completed within two years from Feb. 2, 1946.

Russia's Territorial Gains

The 50-50 proportion may or may not correspond fairly to Russia's losses or to Russia's contribution to victory. It leaves out of account the huge territorial compensation Russia has secured. Her bargain with Hitler in August, 1939, without which the World War might not have started, gave her a territorial gain of 174,000 square miles, with 23 million population. The war with Finland, on account of which Russia was ejected from the League of Nations, added another slice and provided her with even better frontiers. She has now acquired the purely German part of northern East Prussia. Her European conquests up to today amount to 256,000 square miles, with nearly 24 million inhabitants. Land gains by the Soviet Union are different from land gains by capitalist countries. Class-enemies and non-assimilable aliens having been killed, deported or expelled, their possessions accrue to the state; the entire private property of the inhabitants is vested in the new rulers.

Poles, too, have not only acquired "sovereignty" over the land gains by the deportation of the Germans; they got all immovable property and all moveable goods which the Russians had left. In the three provinces which will be completely annexed by Poland, agricultural, industrial concerns and real estate were assessed at over $2 billion—over 10% of the total national income of Prussia came from them. It is difficult to estimate the value of the Polish share of East Prussia, Pomerania and Brandenberg, since these regions are partly in Russian hands.

The total amount of reparation payments will never be known, for Russia is not obliged to account to the Western Allies for anything taken in her zones. These will never be told whether their intention to share reparations with Russia on a 50-50 basis has been fulfilled.

Allies Reparation Commission

The volume and value of removals from the western zones have to be determined by the Control Council, under policies fixed by the Allies Reparation Commission—subject to the approval of each zone commander. They are expected to furnish 55% of all reparations including the 10% to be earmarked for Russia. Western removals have to be booked carefully. Some guesses at the amount received from all zones may be possible later on when claims for compensation of German deportees from the German Government will have been made. The Soviets may be willing to present most elaborate statements for the edification of statistically minded western admirers; but these would not be subject to any check. Since Russia does not recognize private property, she need not provide expropriated owners with documents on which claims against a German Government can be based. The authors of a reparation settlement which dispenses with full accounting have little reason to call their work superior to that of their predecessors in 1918-1919. The reparation frontier is really a Mason and Dixon line on both sides of which opposite property concepts prevail.

The Western Zones

The assets of the three western zones are to be treated as a unit. They have to be divided amongst 18 claimants, each receiving a percentage in two distinct groups.

Group A embraces foreign assets and current production—coal and the exchange contribution of the Russian zone would fit in here—whilst group B comprises plants from which equipment can be removed.

German shipping amounting to 1,189,600 gross tons, valued at $80 millions, is being distributed amongst the three great Allies. Russia will share her allotment with Poland, whilst Great Britain and the United States will take care of the claims of the smaller Allies, whose merchant marines have suffered heavy losses in the war. Fishing fleets, dredgers, port facilities and inland water transport will be dealt with later on. Germany is to be left about 200,000 tons of small ships. (The ocean-going ships seized under the Versailles Treaty were valued at $172,700,000.)

Great Britain's share from groups A and B will be 25%; that of the United States and France each about 20%. The values of the two groups are not the same; Great Britain's 28% in group A and 27% in group B work out at 25% of the total; and France's 16% and 22.82% at about 20%. The United States would have topped the list but for their renouncing claims in group B by more than half, to 11.8%. They are to get 28% of group A (foreign investments). Smaller sufferers like the Netherlands or Greece get 3.9% and 5.6%, or 2.7% and 4.38%.

New Reparations Scheme Realistic

Notwithstanding the renunciation of the United States, Canada and South Africa of their share of plants—they could not do much with worn out German tools—the settlement does not exhibit the magnanimous humanity of President Wilson's original scheme. He had deliberately eliminated war costs, and had proposed to compensate only civilian populations for their actual losses. The new scheme is far more realistic. It openly takes into account the direct financial costs of the war. By doing so it precludes the altercations and misunderstandings which had vitiated the former effort. It is generous to Russia, to Poland, to the oversea countries amongst them the United States—the one great Power which has no devastated areas to repair, whose civilian population underwent next to no privation, and to whom a few billion dollars mean very little. If the tentative figure of $20 billions mentioned by President Truman could actually be reached, Russia would receive $10 billions, Great Britain's share would be $2.5 billions; that of France and the United States about $2 billions.

Treatment of Private Property

In the westeren zone non-incorporated private property and especially privately owned land and houses do not seem subject to confiscation. In the Russian zone, confiscations of so-called large estates are taking place. But these lands are not appropriated by the Soviet Government, they are distributed amongst local populations; a remnant not required for this purpose is set aside for settling German deportees from Czechoslovakia and other Russian dominated states. Property of German landowners in the Russian zone is thus being used for compensating a few deportees, whose possessions had been seized by their former governments. In this way, Poland and Czechoslovakia get ample additional reparations outside the German reparation settlement. As the destruction of war potential is the main avowed object of the reparation scheme, banking and finance can scarcely escape unscathed. If banks and mortgage banks are to be included amongst the "shares" the ramifications of seizure will cut deep into the structure of private property.

Shares of enterprises and plants in group A are valued and allotted to a particular national claimant. In December, 1945, for example, 26 plants in western Germany, valued at $92 millions, were divided amongst the Allies; Russia received 47.8% of them; 52.2% were to be divided amongst 17 other states. The allotment included only moveable equipment, not buildings; the receiver is expected to scrap the plant and to remove the equipment. The United States is evidently by now taking a more realistic attitude than originally envisaged. They are offering concerns allotted to them for sale. The Russians have practiced removals on a large scale in all the areas they have occupied; they have not worried much about the national character of plants, looking upon everything as "booty." They are copying the methods the Nazis used during the war in order to increase their war potential.

For the purpose of reparations these methods are scarcely satisfactory. The costs of dismantling, packing, transporting and reestablishing a large plant are very great. It would generally be more economical to leave it in its place and to run it for the benefit of the claimant, and get the goods immediately. But this can only be attempted in the claimant's own zone, where it has been done quite frequently as a temporary measure. Since it does not destroy German war potential, it is scarcely admissible on a permanent basis. The British have been willing to let Russia dismantle the Krupp works, situated in the British zone. They would scarcely let them run them. As the fear of mass unemployment outside Germany is receding, economic considerations may gain more weight, and the economics of fear may be relegated to the background, at least during a period of transition.

An agreement is reported under which certain German industries will be permitted to exceed output restrictions imposed upon them. The excess is to be used for reparation payments.

German External Assets

Group B consists of external German assets. They are divided geographically—assets in Finland, eastern Austria, Bulgaria, Hungary and Roumania going to Russia—the rest goes to the other Allies. The United States is mainly interested in these assets. Most German foreign investments were originally very much like Ford's, International Harvester's, or General Motors' factories in Germany; or American branch establishments all over the Continent. The Weimar Republic had neither the strength nor the will to use its national's foreign investments for imperialist pressure policies. It was a debtor country. Such investments as its citizens held abroad were either flight capital which had managed to stay there or funds which had originated in regular business transactions. Amongst the latter were those of the Dye Stuff Trust. Its branches in many countries had been confiscated as enemy property after the first World War. In order to avoid these risks, it had switched over to an exchange of patents with foreign firms. Before the advent of the Third Reich, its political affiliations in Germany had been liberal—though some of the sinister figures who were later to play with the Nazis, were emerging in its management.

The Nazis changed conditions fundamentally; they transformed exchange control from purely monetary devices into a mechanism for authoritarian planning. Foreign funds no longer served legitimate trade purposes; they helped speeding up armaments, subsidizing fifth columns, and financing espionage. German businessmen abroad were turned into Nazi agents, spies and political progapandists. Interchange of patents was used for a double purpose: German patents limited production in the United States and sales of American manufactured goods abroad; they helped to keep the Germans informed of American industrial progress. Reciprocal commercial intelligence became political espionage. Naturally public opinion in the United States, mixing up patents and cartels, sees in foreign investments and international cartels the tentacles with which the Nazi octopus had meant to strangle the nations of the world. Even after its death, it seemed wise to cut them off, so as to prevent its rebirth.

The total volume of German foreign investments has not yet been ascertained. About $200 millions were in the United States $87 millions in Sweden, about $1½ millions were in Latin America and $250 to $500 millions in Switzerland. The United States cannot expect much more than about $2 billions from the entire reparation settlement—not enough to pay interest for a single year on the war debt. They act mainly from fear of a Nazi revival, and partly from a mixture of commercial and political anxiety. They hope that by destroying German investments in Latin America German commercial rivalry and German political influence can be broken for all time to come. In this respect, the Potsdam Agreement is but a copy of the Versailles treaty, the motives of which did not differ greatly from those prevalent at Potsdam. It provided funds, the transfer of which did not create exchange disturbances, and it helped to eliminate German commercial competition in many parts of the world. It was one of the earliest blows dealt by capitalist governments at the institution of private property—even though compensation was made compulsory.

Superiority of Potsdam Over Previous War Settlement

The Potsdam reparations settlement claims to superiority over its predecessor are true in some respects. The Versailles reparation plans kept the world in turmoil for nearly fourteen years; they were never fully executed. The Potsdam reparation agreement is to be carried through within two years from Feb. 2, 1946—within three years more Russia would have to finish her return payments on 15% of the removal of capital equipment. Poland and Russia have probably by now removed everything which was removable, but the 2nd of February has passed long ago and western removals have not been fixed; their delivery has not even started.[1]

The Versailles settlement failed, it is said, because it was based on money transactions; it foundered on the transfer issue, the conversion of German marks into Allied currencies. This is but partially true. Of the $5 billion credited to Germany for reparations up to July, 1931, $2 billions had been paid in kind; they included, as does the Potsdam agreement, the German mercantile marine. Moreover $2½ to $3 billions German external assets were turned over to the Allies. At Potsdam, the Allies have fixed no total; they determined the type of goods they were going to take, irrespective of what they might finally amount to; there is no minimum and no maximum, only the percentage due to each Ally is fixed. This being so, the settlement cannot fail quantitatively. No transfer problem can arise; the Allies scrap the plants and remove the equipment over the border. They will receive payment in their own currency, from their own national purchasers. Were their plants, however, to run in Germany, for the German market, they would yield only German marks, which would have to be converted into foreign currencies. This can only be done by German exports. As long as the Allies are putting ceilings on German production and limit exports to reparation deliveries (coal) and to payments for imports, no funds for transfer are available. Transfer problems are however purely quantitative. As long as the sums needed require but a modest proportion of exports, matters can be adjusted by slight changes in the prices of export and import goods. Once the percentages were to become large, a break-down would be inevitable—as happened repeatedly under the several schemes under the Versailles reparation settlements.

It will not happen under the Potsdam agreement. For the Russian share, representing half of all payments, is outside the capitalist transfer mechanism. The sums arising from the Western zone, which are not covered by ships, physical removals and deliveries and external assets will be small. They would be in the nature of dividends, not of fixed charges, and as such, be much more flexible.

Defects of Reparations Settlement

But the settlement has grave defects. No attempt has been made to correlate it to Germany's capacity to pay. The Allies have imposed only one limitation upon themselves; they must leave enough resources in each zone to enable the German people to subsist without sustained support from other nations. This is a vague, rather meaningless restraint. If an Ally has taken too much, either because he was too

[1] Russia has lately resumed removals, she is dismantling the beet-sugar factories in her zone.

greedy or because he had miscalculated the situation, the limit has been overstepped. But the Allies cannot undo what they have done; they can neither return the booty nor refund investments. They will have to support the Germans or face a social and political crisis. They have evidently not properly evaluated the social disintegration prevailing in Germany as the direct result of war destruction. They imagined that the loss of large territories, the confiscation of the mercantile marine, the dismantling of all heavy and chemical industries, the expropriation of all external resources and the influx of deportees would have no permanent effect on German life. So they stipulated that the German standard of living must not rise above that of the average standard of Europe—Soviet Russia and Great Britain being excepted. These clauses offer great opportunities for future theses for the Degree of Doctor of Philosophy, for it will not be easy to establish a standard of living for Europe as a whole, in which Albania and Holland and Italy and Belgium have their proper place. It characterises the insenate fear the authors of the Potsdam settlement have of a rapid recovery in Germany.

They have now decided that by 1949 the German standard of living should be that of 1932, when the National Income was at its lowest level (45 billion marks).

The fundamental misconception of the agreement are however far more serious. The settlement makes no attempt at distinguishing public and private property. It vests a number of privately owned German plants in the Allied governments.

They calmly assume, that these plants having been misused and being capable of being misused by their managers at the beck and call of a Nazi government, no longer belong to their shareholders. The Versailles treaty too had expropriated German private property. It had limited the range of expropriations to plants and assets in the ceded areas of Alsace-Lorraine or in enemy countries; it made it very clear that it considered them "private property," the substance of which should be reimbursed to its original owners, even though its form had to change hands. The bulk of these assets was moreover used to satisfy (under the clearing arrangements) claims of private creditors in Allied countries against private debtors in Germany. The Potsdam settlement completely blurs the line between private and public property. It claims all German foreign investments, including those in neutral countries, for reparation payments. It practically adopts the communist thesis, that all enemy property is legitimate "booty." It calmly assumes that the Nazi government was the owner of all German private funds — even of those which originated in flight from its control, whose owners had risked the death penalty by removing them. It asserts the right of the Allies to act as successor of the Nazi government,—an assumption which may be or may not be good law—and it takes over private property which was never owned by that government. It justifies its attitude by the fear that those funds might be made available for financing a Nazi revival. Undoubtedly Nazi leaders own foreign funds, and it is most desirable to get hold of them—though this might not always be easy, since the Nazis were experts in camouflaging. But as the Swiss Government has pointed out, under international law the Allies have no claim whatsoever against the private property in neutral countries of bona-fide private German investors. It is not very likely that the Swiss to whose existence Nazism was a much closer danger than to the United States—Switzerland was only saved from invasion by the early fall of France, which made violation of its neutrality superfluous — will suffer the financing of neo-Nazism with funds under its control. Yet strong pressure is put upon it to hand over all German property to the Allies, and thus far no suggestion has been made, that the German Government should compensate its subjects for compulsory expropriations. It is a very curious spectacle to see a small neutral European nation defending the social order of the Western world for the maintenance of which the Western Allies went to war—the right of the individual against arbitrary government—against the attacks of the victorious democratic powers. Nobody can hope for respect for private property from the Russians, but the pressure on Switzerland is exercised by the United States and not by the Soviets.

Reparations for German Nationals

The reparation settlement would appear less objectionable from the point of view of Western principles, if the duty of the German Government to compensate its nationals were strongly stressed. It should be stipulated in a much more elaborate form than in the Versailles treaty, for compensation was not carried out in an equitable way. Yet there may be some justification for this omission. The original scope of the reparation agreement was purely destructive. Its aim was to create chaos, and thus make the German people feel its guilt. Undoubtedly this goal can be easily reached on its material side, by undermining Germany's economic foundations as thoroughly as possible. From this point of view the reparation agreement is near perfection, and Mr. Pauley, the American representative, has every right to gloat over his great achievement. It may be doubted however, whether both as a financial measure and as a means for converting the Germans to Democracy, it deserves much praise. It has done nothing to speed up the recovery of Germany's western neighbors, whose moral claim to reparation is far better than that of Russia. Just now a regular supply of coal to France is much more important than the blowing up of the Krupp works.

The Potsdam scheme attempts to satisfy reparation claims by the transfer of existing capital goods and claims on them (shares), whilst the Versailles scheme was ultimately based on income and production. It worked towards a final solution by which the reparation debt would be commercialized in the form of bonds to be sold to the public; the Allied governments to receive the proceeds and the German Government to spread payment in interest and amortization disbursements over a period of 59 years. The Potsdam plan was to finish reparation in two to five years; it has already broken down before it has begun to work in the world.

The impact on Germany moreover, cannot be settled by this rapid transaction. So far no connection between reparation and finance has been established. For the Russian-Polish zones this does not matter; since according to Russian concepts all private property removed by Russians or Poles was held by "class-enemies,"—this being the nature of all **private property**—there is no need for saddling a future German Soviet Republic with compensations. The Western Allies cannot justify their financial policies by communist principles. They cannot accept the assumption that a particular type of private property, which by its physical structure has fitted into their reparation plans, should bear the final burden. They were at war with the entire Nazi dominated German people, not merely with the shareholders of the Dyestuff Trust and other war potential concerns. They can of course shift the distribution of the tax burden to a German Government of the future. As they have imposed it on the German people before such a government was established, the least they ought to have done was to stipulate very clearly the right to compensation. Confiscation of property as punishment for individual misdeeds is a very different matter from expropriating particular types of property holders because their possessions are handy. Ordinary shareholders of industrial property or of foreign assets taken for reparation purposes, are not like Southern Rebel Slaveowners under Lincoln's emancipation proclamation. This is a fundamental question of both high policies and of justice according to Western ideas. The so-called capitalist system is not so firmly rooted as to permit tampering with its underlying principles, — even if this is temporarily convenient. It is as unwise to pauperize German shareholders as to proletarianize her industrial workers. There is no reason why the Allies should exonerate from reparation burdens, owners of land, the value of which their policies of de-industrialization and deportation are bound to raise less anyway.

The Fundamental Weakness of the Settlement

The fundamental weakness of the settlement is due to the absence of a German treasury. So far the central financial authority which the Potsdam agreement had postulated, does not exist. Taxes are collected in each zone, but no unified budget has yet been drawn up. In the meantime, reparation liabilities are being created regardless of treasury assets, and the question of capacity to pay is ignored. The minimum of the public debt contracted by Germany during the war must — at least — be somewhere between 400 to 500 billion marks. Its service would need 20 billion marks a year at 4%; the paper mark value of the 20 billion dollars originally expected from reparations is at least 200 billion marks,—or another $8 billions a year. But the total nonloan revenue of all German bodies, including municipalities, before the Nazis came in, was about 15 billion marks. These years were crisis years; yet the country is not likely to reach even this low level after one-fifth of its territory has been cut off, when its cities have been destroyed, and its industrial plants have been either hit or removed. The national income before the crisis amounted to 75 billion marks, of which at least 10 billion marks arose in the lost provinces. A reparation charge of 8 billions and 2 billions of marks a year for the cost of the armies of occupation would leave about 55 millions for home consumption, the reparation charge in 1928 was only about 2 billions, (leaving 73 billions for home consumption). Events were to show that these charges were excessive. The national income will scarcely reach the 65 billion limit.—in the crisis year 1932 it was as low as 45 billion.

The Germans cannot complain about the Potsdam agreement; it is patterned after their own looting practices. It will not lead to inconclusive financial conferences, producing one abortive plan after the other. As a method of speeding up destruction of war potential and re-starting Russian industries, it is extremely well conceived. As a financial measure, it combines Nazi ruthlessness with Soviet crudity. It bears the hallmark of Moscow where it was concocted. It copies faithfully Nazi streamlined methods of looting. The Allies represented by the Western Powers, especially the smaller countries devastated by the Germans, will get very little, for the plan is reducing Germany's capacity to pay to a very low level. As an act of retaliation, it is perfect; as a lesson in democracy, it is not very impressive. One cannot convince a stubborn people of the wickedness of its ways by carefully imitating them. The Germany emerging in years to come from Allied administration, can either balance her budget and default on her debts,—including compensation payments for private property,—or she can resort once more to inflation and unbalanced budgets. Neither alternative will strengthen the social fabric of Western Europe.

Beardslee Talbot Co. Formed in Minneapolis

(Special to The Financial Chronicle)

MINNEAPOLIS, MINN. — Beardslee-Talbot Company has been formed with offices in the Rand Tower to engage in the securities business. Officers are James B. Beardslee, President, and Fred E. Talbot, Vice-President and Secretary. Mr. Beardslee was an industrial member of the National Wage Stabilization Board in Chicago. Mr. Talbot was Vice-President of J. P. Arms Incorporated of Minneapolis.

Business Man's Bookshelf

Fiscal Policy for Full Employment—Alvin H. Hansen—Institute on Postwar Reconstruction, New York University, Washington Square, New York 3, N. Y.—paper—25c.

Foreign Trade and Full Employment—Amos E. Taylor—Institute on Postwar Reconstruction, New York University, Washington Square, New York 3, N. Y.—paper—25c.

Full Employment in Practice—John H. G. Pierson—Institute on Postwar Reconstruction, New York University, Washington Square, New York 3, N. Y.—paper—25c.

Bank Earnings and Government Holdings—Geyer & Co., Inc., 67 Wall Street, New York 5, N. Y.—paper.

J. B. Ramsey, Jr., Joins Staff of Lyons & Shafto

James B. Ramsey, Jr., will join the sales staff of Lyons & Shafto, Inc., 70 Pine Street, New York City, on April 15. Mr. Ramsey is a veteran of the U. S. Marine Corps, having served in the Pacific area.

Pennsylvania Indicts Nine

PHILADELPHIA, PA. — Nine indictments have been filed against Canadian firms charging violations of the Pennsylvania Securities Act in connection with alleged sales of gold mine stocks.

J. Myron Honigman, Pennsylvania Securities Commissioner, announced that three of the indictments were filed in Lehigh County and one in York; five other indictments were filed in Montgomery County. The stocks were sold at widely divergent prices, Mr. Honigman declared, stating that one Allentown man purchased stock at twenty cents a share, while another paid sixty-three cents per share for identical stock.

Gordon C. McMacken, McMacken & Reid, Toronto; R. B. Stuart, Bowman, Stuart & Co.; A. E. S. Broadley, Hudson Securities Co.; and G. E. Matten, Gordon Daley & Co., were named in the indictments.

Increased Federal Power Weakening Democracy

(Continued from page 1930)

not been willing to govern and have been willing to barter their reserve rights for grants of money from the Federal Treasury. Members of Congress are so overloaded with work as go-betweens for their constituents and the administrative agencies of the Government, writing letters in connection therewith, that there is not time for them properly to attend to even the more important of current legislative duties, much less to study the basic problems of government and to develop undisturbed the type of statesmanship which our circumstances require. They have no opportunity to get back among their constituents and explain governmental problems, combat minority pressure groups and gather the necessary first-hand information which is indispensable to a proper discharge of their Congressional duties.

The total of concentrated power is utterly beyond the capacity of the machinery of democratic government. These are not just words. They are a statement of fact which intelligent people must no longer ignore. We either lessen the load of governmental control or change its machinery and its distinctive characteristics. Criticizing Congress has long been a favorite indoor sport, but that does not get us anywhere. Most of the members of Congress are doing their best to discharge an impossible responsibility.

Calls for Decentralization of Power

I tell you these things because this is *your* Government. *You* are this Government. A democracy is an association of private persons engaged in the common enterprise of governing themselves. However, as soon as such a government is initiated, like everything else which man initiates, it comes immediately under the operation of natural law. That which people do wrong they are required at least to undo. Just as pressure from the people has resulted in this destructive concentration of governmental power in violation of the nature of democratic government, pressure from the people in a program of decentralization will be required of them. I see nothing to indicate that a reallocation of governmental power, in line with our constitutional arrangement, can be brought about without strong popular support, reestablishing the sovereignty and governmental responsibility to the states in matters within their capacity.

It must be first on our agenda to get the states under their natural share of the load of governmental responsibility, thus making certain the removal of duplication of administrative agencies and tax burdens. That would leave to the Federal Government the discharge of Federal business. By reducing its responsibility, it would make it possible for the Federal Government to be operated under laws enacted by the Congress instead of directives emanating from an appointed personnel. It would make it possible for an intelligent member of Congress to have a chance to become a statesman. It ought to be clear that by putting back in the states, which are the natural habitat of our democracy, the governmental responsibility within their capacity, their sovereignty would be reestablished, pride in them, respect for and dependence upon them would be established; and the governmental capacity of the private citizen would be increased.

The thing of transcendent importance is that through this arrangement, putting governmental responsibility back close to the people and into units of government sufficiently small for them to operate their governmental capacity, would be developed by its exercise. Common sense and the lessons of history teach us that if the self-respect, the love for liberty, the governmental capacity of the private citizen of a democracy is secured, it is preserved. Although the whole superstructure of government should be destroyed, such a citizenship could build again, write a new Constitution, select new leaderships, and build a new governmental machine. But if the love for liberty and self-respect and governmental capacity of the private citizen are destroyed, it matters not what else obtains, democracy dies as a tree dies, rooted in the soil, which can no longer sustain it.

Preserve Governmental Capacity of Citizen

The preservation of the governmental capacity of the private citizen, therefore, must always be first in the concern of statesmanship. It must be first in the concern of our private citizenship, their governmental capacity, if they are not to lose the chance to govern. No people, except by conquest, ever lost their liberty until they had lost their will and capacity to govern. No people who had lost their capacity to govern ever remained free. No capacity to govern, or any other capacity, was ever retained or developed except by its exercise.

These are not theories. They are practical, important, work-a-day facts. In our present situation they should be warning and alarming facts. If we are to win through the difficulties which confront us their dangers must arouse us, awaken an interest and a purpose which reaches across party lines and class distinctions. It is fortunate for us that there happens to be a definite share in responsibility for our condition between the two major political parties—all the sections, vocations and classes share in this responsibility. Party politics or group advantage must not be permitted to corrupt the purpose or weaken the strength which we must have and must apply to our situation if we are to remain free.

Twenty-one years ago, I introduced a resolution in the House of Representatives to create a committee to see if some of the accumulated powers then overloading the Federal Government machinery could not be sent back to the states. I undertook to support that resolution with a statement of our then condition which, with a few changes, would be descriptive of our present condition, except as to degree. As I recall, there were then about 500,000 Federal employees connected with the Executive Branch of the Government. My subject then was, "Our Choice—Decentralization of Governmental Responsibility or Government by a Centralized Bureaucracy." That was during Mr. Coolidge's administration. There was no interest or concern. We could not be bothered. We were all young: grandma, grandpa and the rest. It was the Great Jazz Age! It's a coincidence that I am rather speaking to that subject now. We do not know how close we are to the precipice now, but we know that we are closer than we were 21 years ago. How much time we have left we do not know—but less than we had 21 years ago. We're all in the same boat. We cannot afford to spend our time pointing the finger of accusation at somebody else.

Pressure Groups

We hear a great deal about pressure groups. It happened that the first major pressure group on Congress during my time was for money from the Federal Treasury for good roads. At that time we at least had the decency to try to find some shadow of Federal responsibility to justify the Federal appropriation. We didn't have very much. We claimed the authority of the Federal power to building post roads. We knew the money wasn't to be used for post roads. The pressure came primarily from Chambers of Commerce that wanted good roads quickly so they might tap the surrounding towns and communities and suck out the vitality of the smaller places, persons interested in automobile sales, gasoline companies, automobile users, etc. They did not want the whole camel shoved under the tent. They only wanted money for good roads. The whole camel is inside now, and a lot of litters of other camels are in the tent now, and still they come!

Just before Christmas one and a half billion dollars—not one dollar of which the Federal Government had—was allocated to help the states build roads all over the country, every cent of which must be got from the people. Administrative expense of Federal and state employees must be deducted. Around $700 millions about the same time was allocated to the states to build roads all over the country. Under public pressure since Christmas, Congress has authorized an appropriation of millions of dollars to help pay for noonday lunches of school children, public and parochial, for boys' and girls' camps, etc. Under public pressure the nose of another Federal camel is under the great big tent where the schools are. More than that, this legislation carries the implication that the parents, local communities, State Parent-Teacher Associations, service groups of the communities, etc., can't be entrusted to take care of the noonday lunch of the children of this country.

Think of that, done since Christmas! The people of the states have to pay every cent of these appropriations. In addition, they have to pay the cost of double administration by the state governments and the Federal Government. They take their cut out of the taxpayer's dollar before one penny gets back to buy these lunches. Done since Christmas when the financial condition of the Federal Government puts in peril the value of all outstanding obligations, including its own obligation, we ourselves make this additional draft upon the Treasury.

Promoting Individual Irresponsibility

However, that is not the worst thing. We are teaching the children—the citizens of tomorrow—this notion of individual, community, and state unfitness, irresponsibility and defeatism, feeding to these children with their noonday lunches, the idea of getting something for nothing from Uncle Sam.

If it be admitted, as this legislation indicates, that the parents, the local communities and the states cannot be trusted to provide noonday lunches for their children, why should not the central Government take care of their other equally-great necessities? We must, as private citizens, realize that this Government is not in Washington—that the *people* are this Government; they constitute its hope, its strength. Ours is an association of private people engaged in governing themselves.

People ask me why these pressure groups are so powerful and why do not members of Congress represent the people as against these groups. These pressure groups are dependable politically. The unorganized majority, for one reason or another, in most constituencies, make large contributions to help the organized minority to effectuate the defeat of a member of Congress whom they cannot control; while others get the election date mixed up with their golf engagements. That is something which only the private citizenship can correct. Speaking generally, the Congress will respond to the determined public will as a thermometer responds to a change in temperature. If that did not occur, the member of Congress would be defeated.

Fundamental Difficulty Not With Congress

I do not excuse myself or my colleagues in Congress but I know from the standpoint of having this condition corrected, the fundamental difficulty is not with the Congress. That is not the place where the remedy is to come from. It has got to come up from the body of the people who constitute this Government. I do not mean members of Congress do not deserve criticism or should not be criticized. That's not what we are considering. We are considering ways and means of trying to locate the nerve center. I studied this job which you have had me working at. I know where the nerve center is. I know where the source of my nation's strength is and where its hope lies. That's why I come to you today, citizens of a great state, leaders in your respective communities, charged with the responsibility in proportion to your ability to contribute to your nation's security.

Of course, conditions which arose out of this war and the preceding war, and the natural development of Federal difficulties, tremendously increase the normal duties of the Federal organization, but instead of that being an excuse for holding powers in the Federal Government which the states can discharge and bringing up new ones from the states to add to the present overload, that is the greater reason why we must put all powers back in the states and smaller units of government which they are capable of discharging. We cannot maintain this Federal organization upon a structure of states which are not discharging the general duties of democratic government, and we cannot maintain either the Federal or state government resting upon a private citizenship whose capacity we are destroying by shifting power from the smaller units of government, which are close to them and which are within their capacity to operate.

A Bottle-Fed People

A people bottle-fed and rocked to sleep in the arms of a great Federal bureaucracy cannot sustain a government depending by its nature upon courage and capacity of liberty-loving, self-respecting free men and women. It is a tremendous job ahead of us.

Governments are not accidents. They are provided for in the big economy. Popular government originates, develops, and operates under natural law. It is not foolproof, self-perpetuating. We have not been willing to pay in service that which nature charges to those who would be free. We want Uncle Sam to do it for us. We have not been willing to do within our capacity that which nature requires in order to permit us to retain that capacity. We have accepted it without gratitude or sense of responsibility. Nature doesn't do business that way. But for the difficulties resulting from our scientific development, we might have blundered along as we are trying to do. No more—those days are past. We must familiarize ourselves at least with the basic principles and policies of democratic government which, among other things, determine the natural cleavage between governmental responsibility of the states and the governmental responsibility of the Federal organization. We must agree upon them and adhere to them. We must not shift our position with every wind of advantage.

Sectional Switch on States' Rights

When the Northern section of the country was profiting through a control of the Federal power, the Southern states, who considered themselves the victims of that power, supported what they called the doctrine of states' rights. When the pendulum swung and inheritance and income tax laws were enacted, the Southern states began to receive contributions from the Federal Government. As they did, their allegiance to states' rights weakened. That of the Northern states grew stronger.

Each section should have learned by now that neither can profit from an unwarranted exercise of governmental power when it is to its advantage and escape that power when others invoke it to its disadvantage. Principles are eternal. They are from God. It is not the right of the states to govern, but the necessity to govern as to matters within their capacity, if we are to have freedom and popularly-controlled responsible government, and preserve the Federal organization for the common good—a respected and cherished agent of these states and of their people.

Through the centuries our Constitution had been developing under natural processes long before we became an independent Government. We must be rid of the popularly accepted mythological tales. They are hurtful beyond measure, because if we accept this false notion that human beings were able to create our Constitution, as we have and largely do accept it, it would be sensible to trust human beings guided only by their own wisdom to formulate the policies under which the Constitution shall operate. Nothing could be more silly than that which we are doing, namely, trusting to the theories of men to guide us in its operation.

Here we are in the most highly developed scientific age of all time. Nobody with any practical, usable intelligence would attempt to go forward in any important matter without having first familiarized himself with the natural laws that operate in his contemplated field of effort and without developing his own ability as far as possible to work in harmony with those laws, in order that he might have their guidance in getting the benefit of the forces of nature upon which he must depend.

Just look over the country, to schools of science, experimental stations, laboratories, and then go out and look around and see what the people or our generation are doing in their daily work and how they are doing it, making this the greatest scientific age of all time. Then take a look at ourselves operating the complex governmental machinery of a great republic, government by the people, in its nature dependent absolutely on the governmental capacity of that people and upon the guidance of natural laws which limits human discretion and determines sound policy. See what we are doing to that governmental capacity; see what we are doing to the machinery of our Government; and realize how little we know of the nature of democratic government and the natural laws which are for the aid and guidance of people who want to be free and self governing.

Asks Inquiry Into Governmental Capacity

No inquiry from a practical standpoint is being made by us with reference to the place which free government holds in the general scheme of nature in its dealings with human beings; no consideration as to whether a given policy would tend to increase or destroy self-reliance, self-respect, clear individual thinking, governmental capacity of a private citizen; no consideration given as to whether proposed governmental policy would tend to destroy efficiency of the small units of government where the grass roots of democracy are; no consideration given to the limit of human capacity or to the fact that the plan of nature is effectuated as much by the limitations upon the capacity of human beings as to the capacity given to human beings; no consideration given to the fact that during the whole period of its history democratic progress has been in that direction which has moved governmental power from the center back towards the people; no inquiries as to principles; no search to discover fundamental law which limits human discretion and determines sound policy in regard to government; no consideration given to the effect of a policy practiced in our system of government under which when the small units of government and the states confront a responsibility, face a difficulty, which if they would grapple with it would increase their governmental capacity and fit themselves for greater duties of free government of tomorrow; no consideration given of effect of the policy of shifting that to the Federal Government and denying to the small units the strength which the struggle gives.

Success in Science, Failure in Government

When the history of this period shall have been written, the history of the highly developed scientific age, this analogous thing, this contrary policy with reference to government applied everywhere else, will stand unexplained and inexcusable. It will explain the reason for failure in government while there was success everywhere else.

We have been devoting ourselves to the building of this great superstructure without any consideration being given to the fact that at the same time we have been weakening the foundation upon which it all rests.

As people of practical intelligence we ought at least to have the same interest in keeping strong the foundation as in building the superstructure. We are given freedom of choice. If we prefer to have ourselves governed and yield, we lose the capacity for governing. If we accept government by men instead of government by laws, the will to govern weakens, non-democratic government assumes control; tyranny, oppression, favoritism, extravagances and corruption are the penalties which nature imposes upon those who will not accept the obligations which it imposes upon every people who have an opportunity to be free.

More Exports to Avoid Surplus Production in the United States

(Continued from page 1930)

the world. It is inescapable. I know that today the man who owns goods is eagerly sought after by every buyer—but let's not fool ourselves that this state of affairs will last for long. Already we are setting some production indices that make those of the flush twenties look like the manufacturing records of the Middle Ages. These indices will go higher. Chester Bowles says the fight against inflation will be won by next summer. All he means, by that statement, is that in some 14 months time, production here in the United States will have caught up with consumption. Then, the man with the goods to sell, will be looking for markets. He will be the one who passes out cigars—*not*, as at present, the buyer.

Confronted by these facts, what steps are we taking to insure the volume of export business America *must have* to prosper?

Regrettably, I must say, but few to date. There are many hopeful promises, but little action.

Means of Increasing Exports

Here are the concrete steps outlined by every thinking businessman to whom I have talked either here or abroad:

(1) Granting loans to England and France.

(2) Lowering of tariff barriers.

(3) Insistence by the United States that, as foreign countries acquire dollars either through credits or trade, that they be unfrozen for the use of foreign industry—as opposed to the present method of having these dollars spent by the agents of foreign governments.

May I now discuss these three steps?

(1) Loans to England and France.

Before the war, Western Europe was our best foreign customer—10 to 1. But we can't make a start exporting manufactured articles to her because she is short of dollars for any purchases except foodstuffs and essential raw materials. Yet our politicians stupidly argue month in and month out as to whether they should grant these countries credit.

We businessmen would have more sense. If you had a good, honest dealer—one who had made money for you for many years—who was temporarily embarrassed for credit, what would you do about his case? Would you debate his situation for months and then call in a competitor and say: "Why don't you finance him? You can have his future business. I can't afford the small risk involved"?

Of course you wouldn't. But that, in essence, is what some men in this country advise us to do with Great Britain, with France, with many lesser but still potentially active customers.

You will note I have said: "a good, honest customer." Is Great Britain such a risk? Is France?

Condition of Britain

I have read about martyrs who wore haircloth shirts; I have never read about any who pulled on long drawers as well. But that is England and Scotland today. If any country on the face of the globe is struggling to be self-supporting and solvent, it is Great Britain. The people are nearer the starvation line than they were during the war. No one but a sadist would send an Englishman the menu even of one of our poorest restaurants. Domestic consumption is held down ruthlessly. Before a manufacturer can produce a single finished article, he must agree to export 50% of his output. Recently the women of Britain were given a great concession. In the year 1946 they can each buy one coat, one dress and two pairs of very bad rayon stockings. During the war if a woman bought a coat in any given year she could not buy a dress—unless she appropriated her husband's coupons—in which case the poor guy couldn't even buy a pair of socks.

Why are the British imposing this Spartan regime on their people? To get solvent. A country pays for a war in three ways: It produces more; it consumes less; it destroys its capital structure. England paid all three ways. It increased production 58%; it cut consumption 52%; it spent three-fourths of its foreign investments and wore out most of its machinery. We in America paid by increased production only. We consumed more—and our industrial plants—except for mining and railroading—are basically in better condition than before the war.

Not so with England. So to get back on her feet she must export to gain foreign credit. She must use imports to modernize her plants and she must rebuild her bombed cities. She is doing these three things no matter who in the British Isles suffers.

There are many things about Britain that I, in common with most Americans, do not like. I do not like the survival of the caste system. I do not like the comparative lack of opportunity for ambitious men and women. I could go on with a recital of things I don't like—but in the list I would never include a doubt about her tenacious desire to pay her obligations to the full. And I think I speak with wider knowledge than most since I placed orders in Great Britain for over one billion, three hundred millions of dollars worth of goods—and I saw how her industrialists performed to the letter.

Position of France

France has had a bad press in this country. Two things have chiefly contributed to this: (1) The remarks of returning GIs, (2) the growth of the Communist Party in France.

Let's look for a moment at the testimony of the GIs. They say France is decadent, that morale is non-existent, that people aren't working. With all due respect to the sincerity of their convictions, they don't know what they are talking about.

No country in all history has collapsed morally in 25 years. From 1914 to 1918, France put up the most gallant defensive fight of modern times. Can the very sons of those resolute men suddenly become corrupt, soft, worthless? Such talk is nonsense. It takes hundreds of years to destroy the moral fiber of a race of people.

Then why do so many GIs criticize? Because, with but few exceptions, they saw nothing of the real France, the country of thrifty artisans, skilled handicraft workers, industrious farmers. We liberated France, sure, but to liberate in terms of the American Army means to occupy. We walked into Cannes and Nice and Marseilles and Le Havre and Paris and promptly commandeered—along with the British—100% of her better hotels and 95% of her restaurants. As recently as last November a French businessman coming to Paris stayed with friends or literally sat up all night in a railroad station. We took over what little rolling stock the war had left undemolished. Our boys went from a better-than-average billet (except in the redeployment areas) to an American Army mess. They thought they were badly cheated by the exchange rate of the dollar for the franc (and they were), but no one had the honesty to tell them that we, and not the French, had set that rate.

They did not visit French homes because food is desperately short in the French cities. So our lads paraded up and down the Champs Elysees, solaced themselves with a strange drink which they called "coney-ack," and thought they were seeing France. I am not criticizing any of these facts; I am just pointing them out *as facts*. But for our boys, on the basis of their lives in France, to set themselves up as experts on French morals, politics and economics is a very dangerous thing. They might just as well have gone to one of those travel pictures which begins: "And now we come to a fabled country set between the Atlantic and the shining waters of the Mediterranean" and which signs off: "And so, as the setting sun drops below the spires of Notre Dame ——." I think you know the type.

Of course the GI's saw Frenchmen not working. It's hard to work when you have no raw materials and those you have are lying in a port because your railroads are mostly hauling troops of another country. It's hard to work when your coal supply won't produce enough electricity even for half normal home use and your factories must close most of the time for lack of power. (Electricity was never cut off in Army installations.) It's hard to work when you are hungry and remember the well-meaning, but impossible-to-live-up-to promises given day after day just before D-Day. "Be strong. Work with us. When we come we will bring food and clothing and coal." We didn't bring any of those things. I don't think we could—but the promises had been made.

I can't really blame Frenchmen for repeating the wisecrack of one of their comedians who said of the German occupation: "It was better when it was worse."

But today, the American invasion is nearly over. From Lyons and Lille, from Rheims and Marseilles come more heartening production indices. Some glass being produced; textiles nearly 40% of normal; the first automobiles due off the production line next month. Best of all, coal production is now greater than prewar. France is swiftly reviving; as the people get tools with which to work they are back on the job.

What of the growth of Communism in France? Let's not blink at that. The Communists polled about a third of the popular vote in France at the last election. It polled that number simply and solely because that number of Frenchmen were discouraged and ready to think any change must be a change for the better. But given a resurgence of industry in France, given an indication by America that the mission of Leon Blum may succeed, that vote will recede. For it must be remembered that the very concept of popular sovereignty—as we know it in America—came from France. No people in all the world cling more tenaciously to the concept of *personal* freedom than the French. Help them to their feet and they will repay—in more ways than one.

In all I have said, I have made no reference to Belgium, Holland and the Scandinavian countries. Times does not permit more than this observation. Belgium is farther on the road to recovery than any European country; Holland least on the road. But her's is a struggle with the sea—a long, slow, desperate fight—but the Dutch are tough and resourceful. They will progress.

Our Tariff Policy

(2) So much for the credits abroad. What about tariffs? There is no time today to labor over the old arguments for and against high protective tariffs. There is only time for this comment: In the years to come we are seeking a foreign trade vastly in excess of anything we have ever enjoyed in the past. Europe can get some dollars for American purchases through a favorable tourist balance. But this is only a fraction of her dollar needs. If we are to sell, we must buy. If we buy more abroad than in the past, do we hurt the great mass production industries of America? Would English automobiles sell in competition with American, were they imported duty free? Would English or Swedish or French radio sets? Farm machinery? Machine tools? Canned goods? Ready-to-wear? The questions answer themselves. Of course not. These products are out of competition, even after adding our high wages and costly materials. But English woolens will sell in America. And French ceramics And jewelry. And perfume. And Swedish wooden ware. Should we go on protecting a few, small American industries, which should by now stand on their own feet, at the expense of crippling the exports of our mass production industries?

The time is ripe for a reexamination of our tariff policies—because no hocus pocus thinking can possibly conceal the fact that we cannot sell in the billions if we don't buy. Of course, we will never match imports with exports (we needn't, since Europe can gain dollar credits through travel), but we must expand the importation of European products if we are to export in the volume needed.

Unfreezing of Foreign Dollar Accounts

(3) The unfreezing of dollar accounts in this country. I realize that during the height of the war, European countries were forced to capture all foreign currencies and to use them for purchases considered most vital for survival. I can understand why England, France, Belgium and Holland have continued this control up to now—for survival is still a very real word abroad—just getting enough wheat, and sugar, and coffee and meat and other essential foodstuffs to live. But as these situations ease, controls should be lifted. A Frenchman who today sells wine in America doesn't get dollars, unless he works some illegal deal. He gets francs. But he doesn't want francs. He wants dollars with which to buy bottles and crates. An Englishman who sells textiles in America gets pounds. He also wants dollars, so he can buy wool, and hire a sales agent and advertise.

Theoretically, the European governments, who take the dollars, are spending them wisely for raw materials most needed by their industries. But this is only theory. No one knows so well what is needed for revival as each business firm, working in its own way, to get what it must have to make and sell more goods.

If business men were to work on the problem of foreign credits, they would, I am sure, insist that some part of them must immediately be freed for the use of private industry abroad. Then the individual British or French manufacturer would be free to come here and to buy those specific components or finished articles which he most needs for immediate resumption of work.

When any other course is pursued, you get the present condition with little bureaucrats—who on their own couldn't run a thousand-dollar-a-month business—telling intelligent industrialists in all the countries of Europe what they can and cannot have.

I feel confident the three steps I have discussed will be taken. Even the somewhat less than internationally-minded Senator Taft predicts the loan to Great Britain will be acted on favorably. I understand that Leon Blum, a truly distinguished Frenchman, is being cordially received in Washington. From all sides I hear encouraging reports about the attitude of business and Government towards the elimination of many tariff barriers. The unfreezing of dollar credits by foreign countries is gradually being accomplished.

These steps are in the direction of a new and vastly greater foreign trade. That may, to some, simply sound like good business. And it is—both for us and forEurope. But it is more than just good business. It is insurance for world peace. No thinking man can do other than pray that UNO succeeds. But UNO hasn't a prayer unless the nations of the world can trade with each other to the mutual advantage of all. The program I have been discussing will give us that kind of world trade.

Public Housing—A Snare and a Delusion

(Continued from page 1927)
quently screened behind well-sounding statements that render lip service to the free enterprise system, and concealed behind an imposing facade of well-intentioned citizens genuinely interested in obtaining laudable social objectives. The housing field is one that has been selected to be used in driving the entering wedge.

Government in the Housing Business

A well-organized and concerted effort is under way to place our Federal, state and local governments in the housing business. Substantial strides in that direction have been accomplished within the past decade. Under the guise of slum clearance and the need for improving housing conditions, Government funds have been used to provide taxpayer subsidized housing in county after county, and in community upon community. With the completion of each project, there is an increase in the size of the entrenched bureaucracy which, while living on the public payroll, conducts a continuous program of propaganda for the continuation and expansion of its authority and influence. The completion of each project is used as an argument for further expansion and further taxpayer subsidies in this campaign to socialize the business of housing the citizens.

Now it is axiomatic that when government undertakes any activity in the field of business, private capital is driven from that field. Business men well recognize that there is no field in which private capital can survive against the competition of subsidies, direct and indirect, that result from government entry into its field. That is well recognized in such fields as transportation, public utilities, banking, merchandising and the like. We are well on the way to having it demonstrated in housing. Each housing unit constructed with government credit, and leased at uneconomic rents, is a deficit operation. That deficit is is financed by subsidies, directly or indirectly assessed against the taxpayers. With such charges imposed on the remaining property owners, the cost of building and housing by private capital is further increased. As a result of such burdens, private capital finds it increasingly difficult to secure a fair return on its investment and, in due course, it will seek out other fields.

The pattern employed has been demonstrated so many times that it should now be familiar to all. Plausible statements are issued by Government officials to the effect that housing is primarily the responsibility of private industry and private credit, and that government activity in the field of housing must be confined to those groups that private enterprise cannot serve. But, while thus rendering lip service to the free enterprise system, an entrenched bureaucracy proceeds steadily to enlarge its spheres of influence and operation. In the hands of those who will award government contracts, who will draw salaries as administrators and supervisors of government housing projects, are placed the authority to determine the need and to measure the extent to which it is met by private effort. Thus, a government bureau, serving as prosecutor, judge and jury, proclaims a finding that private industry has failed again, and announces another government project. Protests from representatives of private capital are dismissed as based on frustrated self-interest and greed, and the bureaucrats proceed to dispense government credit and taxpayers' dollars with a generous hand.

The New York Housing Law

The United States Government is now in the housing business, through the operations of the Federal Public Housing Agency. The State of New York is now in the housing business, through the operations of the State Commissioner of Housing. Many of our municipalities, including the City of New York, are now in the housing business, through the operation of local housing authorities. These local housing authorities are the administrative units that operate public housing projects, with funds and credit provided by either our State or Federal Governments. The state and Federal laws by which such credits are provided are similar and the pattern is this:

Under New York law, the State Commissioner of Housing has authority to lend the sum of $300,000,000 at low interest to local housing authorities to finance the erection of subsidized public housing projects. Such loans may run for fifty years and are repayable in annual installments. Simultaneously with the making of such a loan, the State Commissioner of Housing is empowered to enter into a contract with the local housing authority to give it annually a sum sufficient to meet the annual interest charge on the loan, plus one-half of the annual principal repayment. The sum of $6,250,000 per annum has been made available for that purpose. There is a requirement in the law that the municipalities shall match this annual contribution on a dollar-for-dollar basis, but that such matching may take the form of exempting from local taxation the cost of the buildings erected on the site. This device naturally encourages the officials of our municipalities to compete for these grants, proudly boasting to their constituents that the projects cost the city nothing. For, does not the state provide the funds in the first instance, then send in a check each year to meet practically all of the principal and interest cost, so that all it costs the city is tax-exemption—and how insignificant is that?

Since the $300,000,000 capital fund and the annual $6,250,000 contribution are now substantially all committed, the Legislature at its recent session authorized an increase in the annual contribution for repayments of these loans to a total of $9,000,000, provided the voters shall approve a referendum on this question at the next election. The proposal will be phrased in such a manner as to give the average voter the impression that he is merely voting an additional $2,750,000 for public housing, but since the law authorizes fifty-year contracts, approval of the referendum will commit the state to an **additional** total expenditure of $137,500,000—which the municipalities must match—or an aggregate of $275,000,000. If the referendum results in approval, then this sum of $275,000,000 will be added to the $625,000,000 already authorized (and largely committed), whereupon the State and its municipalities will be bound to an expenditure of $900,000,000 on taxpayer-subsidized public housing over a fifty-year period.

"The Camel's Nose Is Under the Tent"

Verily, the camel's nose is under the tent!

The Federal statute follows a similar pattern. The essential points of difference are these. The total capital funds appropriated by Congress amount to $800,000,000. The annual subsidy authorized by Congress to be given to the municipalities, to provide the funds with which they may pay back the sums they borrow, is $28,000,000. However, the local housing authority must raise at least 10% of the cost of a project, from municipal grant or other sources. But on dollar-matching with respect to the annual contribution, the municipality need put up in the form of tax exemption or otherwise, only one-fifth of the amount that the housing authority receives from the United States Treasury.

In recent months there have been many speeches made and much publicity issued by those already on the public housing payroll, urging the passage of the Wagner-Ellender-Taft bill. Their principal propaganda theme has been that it is largely a private-enterprise bill. With respect to such statements, there are two facts of importance that need to be emphasized. One is that the private-enterprise businesses that allegedly would benefit by these provisions either don't want them or are willing to forego them, rather than to permit the harm to our national economy that would result from the other provisions of the bill. The second fact is that a forty-five year public housing expenditure is snugly tucked away in Title VII of the bill. For therein contained is an extension of the plan previously described, under which the United States Treasury would be committed to make annual payments of $88,000,000 to local housing authorities on forty-five year contracts — an appropriation that would run to a total cost of $3,960,000,000. And that sum, of course, is additional to presently outstanding contracts!

The Low Rent Process

Let us next examine the process by which low rents are accomplished in public housing projects. Funds for the cost of the land and buildings are provided by the State and Federal Government either by direct loans or by the sale of bonds bearing a Government guarantee. Then, the money with which to repay such loans, including the interest thereon, is presented as a gift by either the State or Federal Government, so that the cost of capital, which a private owner must meet, is entirely eliminated. The provision for tax exemption eliminates a second burden. When private capital puts up a housing unit, its minimum costs for these items will run to approximately 9% per annum on its investment, computed as follows:

Depreciation (i.e. return of capital) 2%, or $2 per $100 of investment; Interest on borrowed funds (or a fair return on its equity), say 4%, or $4 per $100 of investment; Local real estate taxes, which average 3%, or $3 per $100 of investment; Total 9%, or $9 per $100 of investment.

With these costs eliminated, rentals can be established at a figure to cover merely maintenance charges and will be somethink like one-half of the rentals necessary in a private, and taxpaying, project.

The Taxpayers' Breaking Point

Is it not pertinent to make inquiry as to where the breaking point may be? Undoubtedly, 99% of the taxpayers can afford the added tax burden necessary to pay one-half of the housing cost for 1% of the population. But can 90% of the taxpayers afford to so subsidize rentals for the remaining 10%? Can 80% afford to so subsidize the remaining 20%? Can 70% afford to subsidize the remaining 30%? Where is the breaking point? Who will determine it?

It is not apparent that the cure may be worse than the disease? And I offer no defense for the slums and blighted areas that blot our cities!

The sentimental appeal that has been successfully used by public housing propagandists to put our Government into the public housing business has been (1) the need for clearing the slums and (2) a plan to provide low-rent housing for people of sub-standard income. In fact, neither of those two objectives has been accomplished. Neither of them will be accomplished by a further extension of taxpayer-subsidized public housing. The New York law, incidentally, does not require the demolition of slum housing as a condition precedent to the erection of subsidized public housing. Many of the State-sponsored projects have been erected on vacant land.

Who Benefits From Housing Projects

Repeated surveys have demonstrated that where public housing projects have been erected to replace slums, only a negligible proportion of the people who lived in the houses that were demolished were actually re-housed in the resulting projects. Surveys have furthermore revealed numerous instances of families well able to pay economic rents living in taxpayer-subsidized housing projects, including several public officials. Mr. Cyrus Crane Willmore of St. Louis, Mo., after making an exhaustive study of the subject, said: "If ever a fraud was perpetrated upon the American people, that fraud is public housing. It has deceived the very people it was intended to benefit. It has loaded new and heavy tax burdens on our cities. In few instances have the projects cared for the low-income slum families who lived in the cleared-out areas. Low-income families who are excluded from the projects must seek shelter in private property that must pay a heavier tax load, and therefore must charge higher rents, because a public housing project has forced it to."

Said the Chicago "Daily News" editorially: "It is not advantageous to good citizenship or in the best interests of the community or nation to have a large body of citizens supported in part by public subsidy. It is self evident that subsidizing these public housing projects places an unfair tax burden on those who own real estate; that by increasing taxes, it increases rents and thereby places an unfair burden on those who must pay rent."

The theme song of the public housing propagandist is: We are not competing with private capital. We only supplement private capital. We merely provide low cost housing at $7 a room, when it would cost private capital at least twice that much.

A Suggested Substitute

I have suggested that the cure may be worse than the disease. Here is the proof:

1. There is no need for the continued existence of slum housing in any city which wishes to eliminate it. All that is required is the adoption and enforcement of sound building codes, that will prohibit the construction and occupancy of indecent and unsanitary housing.

2. One simple and effective method of accomplishing such enforcement would be to provide that no housing accommodation may be rented unless it is subjected to an annual inspection by city inspectors (at a cost of, say, $2 per inspection) and that no rental occupancy be permitted unless the inspection report certifies it to be decent and fit for habitation.

3. Because of the admitted difficulty of assembling sites in congested areas, the cities should be authorized to condemn slum areas by blocks, to demolish the buildings on such land, and to then sell the land at public auction to whoever would buy it. The losses that might result between the cost of such condemnation and demolition and the price realized at such auctions would be far less than that to which the city commits itself in the public housing programs.

4. To the extent that there are families unable to earn an annual income sufficient to provide adequate and decent food, clothing and shelter, the direct payment of sums sufficient to supplement the family budget in such cases is a more effective and less costly device than the continued expansion of taxpayer-subsidized public housing projects.

5. The way to lower the cost of housing is to increase the supply of private construction. The way to increase the volume of private construction is to remove the fear and threat of Government competition in providing housing by taxpayer-subsidy at less than its fair cost. For, unless that fear and threat are removed, private capital will steadily recede from this field, thereby compounding the very problem for which a cure is sought.

In this post-war reconversion period, organizations of business men all over the country are shaping their programs on the premise that, within a reasonably short period of time, Government operation will be withdrawn from all fields in which it is in competition with private enterprise. It is apparent, however, that such discussions and programs seldom embrace the housing field as an activity from which Government sponsorship and subsidy is to be withdrawn. On the contrary, many such groups accompany their demands for withdrawal of Government competition in their own fields with outspoken requests for Government sponsorship, funds and credit in the housing field.

But let this be understood. In no field of business is it possible for government and private capital to compete. If government is moving further into the housing business — and every indication points that way—then private capital is on the way out!

Bill to Aid Balloting By Absent Servicemen

Under a measure passed by the House and sent to the Senate on April 1, Federal aid would be given the States in getting absentee ballots to service men for the Congressional elections, and the "'bob-tail" ballot which authorized overseas servicemen in 1944 to vote only for President and Vice-President would be abolished. A provision of the bill, according to United Press Washington advices, would permit the ballot forms to go through the mail postage-free. From the same advices we quote:

Chairman Herbert C. Bonner, Democrat, of North Carolina, of the House Elections Committee, told the House that there was "plenty of transportation" to get State absentee ballots to service men throughout the world. Therefore, he said, it was decided that the Federal ballot was no longer needed.

Reg. Mail to Philippines

Postmaster Albert Goldman announced on April 4 that the Postal Administration of the Philippine Islands has advised that present facilities are inadequate to handle and afford proper protection to the large number of registered packages which have been received for delivery at provincial capitals and has requested that the acceptance of registered packages to the Philippines be restricted to those addressed for delivery in Manila only. Therefore, says Mr. Goldman, "effective immediately, no packages addressed for delivery at any post office in the Philippines other than Manila may be accepted for registration. Letter mail, however, may continue to be accepted for registration when addressed for delivery at Manila or at any provincial capital in the Philippine Islands."

Ordinary (uninsured) parcel post packages, it is stated, are acceptable up to a weight limit of 11 pounds to all places in the Philippines.

The "Purchasing Power" Fallacy

(Continued from page 1927)

exchange for tangible things or materials, for the most part almost immediately destroyed, or, if not designed for immediate destruction, wrought into forms of little or no value in peacetime pursuits.

It is thought by many that this supposed "increased purchasing power" assures us an abundant and enduring prosperity; others consider it a "Vast Reservoir of Liquid Wealth"; while the Office of Price Administration, viewing the situation with apparent satisfaction, is confident that if it is permitted to attempt to control prices for one more year there need be no fear of ill effects from inflation.

It is not difficult to detect the source of this belief since it has become a common practice for publicists of the air and press as well as of politicians to use the terms "purchasing medium" and "purchasing power" as synonymous. So it comes readily to be supposed that increasing the outstanding purchasing media of a country automatically increases the total purchasing power of the people of that country.

If their statements to stockholders and the public are to be taken literally many business executives, who would indignantly repel the charge that they were believers in the Townsend Plan or "Ham & Eggs" as suitable instrumentalities for the enrichment of the nation, have accepted the "increase of national purchasing power" theory. *Yet if the national purchasing power can be increased by paying persons high wages for producing things to be immediately destroyed or of no peacetime value it can even more readily be increased by paying them to remain idle.* In idleness in any event there will be no wastage of natural resources. Therefore, if it is true that by virtue of the vast war expenditures for munitions and weapons, pay and subsistence of armies, or articles of value only in war, a great increase in national purchasing power has been created, there can remain no doubt as to the soundness of either the Townsend or Ham & Eggs plans for national prosperity.

Both these beliefs are born of the theory that a country's purchasing power can be increased by the printing and issuance of moneys or credits *which represent no corresponding increase in the national stock of purchasable things.* The one would add to the national wealth by subsidizing idleness; the other by emissions of paper money and credits for the production or purchase of things for immediate destruction. Failure to observe that the purchasing power of any quantity of purchasing media is directly dependent upon the supply of and demand for purchasable things leads to a premise out of which idleness and war emerge as the great creators.

II.

All this is fabulous nonsense. Presenting superficial plausibility these beliefs are devoid of a single grain of truth. Those who cherish them are deluded followers of a will-of-the-wisp. They have failed to observe:

1. That money, in the absence of purchasable things, is wholly devoid of purchasing power.

2. That money has purchasing power only to the extent that there are things available for purchase.

3. That the purchasing power of a nation's supply of money and credit increases with increase in the volume of purchasable wealth *and decreases as the volume of purchasable wealth decreases.*

4. That increasing the amount of money or credit held by the people of a country *without increase of the purchasable wealth* can never increase the national purchasing power.

5. That increase of the purchasable wealth of a country, *even though there is no increase in the volume of money or credit,* must always increase a country's purchasing power.

6. That money is not purchasing power. That it does not of itself possess purchasing power. Neither can it create it. That money is but a medium through the use of which such purchasing power as is created by the effort of man may be measured and conveniently exercised.

7. That if purchasing power could be created by money the richest nation would be that which could manufacture and distribute the most money.

III.

The purchasing power of a nation consists of its purchasable things. In the proportion that its purchasable things disappear through use and wastage without replacement its purchasing power diminishes. Increase of its outstanding purchasing media does not alter this. During the progress of the War production of purchasable things of peacetime value all but ceased; the production of things for destruction became the nation's chief business. But consumption of peacetime wealth did not cease and high wages were paid those who produced for or engaged in destruction. *In this manner the outstanding supply of money and credit came to substantially exceed that of the pre-war period while the purchasable wealth of the nation declined.* In short, as an inevitable consequence of the war, this nation as well as all other active belligerents came to suffer from an inflation of purchasing medium and concurrently from a decline in purchasing power.

War alone is not responsible for the inflation of our circulation. For nearly a decade before the outbreak of war the Government of the United States annually spent large sums in excess of its revenues. This was preceded by a reduction of 40% in the gold content of the dollar; and by the passage of laws repudiating the gold clauses of government obligations and prohibiting private ownership of gold coin or bullion. These expenditures in excess of the annual revenue it met ostensibly from the proceeds of bond issues, but in reality by the printing of currency and the creating of bank credits none of which are redeemable in anything more substantial than some alternate form of paper or credit. In this manner the circulation of the country became greatly expanded. So serious is this expansion the Government itself has not hesitated to launch a determined campaign against the free and unrestricted use of their lawful money by its own citizens. This effort, following the classical course of campaigns to stem inflations the world over, has taken the form of restrictive laws and regulations designed to prevent a rise of prices above pre-inflation levels as determined by Government Bureaus. It is said that these restrictions will be lifted in the early future since all danger will soon be overcome.

IV.

It is clear that political as well as commercial considerations render an early decrease in outstanding purchasing medium impossible. The moneys and credits of a nation are the property of individuals and corporations and not of the Government. They have been paid out for materials supplied or services rendered. They could be repossessed by Government in sufficient quantity to cause a deflation only through the most extraordinary forms of taxation. By taxation of this character business and all commercial transactions would be adversely affected. No one could hope to escape its ill effects. No government elected and sustained by popular vote could survive the ensuing depression. Even absolute monarchs shrank from attempting it. It is for this reason that history records no instance of a substantial inflation being corrected by a governmentally imposed deflation.

V.

Recognizing the political inexpediency of attempting to repossess a quantity of the country's inflated circulation sufficient to reduce it to such proportions as to insure old price levels, those in charge of the nation's fiscal affairs have announced their belief that a cure lies in bringing the purchasable wealth and commerce of the country up to fit the circulation. Since reducing the size of the harness, now several times too large for the horse, is inexpedient, they propose that the horse shall be induced to grow to fit the harness. As a stop-gap while awaiting this development they demand the right to continue ceilings, priorities and price-controls. There are many who do not share the belief that the horse can so readily be induced to grow to fit the harness, even as now constructed, much less a harness still further enlarged through foreign and domestic grants and vast contemplated non-productive civil and military expenditures. As one of those persons I propose to point out some of the reasons for this disbelief.

(a) When the heads of the Office of Price Administration speak of preventing inflation, in reality, they do not speak of preventing inflation at all, but of preventing the natural consequences of inflation. Against inflation itself they utter no word. In prevention of the consequences of inflation the remedy they offer is disarmingly simple:—To hold prices at pre-inflation levels by force of law and await the action of economic forces which, they contend, will so stimulate production and commerce that the outstanding swollen circulation will quickly be found to be no more than sufficient to meet the country's needs. This they profess to believe will occur within the twelve months June 30, 1946 and June 30, 1947, after which prices may be expected to automatically move within pre-inflation levels.

The economic force upon which they rely has not been fully described, but it is clear enough that it can be none other than the vast "increase in national purchasing power" consisting of irredeemable currency and created bank credits to which reference has already been made. In short their contention comes to this: that if prices can be held in check by law during the comparatively short period of time reasonably required for it to work, inflation is helpful to a nation and not harmful. All history as well as reason disproves this contention, as will be pointed out.

(b) The prime purpose served by the purchasing media of a country is to facilitate commerce and savings. It is provided by government, either directly or indirectly, and should be sufficient in quantity at all times to meet the country's commercial needs. When issued in substantial excess of such needs, as by a government meeting expenditures in excess of its revenues, it can serve no useful commercial purpose. On the contrary it dilutes the media already in circulation in respect to which exchange values have been established and inevitably brings well-founded suspicion and distrust accompanied by price increases which continue to manifest themselves with each new issue. We are now experiencing this phenomenon. In considering the likelihood of its early disappearance we may profitably start, as have those attempting price regulation, with the pre-inflation period. Within the maximum and minimum limits observable in all commerce, prices then prevailing were presumably normal. This is because there was then in circulation no more than a sufficient quantity of purchasing media to support the business of the country, consisting of the ownership of and traffic in the country's existing wealth as well as in the production, transportation, and exchange of newly produced goods and services. *It is important to bear in mind that the harness then fitted the horse and the horse the harness.*

These normal prices were, therefore, the result of the interplay of natural economic forces under a proper balance between the wealth and commerce of the country and its outstanding circulation. It is a similar balance, *to produce similar prices,* that the Office of Price Administration anticipates *not through a reduction of the circulation, a manifest political impossibility, but through a spectacular increase in the nation's wealth and commerce.* How great must this increase be? We know the amount of circulation of that pre-inflation era; and complete statistical data respecting its commerce is at hand. We know the population; its productive capacity both in plant and manpower; its annual production and sale both of capital and consumer's goods; its annual consumption of the latter and the wear and depreciation of the former. Even the accumulated wealth of the era has been carefully classified, listed, and appraised, and we know its value stated in pre-inflation terms to be less than $400,000,000,000 and perhaps somewhat more than $350,000,000,000. We know the approximate value of each of the several classes. We know that a considerable portion of this was not purchasable and did not enter directly into commerce. Examples are the highways and bridges; public lands and buildings and their furnishings; schools and equipment; the vessels and equipment of the Navy; the harbors, canals and shore aids to navigation; and the equipment of the Army.

(c) It is not unreasonable to suppose that our production and commerce in the not too distant future will reach pre-war levels though the items comprising it may differ. Were the outstanding circulation the same, similar price levels might justifiably be anticipated. But the outstanding circulation is not the same and is not to be made the same. It is and will remain several times higher. *That to which both reason and experience fail to give support is the supposition that we shall spectacularly achieve so vast an increase in national wealth and commerce as to presently overcome the existing and increasing inflation and thus reestablish and maintain the old price levels.*

(d) In examining the question one may properly inquire what percentage of increase in the nation's wealth and how great an advance in our standard of living will be necessary to promote and stimulate commerce requiring several times the circulation of the pre-inflation days; how and by whom that wealth is to be created and the time necessary to such an operation. And in the study no greater error could be made than to indulge the assumption that all that is annually produced becomes an addition to the nation's accumulated wealth. The food and clothing consumed by the people; the fuel, the light, the power, both domestic and industrial, the amusements and entertainment, while annually produced are annually consumed. Wear and the natural decay of every physical thing of use and value must also be taken into account in calculating the increase or decrease of the nation's wealth.

(Continued on page 1966)

The "Purchasing Power" Fallacy

(Continued from page 1965)

All these are costs of operation. The wealth of a nation is increased only by those things of value remaining after all consumption, whether by use or decay, is met. That this is a slow and painful process is nowhere better proven than by the fact that our total accumulation since Europeans first landed on this hemisphere is less than $400,000,000,000.

It will also profit one to attempt to discover the fields in which we may expect an increase in our pre-war level of production sufficient in volume to require a circulation several times that of pre-war days. Is it to be in the field of food and clothing? Is the average American to eat and wear twice what he ate and wore before? Is it to consist in the doubling of our industrial plant caapcity or our transportation facilities? Or of our amusements? Our pre-inflation standard of living was high. Both our production and consumption were the envy and wonder of the world. Unless these standards of living are to rise dramatically and suddenly, from what source can we derive the increase in our domestic commerce required to make that commerce so fit our swollen circulation as to produce and maintain the price levels of the pre-war era?

(e) The question may profitably be examined from another angle. Already *both wage levels and taxation* are far above those of the pre-inflation era. These are integral and important factors in the cost of production and must be and will be reflected in prices. In bureau staffs and in the new Standing Army and Navy the numbers of the non-producers have steadily increased, and the increase continues. With the approval of Government, labor demands shorter hours; and in many industries by concerted action holds production to carefully calculated minimums. It is also a matter of common knowledge that production and commerce, following historical precedent, have become laggard under price regulation; while the determination of people to spend their high wages or speculative profits as they see fit, notwithstanding attempts to restrain them, has given rise to thriving black markets in every commodity of common traffic. These black markets, despite their horrendous name, are, in reality, no more than free markets driven underground and hence often into the hands of the most undesirable elements of society who profit at the expense of more law-abiding merchants and no less at the expense of the national revenue since they dare not declare their gains.

Under normal conditions broad, sweeping upsurges in a nation's trade and commerce are neither expected nor deemed desirable. If an increase of the magnitude required to balance the country's inflated circulation occurs, to what must it be attributed? Will it be attributable to war, the world's greatest destroyer of life and wealth? If so, war must be considered a profitable activity. Will it be attributable to the inflation itself? Then is inflation a blessing and a builder and not a disaster as we are told and as history proves? If from neither of these causes, from whence will come the extraordinary stimulus necessary to cause the country to quickly double and perhaps triple its wealth and its trade and commerce, and thus catch up with its thrice extended circulation.

Inquiries such as these can lead to but one conclusion: *that we shall never catch up with our inflation. It is an existing fact.* We must and will live with it as best we can. We should, but in all probability will not, cease inflationary emissions since we are too far along the road to turn back. Already great new issues in excess of revenues, issues which will provide the country with no corresponding purchasable thing of value, are being seriously considered and diligently promoted. Among these are prodigious uncompensated shipments of American production abroad, and great, and but slightly concealed market-supporting operations in foreign currencies.

The story of inflation is one of the oldest in history. It is through its practice that the cost of wars and of the follies of rulers is most often defrayed. So universal has been this evil that it is scarcely an exaggeration to say that the greater portion of the sweated savings of mankind has been filched from its owners by this practice of governments. The great gold coin of the Roman Empire, the Solidus, has become the humble sou; the British pound sterling of the 13th century had lost 39/40ths of its value before the outbreak of the present war. Within a period of 25 years the French franc declined by no less than 19/20ths of its former value. The monetary systems of other countries have been formally abandoned. Our own dollar has within the past decade been shrunken in gold content by 40%.

In each of these operations the savings of individuals, tragically, and often to the individuals concerned, mysteriously, have disappeared. The disappearance has taken the form of failure of purchasing power. In our own country, in every community, there are to be found persons who, having retired in reliance upon a modest annual income from interest-bearing securities, now find that income cut in half and the purchasing value of the remaining half greatly reduced. To these unhappy persons the phenomenon revealed itself in the form of called bonds, falling interest rates and increased cost of living. It was actually but a manifestation of our progressing inflation.

Inflations take the form most convenient to rulers and most deceptive to subjects. In simpler days coins were clipped or coinage called in, melted down and alloyed with baser metals. Since the days of printed currency the printing press has been most frequently resorted to. Notwithstanding this, debasement of coinage has not ceased. Our own reduction of the gold content of the dollar is a notable example of modern coinage debasement.

But whatever the form the result is always the same. The purchasing power of the purchasing medium declines—having been absorbed by government. The decline at first slow, proceeds at an accelerated speed. Interest rates drop. The savings of the prudent are being swept away. Thereupon a cry arises against mounting prices. It may be likened to a cry against a falling thermometer rather than against the chill winds that bring the mercury down. Nevertheless governments, admitting no blame, heed these outcries and enact statutes and decrees in an effort to thwart the working of natural laws. But these laws will not for long be thwarted. Prices will not be held down since the left hand of government by its inflations forces them up despite the pretense that the right hand is making effort to keep them down.

These price fixing laws have taken various forms and many names. It is unlikely that an inflation has ever occurred without governmental recourse to price fixing measures. Cruel penalties have been provided, leveled against those who either sell for more than the decreed price or refuse to sell at all. In Latin countries such measures have been called "The Law of the Maximum." We call them "Directives Fixing Price Ceilings." Differing only in name they are alike in substance and futility.

No better example is to be found than the "Law of the Maximum" enacted in France during the assignat inflation of the years 1790-1795. Laws of unparalleled ferocity were enacted against all who publicly or privately questioned the value of the printed assignats. The death penalty was prescribed for any seller who so much as made inquiry as to whether payment was to be made in paper or in gold. The guillotine worked daily and its victims came in batches. But even an over-worked guillotine could not force men to suppose printed slips of paper to possess the value of gold. There was also recourse to rationing as an aid. But so hated did the entire system become that after the overthrow of the Terror mobs marched through the streets of Paris crying "Down with the Maximum." It had utterly failed to stem the course of the inflation. It had worked irreparable harm upon trade and commerce and brought the cities of France to the verge of starvation. It was denounced throughout the length and breadth of the country as the "Law of Famine."

VII.

These conclusions are inescapable:

(a) The wealth of a nation consists of the aggregate wealth of its citizens and the public works and stores and is accumulated by slow and painful processes. Subject to wastage from use and decay it must be constantly replenished.

The purchasable wealth of a nation consists of its available purchasable things. This purchasable wealth limits and defines the nation's total purchasing power. Beyond this total it can never extend. Increasing as the wealth of the nation increases it decreases with its decline. Efforts to increase a nation's purchasing power through increase in the nation's purchasing medium are completely lacking in substance. They arise from failure to observe the nature of wealth and the function and purpose of money. An increase in a nation's purchasing medium without a corresponding increase in purchasable things constitutes no more than a write-up of values. As a measure for increasing the nation's wealth it is a gesture of utter futility.

(b) One can best examine the economic situation of a nation at war or emerging from a war by disregarding momentarily all question of money or purchasing medium. A nation enters war possessing a given accumulation of wealth, to which it has habitually made annual increase. Its productive capacity is organized and its trained manpower unimpaired. Peace is the normal condition of man and to peace the nation will in due time return.

Upon entering the war the nation ceases in the largest possible measure the creation of things which constitute the purchasable wealth of peacetime. But it does not discontinue their use or consumption. The accumulated wealth, purchasable and non-purchasable, diminishes and continues to diminish until peace is restored. *Thus in respect to purchasable wealth, and consequently in respect to purchasing power, a nation emerges from war poorer than when it entered it.*

Bearing this in mind one may more safely consider the question in the light of the nation's purchasing medium. Even had this purchasing medium remained constant in amount it is clear that its aggregate purchasing power must be less at the close of the war than at its beginning as an inevitable consequence of the decline of the nation's purchasable wealth.

But unhappily the supply of purchasing medium has not remained constant. It has, on the contrary, increased by enormous proportions. It is against the swollen aggregate of purchasing medium that the national purchasable wealth must now be measured. The yardstick has been lengthened but the cloth has not.

(c) As a people we have emerged from the war poorer and not richer. We are poorer in manpower by the numbers and quality of the slain. We are poorer in natural resources by that which has been destroyed or wrought into forms without value in time of peace. Our industrial effort has been enfeebled by the numbers of our disabled. We must bear the burden of caring for a multitude rendered helpless or without support. Our productive plant and manpower have spent many years in producing only for destruction, and for the destruction of the manhood and wealth of those who were once our profitable and cherished customers. These years are gone from the life of the nation as well as from the lives of its citizens. Our supplies of those things of luxury and common necessity which have become essential to our way of life have declined. We now know that much time will be spent in bringing these supplies back to pre-war levels.

Our inflation has neither increased the purchasing power of the nation nor brightened its future. Through it we have done no more than write up in value and re-distribute the diminished wealth of a nation just emerged from war. While we have increased the purchasing power of some we have decreased that of others. We have penalized all those whose savings were invested in insurance, annuities, and interest-paying obligations including those of the Government. We have inflicted irreparable injury upon pensioners and visited unmerited hardship upon the lesser paid white collar workers and their families. As against all other classes of society we have favored the speculator. By doing these things we have discouraged thrift and moderation and encouraged waste and recklessness.

Impatience against the slow hard way back along the road of economy and industry will bring demand for a thousand schemes and panaceas some of which will be tried. Without exception they will be based in final analysis upon that baseless, but quite understandable human hope that way may be found whereby printed slips of paper issued under the great seal of Government will somehow restore our wasted wealth and serve to relieve us of the necessity of paying in sweat and tears for the follies of our rulers.

Long before we shall have reached even our pre-war level of national wealth all measures of rationing and price control will have been abandoned and forgotten. If any measure of success whatever is to flow from them it will be by way of easing the strain of transition and nothing more. At best our dollar will have become stabilized at its shrunken value and the pre-war dollar will have become a thing of memory. It is a situation that cannot be changed. Those who face it for what it is will fare the better for having done so.

New York Stock Exchange Weekly Firm Changes

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

Privilege of Milton E. Lawrence to act as alternate on the Floor of the Exchange for Amos M. Kidder was withdrawn April 4th.

Interest of the late Kintzing P. Emmons in T. L. Watson & Co. ceased as of March 31st.

Interest of the late Charles R. Gay in Gude, Winmill & Co. ceased as of March 30th.

Pope Pius Asks Food for Europe

Pope Pius XII addressed the world by radio on April 4, the Associated Press reported from Vatican City, warning the more fortunate sections that the responsibility lay with them to avert political uprising and disorder leading to another war by sharing food supplies to feed those in the famine-suffering areas. The Pope, who discussed the world's food problem with Herbert Hoover, on the latter's inspection tour of Europe, said that it was indispensable that food imports be increased for Europe until the next harvest is reaped, and he described the "sinister menace of hunger" facing at least one quarter of the world's population.

The Pontiff continued, in part, as reported in Associated Press accounts from the Vatican City:

"Various unforeseen and unforeseeable circumstances have aggravated the already formidable difficulties of provisioning; in eastern Europe insufficient cultivation due to the war's onrush and the subsequent forcible driving away of a great part of the local population; bad wheat harvests in southern Europe and the lands which border on it—poor harvests, especially of rice in eastern and southeastern Asia and drought in South Africa.

* * *

"The human race is threatened by famine, and famine is the cause of incalculable unrest in the midst of which the future peace, as yet only in germ, would run the risk of being suffocated before being born. In the face of this common peril there is no room for thoughts of vendetta or reprisal, for lust of power or domination, nor for any desire or isolation or of a victor's privileges. That is very well understood in North America.

"In this offensive against famine, the United States has generously taken the lead. It has placed at the service of this holy cause its gigantic power of production. It has doubled efforts to increase the surplus of foodstuffs, destined for exportation. Canada, too, is taking the same way. For its part Great Britain, with timely forethought, has convoked in its capital an international conference to discuss food problems and has left in force wartime restrictions on the use of many eatables.

"It is certain that a small, scarcely noticeable rationing in the better supplied countries would result in such saving of food as would afford other peoples a marked relief in their more urgent needs. For that reason we look trustfully to the States of Latin America. In the past the noble hearts of their citizens have been opened wide to every appeal of charity.

* * *

"It would be fatal to think that the crisis can be overcome unless tranquillity and public order are maintained. It is necessary that all remain calm. History shows us only too often the disastrous results of that delusion which drives hungry mobs to revolt and pillage. Woe to those who would stir it up by the sight of their scandalous luxury and by their extravagance."

A. Kingston Ghegan Heads Ira Haupt Dept.

Ira Haupt & Co., 111 Broadway, New York City, members of New York Stock Exchange, announce that A. Kingston Ghegan has become associated with them as manager of their Bank and Insurance Stock Trading Department.

Mr. Ghegan was formerly with J. Arthur Warner & Co. for many years in charge of the Bank & Insurance Stock Department.

OPA Program Realistic

(Continued from page 1933)
and shipbuilding back in 1939 and 1940 and how short of the actual production record these guesses fell.

Getting back to this second phase of price control as I see it—Physical reconversion of our factories has been pretty well completed but there were many other problems that had to be solved—some of them still have to be solved. Labor-management differences had to be ironed out. Material and manpower had to be reallocated and channeled into peacetime production. Industry, running at top speed for all out war production, suddenly faced huge cutbacks, the wheels began to slow down—some stopped altogether. Industry took a deep breath, a quick look around and went to work. The need for a quick return to business on a peace-time basis confronted them and they quickly took up the challenge.

OPA Accomplishments Since V-J Day

It has been charged by some that all during this period since V-J Day while industry was struggling with its peace-time problems, OPA marked time—that OPA sat on the price lid—on a war time business-as-usual basis—unrealistically operating—oblivious to the basic changes that were taking place in a peace-time economy.

This is far from the truth. At the risk of having to burden you with a few more statistics I would like to outline as briefly as possible just what OPA has been doing since V-J Day in order to not only keep in step with industry but to make certain that pricing policies are not standing in the way of production.

Since V-J Day, OPA has altered adjustment provisions in its regulations to meet reconversion problems and conditions in the following respects:

So as not to hinder production in industries and firms whose products were out of production during the war, OPA authorized reconversion industries to adjust prices to take account of cost increases since 1941 as well as peacetime profit margins. This phase of the pricing program also provides procedures which enable reconverting firms with special cost problems to obtain adjustments based on their own individual cost increases and profit margins. Moreover, if a reconverting industry or firm finds itself in hardship after it has had operating experience, it may apply for a price adjustment.

In order to meet the specific needs of the basic industries OPA added individual adjustment provisions to twenty-five price regulations, such as lumber, durable goods, rubber, chemicals, drugs, textiles, building materials, paper and sugar.

A supplementary order now applies to over a hundred regulations, which enables individual manufacturers, who need prices higher than those which are profitable to the industry as a whole, to adjust their prices so as to cover all of their costs. This order is now being extended to include practically all regulations, establishing prices for manufacturers or producers, except those which **already** contain an individual adjustment provision at least as liberal, or where the granting of individual adjustments will seriously injure the price control program.

Special Regulations for Small Concerns

To meet the needs of new small industries, a special order was issued to set up a simplified, almost automatic method of providing ceiling prices for new small consumer durable goods firms. The prices authorized by this order are based upon manufacturers' costs plus the average profit margin for the industry. They are calculated on a simple form by the firms themselves, so that the way is cleared for many new small producers to get into production rapidly.

Special provisions have been made for industries affected by sharp drops in war orders. Some of these industries encountered hardships when they shifted large parts of their production from high profit margin products to items that yielded lower margins. While, in most cases, these industries have not yet had enough actual production experience to show clearly what their new costs will be, OPA will make adjustments based on adequate quarterly operating statements.

The wartime "product standard" has been modified. All during the war, when a multiple product industry had total earnings above peacetime levels, but was losing money on an individual product or line, OPA limited the industry's adjusted prices to cover the **out-of-pocket** cost on that product for the industry as a whole. Now, with civilian production our goal, for most industry-wide products OPA will make adjustment which cover average **total** costs. This is a more generous standard than many industries applied to themselves in pre-war competitive circumstances.

Price Adjustments on Low-Priced Goods

In cases where rising costs have discouraged the production of low-priced, low-margin goods, OPA has granted special price increases to encourage their production. Such adjustments have been made for low-priced apparel, textiles, furniture and appliances.

Statistics on the price actions taken by the Agency since the end of the war further illustrate the flexibility of OPA operations.

Since V-E Day, OPA has made 459 industry-wide price adjustments for the following reasons: 115 to clear the way for increased production; 170 to maintain generally fair and equitable prices; 12 to make controls more effective; 85 to prevent inequities and 77 to correct maladjustments and inequities. And in addition to this tremendous job on an industry-wide basis since V-J Day, OPA has processed approximately 7,000 adjustment cases for individual companies. Of these, 50% were granted in full, 18% denied in full, and the remaining 32% granted in part, dismissed or withdrawn.

I ask you, in all fairness, whether that record looks as though OPA has been operating with an unrealistic program without change in policy since the end of the war? I think you will agree that it does not.

Production Since V-J Day

Now let's take a look at how production has fared during this second phase of price control.

The Federal Reserve Index of Industrial Production which slumped sharply after V-J Day because large numbers of war orders were cancelled or drastically cut began to climb in November, less than three months after the war's end. It continued to rise in spite of labor-management disputes and reached a level above that of any year when the nation was not actively at war. In November production stood 51% above 1939, our last real peacetime year. Such a level of output for four months after the conclusion of an all-out war, which used more than 40% of the nation's total productive equipment, indicates no production failure. Production slumped between December and February due to prolonged labor-management disputes. By early in March most of these disputes were settled and production again began to climb.

Payrolls and individual earnings are now only slightly below wartime peaks, and rising. Production of civilian goods is now 50% to 75% above July, 1945 levels and is expanding rapidly.

Both of these facts, purchasing power and the production of civilian goods on the up-grade, point to a continued rise in retail sales during the months ahead.

So far, during this second phase of price control, there has been no indication that price control, in general, has restricted production. On the contrary there is every indication that between now and the time when competition can again do its normal job, business can best operate in an atmosphere of stable cost and stable prices which provide the confidence needed to allay inflationary fears which would cause business to hold back on production and scramble for inventories.

The facts show that production is rolling. American industry is doing an astounding job of reconversion. Now that industrial disputes have been settled in the steel industry and in leading automobile and electrical manufacturing companies, principal bottlenecks delaying output have been broken.

Without Control Prices Would Rise

It's clear to everybody that if price controls were removed now, prices of most goods would rise sharply. To remove them now would invite the kind of hoarding, speculative buying, soaring prices and ultimate collapse that brought hardship and suffering to millions of people after the last war.

Last time in 1918 we tried to get production by simply letting prices rise. After the Armistice we had an inflation of nearly 30%. But production went up only 15%. Even this increase was temporary. Prices rapidly went so high that fewer and fewer people could buy. Early in 1920, just 14 months after the Armistice, while prices were still rising, production started going down. Then in the short space of 13 months it dropped by one-third. We stumbled into a boom and collapse that brought unemployment to millions of workers and bankruptcy and foreclosure to thousands of businessmen and farmers, I am sure none of us want that to happen again.

Last week I appeared before the House Banking Committee to urge them for a speedy extention of the Price Control Act.

My statement was a lengthy one—you may have seen copies of it or read about it in your papers. I discussed pretty thoroughly the critical time I saw ahead and what OPA is doing to streamline our organization to keep up with changing conditions. I told them of our accelerated program of decontrol that would speed up as production began to catch up with demand. I told them, that in my opinion, we must renew our subsidy programs for another year because our economy would not stand the sudden rise in the cost of living which would result if we were to abandon them on June 30th of this year. I outlined, in detail, the explosive inflationary pressures threatening to blow off the lid if we lose our grip on our stabilization program. I'd like to repeat a few sentences from my opening statement.

The economic and social results to our own country of inflation and resulting collapse are obvious. The economic stability of much of the rest of the world, now very precarious, is also at stake. A severe inflation and collapse here would be reflected abroad. This might well wreck for years all constructive attempts at the sort of international economic relations which we must have as a firm support for international peace.

I want to be completely frank about this, as a matter of fact I have become increasingly concerned during the several weeks I have been at OPA about the number and extent of price adjustments which we have been required to make. There is justification for these actions in cotton textiles, automobiles, petroleum, lumber and certain food products. But the vigor of the claims presented by the producing groups involved clearly indicates that but for OPA price controls there would be a swift and in my view a disastrous upward sweep of prices in these and other fields.

Can Avoid Inflation

I am convinced that we **can** avoid serious inflation, if we have the guts and teamwork to do it. The Congress, the different groups in the country, the OPA and other Government agencies have the know-how to prevent it. It can be prevented, but only if we have the tools to do it with. It can be prevented, but only by the kind of combined effort and determination on the part of the Congress, the Government agencies, business, agriculture, labor, and the general public which brought us successfully through the war.

This year we have made and will be making a considerable number of price adjustments to meet the needs of the transition period. But I am convinced that we can continue to hold living costs almost as stable as we have since the hold-the-line order was issued in April, 1943. At the same time, we can avoid genuine impediments to production. But we can do this only if the price control law is extended promptly without weakening amendments,—only if present subsides are continued,—only if the Second War Powers Act is extended,—and only if all groups in the country give support to the price control program.

Price control could easily be amended to death. One really bad amendment such as eliminating the Cost Absorption Policy could do it alone. I know you retailers, especially, don't like this provision in our standards. Many of you think it's pretty tough. But I believe that it's not one-tenth part as tough on you as inflation would be if this thing got away from us. Retailers were hurt the last time more than any other business group. This time would be no different. Retailers have everything to gain if we win this battle against inflation and everything to lose if we don't.

For four years we've all stuck with this fight against inflation. I'm confident that retailers want to win this last round. This is the only way they can protect the value of their financial reserves and inventories and avoid pricing themselves out of their markets.

The Liquidation of Control

There is a third phase in price controls as I see it. That is the liquidation period. I can't tell you, by the calendar, what the exact schedule will be. I think that before long we'll reach a point where production is really rolling and things and people have settled down—the air will begin to clear of inflationary psychology.

From this point on leading up to June, 1947 decontrol will accelerate. We can afford to risk some price rises on items dropped from price control because people will have more confidence in their ability to buy the things they want. There won't be the tendency to rush into the market to beat the price rise. Times will begin to look a little more normal to all of us and inflationary pressures will diminish rapidly.

At this time it looks as if June 30, 1947 can be the cut-off point for OPA. Any controls that may still be necessary, such as rents, building materials and possibly some appliances, can be turned over to permanent Government agencies, for as long as seems necessary. OPA, the symbol of wartime controls, will have served its purpose. No one will be happier about the whole thing than the people in OPA, many of whom have remained to finish the job at great personal sacrifice.

There has never been any doubt in the minds of those who have been responsible for the administration of the price control program that a great measure of the success achieved has been due to the contribution of the retailers of this country. It is obvious that without your cooperation the job could not have been done in the past—and cannot be completed.

The program will surely falter if we cannot continue to count on the full cooperation of retailers, who are the very heart of our American distribution system. I ask now for your continued co-operation and support because I know as deeply as you do that without **it**, we will never reach our big peace-time goal of expanded production, steady markets and steady jobs which all who have labored and sacrificed for four long years so manifestly deserve.

Chinese Govt. Names Two To Posts in World Bank

The Chinese Government has appointed Koo Yee-Chun as Executive Director of the International Monetary Fund, and Shen Lai-Ching Executive Director of the International Bank for Reconstruction and Development, according to information received on April 4 by Secretary Vinson, recently elected Chairman of the Boards of Governors of the two international institutions at the Inaugural Meeting in Savannah, Ga. As one of the five nations having the largest quotas in the Fund and Bank, China is entitled to appoint Executive Directors, said the advices from the Treasury Department on April 4, which added:

"Mr. Koo is a former Vice-Minister of Finance in the Chinese Government and at present is Secretary of the Governing Board for the four largest banks in China. He previously was Managing Director of the Farmers Bank of China and visited the United States in 1944 for the Bretton Woods Conference, and in 1936 in connection with silver discussions with this Government. Mr. Shen is an official of the Continental Bank of Shanghai.

"Both Mr. Koo and Mr. Shen are presently in China and will come to Washington for the first meetings of the Executive Directors on May 6 and 7."

Hasler to Retire as Head Of Pan American Society

Frederick E. Hasler, Chairman and President of the Continental Bank & Trust Co., of New York, will retire from the presidency of the Pan American Society of the United States at the annual meeting of the society on April 17 after having served the limit of six consecutive terms. New officers and additional members of the council will be elected at the meeting which will be held at the University Club at 5 p.m. William A. Prendergast is Chairman of the Nominating Committee.

Hancel With Fewel

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF. — Elwood L. Hancel has become associated with Fewel & Co., 453 South Spring Street, members of the Los Angeles Stock Exchange. He was formerly manager of the statistical department for Edgerton, Riley & Walter.

Prospective Bank Credit Control Steps

(Continued from page 1931)

000,000, and, through to March 27, weekly reporting member banks' holdings have declined by $1,856,-000,000.

From the Treasury viewpoint there is no emergency situation requiring the hurried passage of banking legislation, and any revision of the statutes to give the Federal Reserve Board more effective credit control should be thoroughly pondered over in advance.

In the Reserve Board on the other hand, the need is felt for new legislation to give the Board effective control over the volume of bank credit. To increase present member-bank reserve requirements, except in central reserve cities, would require new legislation. The Leland and CED plans, having in mind that any overall restriction of bank credit would stimulate the sale of Government bonds from bank portfolios, seek to avoid such liquidation either by special issues of Government securities for banks alone, or by requiring bank investment in such securities subject to direction from Washington.

The similar Seltzer plan stems from a quite different viewpoint, its author being concerned not with a boom in bank lending but with bank earnings and the hypersensitivity of the bond market.

In addition to raising reserve requirements, the Federal Reserve Board can influence credit conditions by selling government paper, or by allowing such paper as it holds to mature without replacement. By selling bonds the Board would cause excess reserves to decline. Member banks could then either borrow from the Federal, which they do not like to do, or dispose of some of their assets to replenish their reserves. The sale of their bonds would tend to depress the prices thereof and raise interest rates, which result by many would be taken as a signal that inflation is taking hold. Thus, the control measures might be self-defeating in effect, it is reasoned by persons who are not agitated by the inflation prospect.

Theoretically, the sale of bonds by member banks to the Reserve banks may have a different inflationary effect. Because of the proportional reserve system, when the banks as a whole sell to the Federal they acquire reserves on which they may pyramid credit. For each million dollars of Government bonds sold by the banks to the Federal Reserve banks, the member banks may acquire something like five times the amount of Governments through purchase from non-banks.

One reason for viewing the rapidly changing inflation picture calmly, it is said, is that the budget situation is becoming more encouraging. It is expected that the revised budget figures to be released this week by the President will foreshadow a balanced budget for the rest of this fiscal year, and beyond. The Treasury cash balance is still approximately $22,000,000,000 and therefore further substantial debt retirement is anticipated. If the trend of the first three months of 1946 is continued, this will mean a further reduction in the Government bond portfolios of the commercial banks, which have accounted for virtually the whole of the debt reduction thus far in 1946. This may stimulate banks to look for Government bonds in non-bank circles, but the prospect is described to the "Chronicle" as not of an exigent character meriting emergency legislation, such as compulsory investment by banks in certain Government securities.

There is a difference, it is pointed out, between the banks buying restricted bond issues with

(Continued on page 1969)

UN Beset by Diplomatic Offensives

(Continued from first page)

the case of Iran, in which country even now neither the delegates, the press, nor the public know what actually is going on.

Next week the Council will be confronted by a new crisis, particularly embarrassing to the Western Powers, in the subject of Spain, as brought in by Moscow-dominated Poland. Thereafter it is expected that Moscow will again "retaliate" with a complaint against the presence of American troops in Iceland and China—which question Mr. Stettinius has stated he will gladly debate at any time "without asking for postponement."

Another field where this session is very likely to run aground, is the settlement of major Council procedure. Although badly-needed minor rules were yesterday adopted in great peace and amity, Mr. Gromyko very significantly urged haste in completing the other procedural rules. For these will include the very crucial settlement of the Veto power, the widening of which is sought by the Soviet; and which question in any event will determine the fundamental nature of the organization.

As a relevant background overshadowing even the political differences being revealed here, is the deadlock in peacemaking which has persisted since September. For its attempted solution Mr. Byrnes has transferred his main interest from here to the coming Paris meeting of the Foreign Ministers. In that field too the trouble is stalemated between the same Great Powers. They have not reached first base even on the comparatively simple Italian treaty. Russia wants large reparations, Trieste for Yugoslavia, and individual trusteeship over Tripolitania. Also there are the multitude of economic and political issues and the sovereign jockeying for nationalistic position blocking the consummation of treaties with Romania, Hungary, Bulgaria, and Finland.

* * * *

The True Significance of the Soviet-Iran Controversy

The first blow to the Security Council's resurgence of self-confidence and satisfaction over having survived its initial crisis, was dealt by the revelation at 4 a. m. last Friday morning of the completion of a Soviet-Iran deal. The ink was scarcely dry on Mr. Byrnes' resolution accepting the two countries' explanations and postponing further inquiry until May 6. The entire surrounding circumstances have unfortunately substantiated the fear (as expressed in these columns) that the UN might be misused as a tool for national political ends.

Such utilization of the Security Council as a political instrument assuredly is revealed in Persia's behavior. Even though the details of her negotiations with the Soviet, and the goings-on of her officials, are still not known, it is evident that the Council has been misled by the Ghavam-Ala team. In fact, only the highly dexterous handling of the proceedings by Mr. Byrnes prevented the Council, rather than Moscow, from being the party "left out on a limb."

It will be recalled that Hassein Ala, Iran's representative before the Council, in his complaint definitely stated that his Prime Minister under his country's law could not **negotiate,** with foreign troops present, and that in fact he did not negotiate. And in his reply of April 3 to the Council's formal query for the current facts, Mr. Ala said: "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. . . .** According to the latest information from my Government dispatched to me on April 1, no understanding has been arrived at and no agreement has 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."

But just one day after this complaining statement was made the joint agreement was published covering the evacuation of the troops, the Azerbaijan status, and oil concessions. Quite a coincidence!

In Mr. Ala's subsequent highly effusive expression of thanks to the Council perhaps the following is highly significant: "Persia has received assurances and positive results through the United Nations which it could not have achieved by itself, and may I, in conclusion, again thank the members of this Council." Were not the thanks due the Council for securing for Iran greatly improved terms in the deal which, simultaneously with the Council's highminded deliberations, she was completing?

* * *

As to the Soviet's role in the matter, although they definitely reported to the Council that there was no connection between the evacuation of their troops and the political and petroleum questions, it is generally recognized that force was used against Iran's political independence, and that the presence of troops was at least a "pressure" move.

Following is the text of the official joint communique announcing the Soviet-Iran agreement just eight hours after the Security Council's action:

"Negotiations begun by the Persian Premier in Moscow and representatives of the Soviet Union, and continued in Tehran after the arrival of the new Soviet Ambassador, were terminated in Tehran on April 4, 1946.

"An agreement was reached on all outstanding questions.

"Firstly, all Soviet forces will have evacuated all Persian territory within a period of one and one-half months beginning March 24, 1946.

"Secondly, an agreement on formation of a mixed Persian-Soviet oil company and conditions governing it, which must be proposed for approval to Parliament within a period of seven months from March 24.

"Thirdly, concerning the Azerbaijan question, being an internal problem, the Persian Government, by taking into consideration the necessity of reforms under the present laws, will make the necessary arrangements with the people of Azerbaijan for solution of the present difficulties.

"QAVAM," (Premier of Iran).
"SADCHIKOV," (Soviet Ambassador in Tehran).

About the best that can be said of the Russians' behavior toward the Council is that they at least answered its query within a prescribed time limit, whereas the previous requests for information regarding the breaking of the 1942 treaty, submitted by the British and United States governments, have been left unanswered.

* * * *

The New Iranian Crisis

But even this consolation has been obliterated by Moscow's newest offensive in having Mr. Gromyko make his pending demand that the Council now completely reverse itself, by removing Iran from the agenda. Here is the communication, re-precipitating the crisis in this "War of Nerves":

6 April 1946

"Mr. President,

"On 26 March, when the Security Council proceeded to consider the Iranian Government's statement of 18 March regarding the delay in the withdrawal of Soviet troops from Iran, I proposed, under instructions from the Soviet Government, that this question should not be considered by the Security Council.

Andrei Gromyko
Resumes opposition to Council over Iran

"I pointed out on that occasion that, under the understanding with the Iranian Government, full evacuation of the Soviet troops from Iran was started on 24 March and would be completed in five or six weeks and that in consequence the Security Council had no reason to consider the Iranian question.

"The Security Council, however, did not agree with the Soviet Government and retained the Iranian question on the agenda. In the meantime the Soviet-Iranian negotiations continued and, as is known from the joint Soviet-Iranian communique published on 4 April, an understanding on all points was reached between the Soviet and the Iranian Governments.

"This has fully confirmed the accuracy of the Soviet Government's statement of 26 March and the absence of any reason for bringing the Iranian question before the Security Council for consideration.

"The Soviet Government, moreover, cannot ignore the resolution adopted by the Security Council on 4 April. Under this resolution the Security Council decided to continue the consideration of the Iranian question on 6 May despite the fact that on 3 April the Soviet Government stated that the questions of the evacuation of Soviet troops had been settled by an understanding reached between the Soviet and the Iranian Governments. Such a resolution of the Security Council might have been well-founded if the position in Iran had threatened international peace and security, as provided in Article 34 of the Charter of the United Nations.

"Under the Charter, the Security Council may investigate any dispute or any situation which might endanger the maintenance of international peace and security. It is, however, quite obvious that in fact such a position did not and does not now exist in Iran, so that the Security Council had no reason to give further consideration to the Iranian question on 6 May.

"Accordingly, the above-mentioned resolution of the Security Council of 4 April is incorrect and illegal, being in conflict with the Charter of the United Nations.

"For the above-mentioned reasons the Soviet Government insists that the Iranian question should be removed from the agenda of the Security Council.

"I have the honour, etc.

(Signed) "AMBASSADOR ANDREI A. GROMYKO.

"His Excellency,
"Dr. Quo Tai-Chi,
"President of the Security Council."

* * * *

This present Gromyko demand for erasing Iran from the agenda possibly is based on the fact that quite a few questions remain unresolved by the previously disclosed "agreements" and resolutions—that the Council still has "a cat in the bag." While the withdrawal of Soviet troops is promised, nothing is said about the withdrawal of Soviet officials and agents, which Iran has so insistently told the Council have been interfering in her internal affairs, nor about the leaving behind of installations and weapons for the future application of political pressure.

Wholly apart from Iran's note in opposition, the Russian demand is, of course, impossible of fulfillment. In the first place, the Russians are insisting that the Security Council completely reverse itself, and state that its procedure, taken in conformity with its practically unanimous interpretation of the Charter, was unwarranted. Second, the Council, in accordance with both formal and common-sense procedure, and in order to preserve its authority, must at least get a final report on the presently-unfinished business. Third, the demanded removal of Iran from the agenda is out of order, for under the Charter the Council members cannot bind themselves in advance not to bring up the situation if there should be a change.

Gromyko's letter, in claiming "illegality" by the Council, rests on the contention that Russia had exercised its veto prerogative by the walk-out. If the Iran situation actually constituted a dispute threatening peace and security, the Soviet, being a party thereto, would have had to abstain veto-lessly. The **investigation** stage of a situation does carry the veto right by any of the Big Five Powers if it is not a party to the dispute. **This technical argument properly focuses attention on the Council's weakness of having started off without definite rules of procedure, and with areas of obscurity as to the real meaning of the Charter itself.**

The relevant net result of the Iran case so far, has been to widen still further the rift between the Soviet and the Western powers, and as the entire set-up of the UN rests on unanimity among the Big Five, there has been a further undermining of the inherent strength of the Organization.

* * * *

The present state of events seems to justify the objections so decisively raised by the Australian delegate, Colonel Hodgson, and possibly even his abstention from voting on the Byrnes resolution. In addition to pointing out the need for the settlement of the procedural snarl, the Australian, "smelling a rat" in the Gromyko-Ala performance, kept insisting that all the facts on the matter be thoroughly delved into before any Council decision was made.

W. R. Hodgson

Australia's "Unregimented" Delegate.

Col. Hodgson, still bearing physical injuries suffered in World War I, is one delegate who is not merely "stooging" as a mouthpiece for home officials. In fact his solitary "statement in opposition" which accompanied his abstention from voting on the Council's resolution was not even despatched to his Foreign Minister Evatt before at least four days after it was made.

Also, outside the purview of UN, there are many long-term problems regarding the future of Iran. In addition to the pressure which the Soviet can continue to exert, the element of Britain's zealousness for her sphere of influence, both political and economical, will remain. Then too it must be remembered that (as confirmed by the recent developments), there is chronically questionable internal politics going on within the country.

* * * *

The Embarrassing Injection of the Spanish Issue

A second maneuver in the Russian-Polish diplomatic offensive against their "partner" nations, has been devised in capitalizing on the highly emotional and ideological Franco-Spanish situation. Dr. Oscar Lange, Poland's Ambassador to Washington and Delegate to the Security Council, today formally requested that the situation "resulting from the existence and activities of the Franco régime in Spain" be placed on the agenda. This injects another bitterly controversial issue to be surmounted in next week's deliberations. Thus, even if Mr. Gromyko should be absent because of boycott or other causes, with Lange in attendance continued agitation by "the Eastern Powers" is assured.

Dr. Oscar Lange

Polish Delegate who is shouldering the anti-Franco Offensive.

In putting the Americans and British in the public position of seeming to favor the doings of the regime of Franco, the Soviet-Polish bloc is definitely hitting below the belt! It knows full well the United States' distaste for the Franco regime, but it also realizes the impracticability of demands for immediate decisive action by the Security Council, yet—with demagogery a la our local pseudo-liberals—it makes these demands as a retaliatory gesture against our alleged reactionarism, Toryism, and even Fascism.

Nefarious as the Fascist Franco is, the Charter surely cannot be discretionarilly stretched to suit our ideological desires—no matter how lofty. Less even than this country individually, can the United Nations as an organization, go around the world taking action against sovereign governments that are disapproved of. At best UN would be converted into a debating society to decide what form of government is the desideratum; and at worst, if thumbs are turned down on anti-democratic authoritarianism, Mr. Stalin's own yard would have to be cleaned up.

If the reason for UN action be attributed to past or present pro-German sympathies, it still must be remembered that the war must be considered to have terminated at some date, and the world cannot remain an armed camp.

From the pragmatic view also, the present anti-Franco agitation is unfortunate. For either the Council's turning down of the proposed action, or the affirmative taking of all steps that are feasible, would only have the abortive result of strengthening Franco with his own people.

* * * *

Mr. Lange's letter to Secretary-General Lie bases the relevance of his anti-Spain move on Article 34 of the UN Charter. This section provides:

"The Security Council may investigate any dispute or any situation **which might lead to international friction** or give rise to a dispute, in order to determine whether the continuance of the dispute or **situation is likely to endanger the maintenance of international peace and security.**"

In thus taking the stand that the existence of a disliked internal regime leads to serious international friction, the Poles are now endorsing a position which they and the other Soviet-apologists have been so vehemently criticizing (when applied to Communism)—namely any thought that a country's internal political or economic philosophy is any other country's concern.

* * * *

Indicative of the unfortunate misconceptions that this kind of irrelevant agitation can breed among the well-intentioned public, is the case of the cellist, Pablo Casals. According to current newspaper dispatches, this great artist refuses to practice his art either in England or this country because we do not break off diplomatic relations with Fascist Spain.

* * * *

The Role of France

The position of France in the Spanish situation continues to conform to her new role of "bridge" between the Eastern and Western Powers. This function of compromiser and stabilizer has been zealously filled here by Delegate-Ambassador Bonnet. He tried to soft-pedal the Soviet-Iran dispute by forestalling decisive Council voting, he suggested and headed the three-man committee making an eleventh-hour attempt to resolve the impasse, and he has continually tried to pour oil on the troubled waters.

Although our Government has definitely informed M. Bonnet that we do not believe that "a situation threatening the peace" exists in Spain, France continues to press for action. Until the current agitation by the Soviet reinstated the agitation, she had agreed temporarily to let the matter rest with the Big Five's Council of Foreign Ministers.

The latest relevant incident in Soviet-French relations is the announcement by Radio Moscow that Russia will supply France with

Ambassador Henri Bonnet, French delegate to the Security Council, in a discussion there with A. Wilfred May, Executive Editor of the "Chronicle."

500,000 tons of grain within the next three months—by formal agreement. Incidentally, it will be recalled that the Soviets refused to attend the non-political international cereal conference in London last week.

* * * *

The Soviet-Iran Accord on Oil

Following is the text of the letter from Premier Ahmad Ghavam of Iran to Ivan Vsadchikov, Soviet Ambassador to Tehran, confirming the oil agreement:

"'I have the honor to inform you that, following conversations between the Soviet Government and the Government of Iran, a society has been created for the research and exploitation of the oil fields of north Iran on the following basic conditions:

"(1) During the first twenty-five-year period of the existence of the society 49% of the shares will belong to the Iranian side and 51% to the Soviet side. During the second twenty-five-year period 50% of the shares will belong to the Iranian side and 50% to the Soviet side.

"(2) The society's profits will be divided in accordance with the number of shares held by each side.

"(3) Boundaries of the preliminary territory of the society, which is designated for research work, will be those indicated on the map given by me to you during our conversations of March 24 of this year, excluding that part of the territory of western Azerbaijan which lies west of the line running to the point of intersection of the frontiers of the U. S. S. R., Turkey and Iran and southward along the eastern shore to Lake Rezeje to the town of Myanduab, as has been indicated additionally on the above-mentioned map on April 4, 1946.

"The Iranian Government further pledges itself not to give the territory lying west of the line referred to above in concession to foreign companies or to Iranian societies in which foreigners take part or to Iranian societies using foreign capital.

"(4) Capital on the Iranian side will consist of oil-bearing land mentioned in Article 3, which after technical work will have oil borings, the products of which all will be used for the society. Capital on the Soviet side will consist of various kinds of expenses, equipment and wage and salary expenses for specialists and workers who are necessary for the working and processing of the oil.

"(5) The period of activity of the society is fifty years.

"(6) When the period of activity of the society comes to a close, the Iran Government will have the right to buy out the shares held by the Soviet or prolong the period of activity of the society. Safeguardings of the areas where the research work will be carried out, oil borings and all undertakings of the society will be carried exclusively for defense organs of Iran.

"(7) Agreement about the organization of the above Soviet-Iranian oil company, which will be reached at a future date, in accordance with the contents of this letter, will be brought to execution as soon as the newly elected Majlis [Parliament] of Iran enters its legal activities, in any case not later than seven months, beginning with March 24 of this year.

"Accept, Mr. Ambassador, the assurance of my high respect for you.

"PREMIER GHAVAM."

* * * *

There are already eight oil groups operating in the Middle East:

(1) **Anglo-Iranian Oil Co.**—Owning concession covering 100,-000 square miles in the southwest of the country. The British Government appoints two directors.

(2) **Iraq Petroleum Co.**—95% is divided equally among Anglo-Iranian, Royal Dutch Shell, Near East Development Corporation (American), and Compagnie Francaise des Petroles; and 5% by Mr. Gulbenkian.

(3) **Kuwait Oil Co.**—Owned equally by Anglo-Iranian and the Gulf Exploration Company of America.

(4) **Bahrein Oil Co.**—Controlled by the Standard Oil Co. of California and the Texas Corporation.

(5) **Arabian American Oil Co.**—Also owned by Standard Oil of California and Texas.

(6) **Petroleum Concessions**—Having a small shareholding in the Iraq Petroleum Co., and holding concessions in Qatar, Muscat, Oman and Aden and the Trucial Coast.

(7) **Syria Petroleum Co.**—With ownership similar to Iraq Petroleum (noted above).

(8) **Anglo-Egyptian Oilfields**—Controlling the only oil production in Egypt.

Prospective Bank Credit Control Steps

(Continued from page 1968)

their eyes open and being forced by law to invest in a given security. To subject to restriction bonds originally sold to a bank without restriction, moreover, would be to penalize the owner who paid extra for the exemption from restriction. Such considerations make a proposal like that of the CED economists much less simple than might be assumed.

A study of bank-eligible Government bonds with 2-year call periods shows changes in yields as tabulated below. The issue covered by the first column of yields is the shortest-term issue in the group, while that covered by the other column is the longest-term issue. While the yield on longer-term bank eligibles declined between Dec. 1 and March 1, and then became stabilized, that on the shorter-term bank eligibles declined until March 1, and thereafter turned upward.

Changes in the yields of two bank-eligible Government securities with two-year call dates from month to month since the beginning of December, 1945

Date	2s of March 15, 1948-50 percent	2½s of March 15, 1956-58 percent
Dec. 1	1.08	1.61
Jan. 2	1.02	1.45
Feb. 1	.92	1.41
Mar. 1	.82	1.40
Apr. 1	.95	1.40
Apr. 8	.97	1.40

Fruehauf Trailer Co. Stock Being Offered

Lehman Bros. and Watling, Lerchen & Co. head a group of underwriters which is offering publicly today (April 11) 125,000 shares of 4% cumulative preferred stock (par value $100) of Fruehauf Trailer Co. at $104.50 per share. Approximately $8,900,000 of the proceeds from the sale of the preferred stock will be used for the construction, acquisition of, or additions to, manufacturing facilities for the production of truck trailers and the balance of the proceeds will be used for general corporate purposes.

The preferred stock is redeemable, otherwise than through operation of the sinking fund, at any time on not less than 30 days' notice at $108.50 per share if redeemed on or before March 1, 1948, and thereafter the redemption price is reduced gradually until on March 1, 1954, it becomes $104.50 per share, plus accrued dividends in each case. The preferred stock is also redeemable through the operation of a sinking fund subsequent to March 1, 1949, at $104.50 per share, plus accrued dividends.

After giving effect to the sale of the preferred stock, the capitalization of the company will consist of the 125,000 shares of preferred stock being offered and 1,191,742 shares of common stock, par value $1 per share.

Electromaster, Inc., Stock on Market

S. R. Livingstone & Co. and Mercier, McDowell & Dolphyn of Detroit headed a group which on April 9 offered 200,000 shares of Electromaster, Inc., common stock (par $1) at $4.375 per share to the public.

Proceeds are to be used by the company for construction of plant additions at Mt. Clemens, Mich., purchase of additional equipment and other corporate purposes. Other members of the underwriting group are: Buckley Bros., Courts & Co. and Straus & Blosser, and Herrick, Waddell & Co., Inc.

"Our Reporter on Governments"

By JOHN T. CHIPPENDALE, JR.

A yield as high as 2.00% on any United States Government security was rapidly becoming a thing of the past.... In the short space of four months the number of Government obligations yielding 2.00% or better had decreased from 11 to three.... If the present trend of making new highs each day had continued, the result would have been a complete elimination of issues affording a 2.00 yield.... The first obligations to pass out of the 2.00% class for long-term securities were the bank eligible issues, and this was brought about in the usual way, no offerings of long-term securities to the deposit institutions.... With funds seeking investment well in excess of supply the longest bank eligible bonds moved out of the 2.00% group, so that there are now no securities the commercial banks can buy that yield that much....

The same thing was happening to the restricted obligations, as they advanced daily 8/32nds, the permissible limit, to new all-time highs, because there were not enough securities to meet the demands of professional buyers....

ELEMENTARY

There is nothing mystical or mysterious about the recent advance in long-term Government bond prices.... It was purely a matter of not enough securities to meet the temporary demand.... The refunding operation confused the market momentarily, and what was termed a mild buyers' strike didn't amount to much when it was evident that the retirement operation would decrease the supply of available securities that could be purchased....

As a result, the rush to buy outstanding issues started all over again and new all-time highs are being made regularly in the ineligible obligations.... This trend will most likely continue until either the Treasury offers new securities in the market or other investors supply the market with obligations....

The latest available Treasury figures, those for Dec. 31, 1945, showed that the latter held more than $21 billions of the restricted obligations.... Although changes have no doubt taken place in these holdings since the end of last year, the positions of these investors should still be substantial enough to have an important effect on the market for the ineligible bonds, if they decided to let out some of these securities....

Selling by ultimate investors and pulling of bids by professional traders, turned the market down sharply on Monday, with limit declines of 8/32nds replacing the daily limit increases.... The recent weakness in the restricted bonds indicates that these obligations probably made their highs for sometime to come....

NO SURPRISE

Publication of the annual report of the Treasury to Congress on the State of Finances, in which Treasury Secretary Fred M. Vinson, for the first time in print, takes a definite stand for low interest rates, does not seem to add very much to the money market situation.... Although this statement of Mr. Vinson favoring low interest rates is supposed to have been greatly responsible for the recent upswing in Government bond prices, it seems as though the market is in very poor psychological condition if it has to be told where the Secretary of the Treasury stands on interest rates in order to keep prices advancing....

If the individuals and institutions that make up the market for Government securities did not know where the Treasury stood on money rates by its past actions, and prior to last week's statement, then all that has been done thus far by the money managers has been pretty much in vain....

THE PROBLEM

If there is a solution to the problem of offering long-term restricted bonds to ultimate investors, or more specifically to insurance companies and savings banks, without the sale of bank eligible issues by these holders, it is quite likely that the Treasury would make new securities available to these buyers.... The Government does not want bank deposits to increase and although the refunding operation is preventing war loan deposits, to a very large extent, from becoming individual deposits, the retirement program is not decreasing the real inflationary deposits and purchasing power, those owned by individuals.... By preventing war loan accounts from becoming individual deposits, the Treasury in a negative way is pursuing a deflationary policy in the debt retirement operation....

With funds ample and the outlook for Government finances very good for the next year and one-half or even longer, it seems quite reasonable to expect an acceleration in the debt retirement policy of the Treasury.... This operation, of course, will not be allowed to disturb the equilibrium of the money markets....

THE BIG "IF"

There is no doubt about the ability of the Government to cut the debt burden, through debt repayment, but there is doubt whether the debt can be shifted from one class of investors to another, and at the same time decrease deposits.... A shifting of the Government debt from commercial banks to non-bank investors would be very helpful to the long-term restricted bond market because it would increase the supply and temper runaway prices....

However, if bank eligible securities are sold to pay for the new bonds, there is no decrease in deposits (which seems to be of paramount importance to the Government now), but a standoff, even when the new funds are used to retire short-term obligations held by the deposit institutions....

Severely restricting the operation of insurance companies and savings banks prior to and after the new offering may be one way of doing this, but as yet it has not developed too much of a following.... Finding a way to shift the debt from commercial banks to non-bank investors, without the selling of bank eligible obligations by ultimate investors, will mean new offerings of long-term Government bonds at new low coupon rates.... This increased supply would tend to stabilize yields on outstanding issues....

Broker-Dealer Personnel Items

(Special to THE FINANCIAL CHRONICLE)
CHARLOTTE, N. C. — **Walter Myers** is with **Abbott, Proctor & Paine**, 212 South Tyron Street. He was formerly with Louis G. Rogers & Co. and prior thereto was with Abbott, Proctor & Paine and Goodbody & Co.

(Special to THE FINANCIAL CHRONICLE)
CHARLOTTE, N. C.—**Richard B. Long** has been added to the staff of **Bache & Co.**, Johnston Building.

(Special to THE FINANCIAL CHRONICLE)
CHICAGO, ILL. — **Robert E. Carey, James V. Donoghue**, and **Robert Charges Fox, Jr.** have joined the staff of **A. G. Becker & Co., Inc.**, 120 South La Salle Street.

(Special to THE FINANCIAL CHRONICLE)
CHICAGO, ILL. — **Bernard B. Weiss** is with **Faroll & Co.**, 208 South La Salle Street.

(Special to THE FINANCIAL CHRONICLE)
CHICAGO, ILL. — **Lloyd M. Shepard, Jr.** has been added to the staff of **Glore, Forgan & Co.**, 135 South La Salle Street, after serving in the U. S. Navy.

(Special to THE FINANCIAL CHRONICLE)
CHICAGO, ILL. — **William G. Budinger** has become associated with **Harris, Hall & Co.**, 111 West Monroe Street. He has recently been with the U. S. Army. Prior thereto he was with Lazard Freres & Co. and F. S. Moseley & Co., in Chicago.

(Special to THE FINANCIAL CHRONICLE)
CHICAGO, ILL.—**Ward D. J. Meents** is with **Remer, Mitchell & Reitzel, Inc.**, 208 South La Salle Street, after completing military service.

(Special to THE FINANCIAL CHRONICLE)
CHICAGO, ILL. — **Philip S. Adams** has rejoined the **Tax Bond Co.**, 141 West Jackson Boulevard, after serving in the army.

(Special to THE FINANCIAL CHRONICLE)
CHICAGO, ILL. — **Robert B. Godfrey** has rejoined **Thomson & McKinnon**, 231 South La Salle Street, after serving in the U. S. Army.

(Special to THE FINANCIAL CHRONICLE)
CLEVELAND, OHIO — **Lloyd C. Bock** is with **Dodge Securities Corp.**, Engineers Building. He has recently been serving in the armed forces.

(Special to THE FINANCIAL CHRONICLE)
CLEVELAND, OHIO—**Guy R. McLaughlin** has been added to the staff of the **First Cleveland Corp.**, National City Bank Building.

(Special to THE FINANCIAL CHRONICLE)
CLEVELAND, OHIO—**William M. Heller** has become affiliated with **Hirsch & Co.**, 1010 Euclid Avenue. In the past he was with Sutro Bros. & Co.

(Special to THE FINANCIAL CHRONICLE)
CINCINNATI, OHIO—**Clarence H. Martin** is with **Hill & Co.**, Carew Tower.

(Special to THE FINANCIAL CHRONICLE)
COLUMBUS, OHIO—**Walter B. Hall** has been added to the staff of **Otis & Co.**, Terminal Tower, Cleveland.

(Special to THE FINANCIAL CHRONICLE)
DURHAM, N. C.—**Marvin W. McPherson** is with **J. Lee Peeler & Co., Inc.**, Trust Building. He was formerly with First Securities Corp.

(Special to THE FINANCIAL CHRONICLE)
ELYRIA, OHIO—**Davis S. Horan** has become connected with **P. R. Smith & Co.**, Elyria Savings & Trust Building.

(Special to THE FINANCIAL CHRONICLE)
HARTFORD, CONN.—**James C. Connolly** has joined the staff of **Henry C. Robinson & Co.**, 9 Lewis Street.

(Special to THE FINANCIAL CHRONICLE)
KANSAS CITY, MO.—**Parker H. Latshaw** and **Samuel L. Sawyer** are with **Barret, Fitch & Co., Inc.**, 1004 Baltimore Avenue. Mr. Latshaw was previously with the Kansas City Trust Co. Mr. Sawyer was with the U. S. Marine Corps.

(Special to THE FINANCIAL CHRONICLE)
LOS ANGELES, CALIF.—**James T. Vickrey** has rejoined the staff of **G. Brashears & Co.**, 510 South Spring Street.

(Special to THE FINANCIAL CHRONICLE)
LOS ANGELES, CALIF.—**Edgar F. Grunbock** is with **Quincy Cass Associates**, 523 West Sixth Street.

(Special to THE FINANCIAL CHRONICLE)
LOS ANGELES, CALIF.—**John F. Roth** is with **Cruttenden & Co.**, 634 South Spring Street.

(Special to THE FINANCIAL CHRONICLE)
LOS ANGELES, CALIF.—**Daniel M. Caughey** has been added to the staff of **Nelson Douglass & Co.**, 510 South Spring Street.

(Special to THE FINANCIAL CHRONICLE)
LOS ANGELES, CALIF.—**John J. Hood, Robert L. Shafer** and **Collin W. Travers** are with **Lester & Co.**, 621 South Spring Street.

(Special to THE FINANCIAL CHRONICLE)
LOS ANGELES, CALIF.—**Vern E. King** is with **First California Co.**, 650 South Spring Street.

(Special to THE FINANCIAL CHRONICLE)
LOS ANGELES, CALIF.—**Elvin H. Griffith** has rejoined **Revel Miller & Co.**, 650 South Spring Street.

(Special to THE FINANCIAL CHRONICLE)
LOS ANGELES, CALIF. — **George H. Bidwell** is with **Mitchum, Tully & Co.**, 650 South Spring Street. In the past he was with Dean Witter & Co.

(Special to THE FINANCIAL CHRONICLE)
LOS ANGELES, CALIF.—**Elmer E. White** has joined the staff of **Chester L. Noble & Co.**, 650 South Spring Street. He was previously with Akin-Lambert Co.

(Special to THE FINANCIAL CHRONICLE)
LOS ANGELES, CALIF.—**Darvin M. Curtis** and **Frederick Wythe** are with **Slayton & Co., Inc.**

(Special to THE FINANCIAL CHRONICLE)
LOS ANGELES, CALIF.—**Philip E. Neary** has rejoined the staff of **Dean Witter & Co.**, 634 South Spring Street.

(Special to THE FINANCIAL CHRONICLE)
OAKLAND, CALIF.—**Kenneth W. Cohn** is with **Frank Knowlton & Co.**, Bank of America Building.

(Special to THE FINANCIAL CHRONICLE)
PASADENA, CALIF.—**John S. Mahony** is with **Denton & Company**, 35 North Raymond Avenue.

(Special to THE FINANCIAL CHRONICLE)
PEORIA, ILL. — **Robert S. Eckley** is with **George A. Eckley**, 524 Indiana Avenue, after serving in the armed forces.

(Special to THE FINANCIAL CHRONICLE)
PORTLAND, MAINE—**George S. Drake** has rejoined the staff of **Paul & Co., Inc.**, 433 Congress Street.

(Special to THE FINANCIAL CHRONICLE)
PORTLAND, OREG.—**Floyd H. Lander** has been added to the staff of **Blyth & Co., Inc.**, Pacific Building.

(Special to THE FINANCIAL CHRONICLE)
RALEIGH, N. C. — **George Waterhouse** has become affiliated with **R. S. Dickson & Co.**, Security Bank Building.

(Special to THE FINANCIAL CHRONICLE)
ST. LOUIS, MO.—**Timothy P. O'Neil** is with **Slayton & Co., Inc.**, 111 North 4th Street.

(Special to THE FINANCIAL CHRONICLE)
ST. LOUIS, MO.—**Frederick H. Levis** has rejoined **Stix & Co.**, 509 Olive Street, after serving in the U. S. Army.

(Special to THE FINANCIAL CHRONICLE)
SAN FRANCISCO, CALIF. — **Russell W. La Belle** has been added to the staff of **Blyth & Co., Inc.**, Russ Building.

(Special to THE FINANCIAL CHRONICLE)
SAN FRANCISCO, CALIF. — **Orrin S. Henderson** has become affiliated with **Davies & Mejia**, Russ Building.

(Special to THE FINANCIAL CHRONICLE)
SAN FRANCISCO, CALIF. — **Albert G. Smith** is with **Aurelius F. de Felice**, 145 Sutter Street.

(Special to THE FINANCIAL CHRONICLE)
SAN FRANCISCO, CALIF. — **William H. Brooks** has become associated with **Denault & Co.**, Russ Building. He was previously with the First California Co.

(Special to THE FINANCIAL CHRONICLE)
SAN FRANCISCO, CALIF. — **Robert Horner** is with **Elworthy & Co.**, 111 Sutter Street.

(Special to THE FINANCIAL CHRONICLE)
SAN FRANCISCO, CALIF. — **DeForest S. Holyoke** is connected with **First California Co.**, 300 Montgomery Street.

(Special to THE FINANCIAL CHRONICLE)
SAN FRANCISCO, CALIF. — **Arthur Bachman, Jr.** has been added to the staff of **Hill Richards & Co.**, 1 Montgomery Street.

(Special to THE FINANCIAL CHRONICLE)
SAN FRANCISCO, CALIF. — **Paul E. Tescher** is with **Holt, Collins & Ede**, Russ Building.

(Special to THE FINANCIAL CHRONICLE)
SAN FRANCISCO, CALIF. — **James D. Allen, William T. McCune**, and **Frank B. Nombalais** are with **Schwabacher & Co.**, 600 Market Street.

(Special to THE FINANCIAL CHRONICLE)
SAN FRANCISCO, CALIF. — **Phillip E. York** has been added to the staff of **Wilson, Johnson & Higgins**, 300 Montgomery Street.

(Special to THE FINANCIAL CHRONICLE)
SAN FRANCISCO, CALIF. — **Edward A. Pence** and **James E. Robinson** have rejoined **Dean Witter & Co.**, 45 Montgomery Street.

(Special to THE FINANCIAL CHRONICLE)
SAN JOSE, CALIF.—**Harold R. Hungerford** and **William L. Saunders** have become affiliated with **H. Irving Lee & Co.**, First National Bank Building.

(Special to THE FINANCIAL CHRONICLE)
WINSTON-SALEM, N. C. — **Dorothy M. McKaughan** has joined the staff of **Harris, Upham & Co.**, Pepper Building.

Euler Adds Eight to Staff

PHILADELPHIA, PA.—Euler & Co., 1518 Walnut Street, announce the association with them of Churchill Williams, Jr., James H. Ogden, Martha S. Caskey, Vance A. Zerby, James I. Thomas, Robert F. Hart, Richard H. Warnken, and Louis J. Fridenberg.

Municipal News and Notes

States' Cash Reserves Continue to Increase

Evidence that most, if not all of the States, are a long distance away from the need for seeking financial aid, at least for ordinary purposes, is contained in the preliminary report of the Bureau of the Census of the Department of Commerce on "Balances in State General, Highway and Postwar Reserve Funds in 1945." Devoted to 25 of the States, the balances of which constituted two-thirds of the aggregate totals for all 48 States reported in 1944, the study shows that this group increased their postwar-reserve funds during the 1945 fiscal year from $147,000,000 to $463,000,000, an increase of 215%.

The combined balances of the 25 States in the three funds (general, highway and postwar) advanced to $1,470,000,000 from the 1944 aggregate of $1,094,000,000, or a gain of 34.4%. Highway fund balances amounted to $326,000,000 in 1945, as against $288,000,000 a year ago, and general funds rose from $659,000,000 to $681,000,000.

Inclusion of figures for the remaining 23 States in the final report, which is expected to be published early in June, will not materially influence the trend evidenced thus far, the Census Bureau states. The bureau, however, warns against the popular misconception of the word "surplus," adding that it does not mean affluence. Continuing, the Bureau says;

"While generally it can be stated that the finances of the States are in better shape than they were before the war, it should be borne in mind that the extent and impact of the postwar problems and difficulties the States have to cope with cannot yet be properly evaluated."

Economic Implications of Independence Proposals for Puerto Rico

The Tariff Commission has just issued a report on the economic implications of independence and other proposals to change Puerto Rico's political status. This report was prepared in compliance with a request by Senator Millard E. Tydings, Chairman of the Senate Committee on Territories and Insular Affairs, for information supplementary to that contained in an earlier Tariff Commission report entitled "Puerto Rico's Economy with Special Reference to United States-Puerto Rican Trade."

The Commission's earlier report was submitted in May, 1943, shortly after the introduction of a bill in the 78th Congress proposing independence for Puerto Rico (S. 952). Public hearings were held on that bill in 1943, but no legislative action was taken on it during the 78th Congress. An identical independence proposal was introduced by Senator Tydings in the 79th Congress (S. 227). Extensive hearings were held on that bill also, but thus far no legislative action has been taken upon it. Other legislation for changing Puerto Rico's political status has also been introduced, including the so-called Tydings-Pinero bill (S. 1002-H. R. 3237), which was introduced by them at the request of the Legislature of Puerto Rico. No public hearings have been held on that bill.

The information and the major conclusions contained in the Commission's earlier report have not been altered by any events which have occurred since it was submitted. The major purpose of this supplementary report is to supply additional information on the subject and to summarize the principal factors bearing on the economic implications of political independence as provided under the Tydings bill (S. 227). The supplementary report also discussses briefly the economic implications of other proposals to change Puerto Rico's political status. The principal proposals reviewed are those contained in the Tydings-Pinero bill—independence, "dominion" status, and Statehood.

The report points out that political independence as provided in the Tydings independence bill (S. 227) would be accompanied by such serious economic consequences as to render the island incapable of supporting a population of anywhere near the present size at even the existing low standard of living. The report also observes that no status provided for in the Tydings-Pinero bill (independence, "dominion" status, or Statehood) would offer Puerto Rico any better opportunity (if indeed as good an opportunity) to deal with the major economic problems which confront it than would a continuation of the island's present status.

The report concludes that the economic problems which Puerto Rico poses, both for itself and for the United States, are not susceptible of solution by a purely political change in Puerto Rico's status, and that no simple or ready solution to these problems in fact exists. Even under the most favorable political circumstances, such economic progress as the island can expect to achieve out of its own resources is likely to be slow. And, unless some way can be found to decrease the size of the island's population, or at least check its growth, the realization of a desirable stanadard of life for Puerto Ricans will be contingent upon their receiving a substantial, and very likely an ever-increasing, measure of outside aid.

A limited number of copies of this report are abailable from the United States Tariff Commission, Washington 25, D. C., or from the Commission's office in the Custom House in New York City.

U. S. Supreme Court Rules Against Bondholders In Maricopa County Case

The United States Supreme Court, on April 1, denied the application for a writ of certiorari in the case of State of Washington vs. Maricopa County, Ariz., thus ending the four-year fight carried on by bondholders, who challenged the right of the county to call certain of its bonds in advance of stipulated maturity dates. The action was instituted by the State of Washington and the Equitable Life Insurance Co., of Iowa, following a decision of the Supreme Court of Arizona that certain highway bonds of the county were optionally redeemable. In February, 1943, the State Loan Commission, on behalf of the county, received and accepted a bid for an issue of $4,100,000 refunding bonds, as 2¾s, at a price of 100.019. Included in the bidding group were R. H. Moulton & Co., Boettcher & Co., and the Bank of America N. T. & S. A.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Continued industrial strength a little too obvious. Comparatively bad rail action more significant to immediate trend.

The easiest thing to do here is to wave an approving hand at the market, do a little self back-patting and sit back secure in the feeling that such a position will "win friends and influence people." I'm afraid I can't depend on such a program to make me popular. I don't know how much influence I have, and as to winning friends, I'll still call them as I see them. And if that disturbs anybody's mental equilibrium, they'll have to take it up with the publisher. For despite the apparent good action of the market, it doesn't look too good to me.

* * *

Last week I wrote that there were three courses open to the market: Additional advance through previous highs; dullness, and, or immediate reaction. In the past few days we have seen the first, i. e., advance. Theoretically this should make me happy, particularly when I have recommended stocks which are now well in the black. The fact is that a poor market at this juncture—that is poor to the extent that dullness takes the place of mobility—would be preferable to strength. It is no secret that there is a great deal of stock overhanging. A quick absorption would, in my opinion, dissipate the market's internal strength and lead to eventual weakness which could be greater than generally anticipated. We are seeing this kind of flash strength. Evidence of this can be found in the action of the rails; it is the industrials which are active.

* * *

The ideal performance would be dullness, even if it lasts the rest of the month. It would tend to drive out the weak holders and build up a base from which a real move could start. Instead we are seeing a buying compulsion fed by such things as splitups, expiration of rights, and declaration of dividends. I have never been able to figure out why split-up should be considered bullish, or why the expiration of a right should be looked upon as a sign of further strength. For when such strength does occur, it should be used to sell, not buy.

* * *

The common talk today is: "There is only one way for them to go—up." The fact that we have been in a four-year bull market is explained away that this is just an adjustment to an old overbearish position. The supposition is that current prices are normal and that with a new two-year bull period ahead prices are bound to go higher. Maybe the majority is right this time. But until the market's action justifies such rationalization, I prefer to use current strength for selling and not buying.

* * *

I can see further strength from here. I can even visualize the industrials making a new high before this gets into print. But the more new highs and the more strength we see from here on, the more dangerous I consider the market.

* * *

The rails are not taking part in the industrial strength. One faction blames the coal strike as if that answers everything. I think the answer is much deeper than any strike. Take a look at the rail's rate making schedules and the territorial differences, the present ICC investigation and you will come closer to the answer.

You are still long of nine stocks. Were you holding full positions I would advise selling half here. But as you have only half positions the advice to hold with stops is still in effect. The stocks, purchase prices and current levels (as of Tuesday a.m.) and stops follow: Air Reduction bought at 52, now about 59; stop at 55. American Car & Foundry bought at 60, now about 69; stop at 64. American Steel Founders bought at 42, now about 45; stop at 43. Bethlehem Steel bought at 99, now about 107; stop at 99. Chrysler bought at 120, now about 135; stop at 128. Electric Auto-Lite bought at 71, now about 75; stop at 69. Superheater bought at 30, now about 32; stop at 29. U. S. Steel bought at 82, now about 85; stop at 79. U. S. Rubber bought at 65½, now about 76½; stop at 69.

* * *

As to what will happen if any or all of the above stops are broken should be of minor concern. For once you are out of certain issues their subsequent action should become secondary. It is only when you are considering new buys or sales that market performance becomes important. If the stops are hold and the market continues to go up, you have nothing to worry about. Of course the stops should be lifted as the advance continues. But so far as new purchases are concerned there is nothing in the present action to recommend them.

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.]

Wilburn B. Christian Joins Edw. D. Jones

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO.—Wilbur B. Christian has become associated with Edward D. Jones & Co., 300 North Fourth Street, members of the New York, St. Louis and Chicago Stock Exchanges. Mr. Christian, who has been in the brokerage business for more than forty years, was formerly with I. M. Simon & Co. in charge of the Grain and Commodities Department.

Benjamin Willis With Alex. Brown & Sons

WINSTON-SALEM, N. C.—Benjamin S. Willis is with Alex. Brown & Sons, 135 East Baltimore Street, Baltimore, Md., members of the New York and Baltimore Stock Exchanges. Mr. Willis in the past was a partner in Lewis and Hall of Greensboro and prior to his connection with that firm was with the Chase National Bank of New York.

Robert L. Winters Co.

(Special to THE FINANCIAL CHRONICLE)

GLENDALE, CALIF.—Robert L. Winters & Co., Inc., has been formed with offices in the Security Building to engage in the investment business. Officers are Robert L. Winters, Fred W. Chase, Crules R. Cheek and Harry W. Chase.

Street In Berkeley

BERKELEY, CALIF.—R. W. Street is engaging in an investment business from offices at 1974 Shattuck Avenue.

Securities Now in Registration

● INDICATES ADDITIONS SINCE PREVIOUS ISSUE

Air Products, Inc., Chattanooga, Tenn. (4/21)
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 each at $11 per unit. Of remaining common, 150,000 shares will be offered at discretion of underwriter to purchasers of such units or to others at $1 per share. Remaining 40,000 shares common are being offered by company directly to certain officers and employees at $1 per share and are not underwritten. **Proceeds** — $60,000 to purchase machinery and equipment heretofore rented from Defense Plant Corp.; $81,500 to purchase of plant at Emmaus, Pa., together with $70,000 for cost of conversion and moving; balance (estimated $913,500) for general working capital. For details see issue of April 4.

● **Air Technical Services, Inc., Vandalia, Ohio**
April 5 (letter of notification) not to exceed 300,000 capital stock (par $1). Offering price $1. No underwriting. Purchase of inventory of aircraft parts and accessories, etc., and working capital.

● **American Acoustics, Inc., New York (4/16)**
April 9 (letter of notification) 59,800 shares of 6% cumulative convertible preferred stock (par $5) and 59,800 shares of common stock (par 10c); 100,000 stock purchase warrants and 149,500 shares of common to be issued upon conversion of preferred at rate of 2½ common for 1 preferred. **Underwriters**—L. D. Sherman & Co. **Offering**—Stocks to be offered in units of one share each at $5 per unit. Warrants will be sold at 1 cent each. **Proceeds**—Payment of obligations to be assumed and to pay Pressurelube Inc. for inventories and other property acquired from it, working capital, etc.

American Air Filter Co., Inc., Louisville, Ky.
March 13 filed 101,086 shares of common stock (par $1). Shares are being sold by certain stockholders. **Underwriters** — Almstedt Bros., Equitable Securities Corp., Bankers Bond Co., W. E. Hutton & Co., and Stein Bros. & Boyce. **Offering**—Price to public $13.75 per share. For details see issue of March 21.

American Machine & Foundry Co., N. Y. (4/16)
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**—Working capital to provide funds in connection with new product known as "AMF Automatic Pinspotter." For details see issue of April 4.

American Mail Line Ltd., Seattle, Wash.
March 11 filed 49,602 shares of common stock (no par). **Underwriters**—Blyth & Co., Inc. **Offering**—Common stockholders given right to subscribe for 49,602 shares at $20.50 per share on basis of 48/100 of a share for each share held. For details see issue of March 21.

● **American Manufacturing Co., Inc., Montgomery, Ala. (4/24)**
April 5 filed 1,000,000 shares of common (par $1). **Underwriters**—No underwriting—to be offered directly to the public by the company. **Offering**—Price to public $1 per share. Issue will be sold within State of Alabama. **Proceeds**—Acquisition of additional machinery and equipment, for plant expansion, for working capital, etc. **Business**—Refrigeration units.

American Molasses Co., New York (4/15)
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. (4/17)
March 29 filed 21,550 shares of 4½% cumulative convertible preferred stock (par $50) **Underwriters**—G. H. Walker & Co. **Offering**—Common stockholders may 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. **Proceeds**—Proceeds, together 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 and for other plant improvements. For details see issue of April 4.

American Water Works Co., Inc., N. Y. (4/18)
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. Probable bidders include Dillon, Read & Co. Inc., White Weld & Co., and Shields & Co. (jointly), and W. C. Langley & Co. and The First Boston Corp. (Jointly). **Offering**—Price to public by amendment. **Purpose**—The common stock, together with $15,000,000 10-year 3% collateral trust bonds (to be sold privately) are to be issued to acquire certain assets of American Water Works & Electric, liquidate two subsidiaries, Community Water Service Co. and Ohio Cities Water Corp., and provide cash working capital. Common stock is to be offered initially for cash to common stockholders of parent and to public holders of preferred stocks of Community and Ohio in exchange for their shares. Stock not subscribed or issued under exchange offers are to be sold for cash to underwriters. For details see issue of April 4.

Aro Equipment Corp., Bryan, Ohio (4/29)
March 14 filed 30,000 shares of cumulative preferred stock, 4½% series (par $50) and 20,000 shares of common (par $2.50). **Underwriters**—Central Republic Co., Inc., and Reynolds & Co. **Offering**—Prices to public by amendment. For details see issue of March 21.

Atlas Imperial Diesel Engine Co., Oakdale, Calif.
Feb. 28 filed 30,000 shares of series A cumulative preferred stock ($50 par). Dividend rate by amendment. **Underwriters**—Blyth & Co., Inc. Offering postponed indefinitely. For details see issue of March 7.

Avon Allied Products, Inc., N. Y. (4/15)
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**—Hemphill, Noyes & Co., F. S. Moseley & Co. and H. F. Boynton & Co., Inc. **Offering**—Prices to public by amendment. For details see issue of March 28.

Barium Steel Corp., S. E. Canton, O. (4/18)
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.

Bendix Helicopter, Inc., New York
Feb. 13 filed 507,400 shares of common stock (par 50c). Shares are being sold for the account of the estate of Vincent Bendix, deceased. **Underwriters**—Kobbe, Gearhart & Co., Inc., For details see issue of Feb. 20.

Bendix Home Appliances, Inc., South Bend, Ind.
March 21 filed 104,301 shares of common stock (par 33⅓ cents per share). **Offering**—Common stocks holders of record March 30 are given the right to subscribe to one share of new common for each 10 shares held. at $17 per share. Issue is not being underwritten. For details see issue of March 28.

Benguet Consolidated Mining Co., Manila, P. I.
March 15 filed 702,302 shares of capital stock value (par 1 peso, equivalent in U. S. currency to 50 cents per share). **Underwriters**—Allen & Co. 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**—Price by amendment. For details see issue of March 21.

Borg-Warner Corp., Chicago, Ill. (4/16)
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**—Modernization, expansion, etc., of manufacturing facilities and plants. For details see issue of April 4.

Bowser, Inc., Fort Wayne, Ind. (4/15)
March 25 filed 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., Buffalo, N. Y. (4/15)
March 14 filed 60,000 shares of common stock (par $1). Shares are being sold by two stockholders. **Underwriters**—Hornblower & Weeks. **Offering**—Price to the public by amendment. For details see issue of March 21.

Burlington Mills Corp., Greensboro, S. C. (4/23)
March 30 filed 100,000 shares of 3½% convertible second preferred stock (par $100). **Underwriters**—Kidder, Peabody & Co. **Offering**—Preferred stock is offered to common stockholders of record April 10 in ratio of three-fiftieths of a share of preferred for each share of common held. Rights 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 April 22. The unsubscribed shares will be sold to underwriters. **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. For details see issue of April 4.

Bush Mfg. Co., West Hartford, Conn. (4/17)
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, approximately $298,000 from sale of 4% sinking fund debentures, together aggregating $844,500, will be used to finance construction of a new plant and for working capital. For details see issue of April 4.

Capitol Records, Inc., Hollywood, Calif. (4/16)
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. For details see issue of April 4.

Central Maine Power Co., Augusta, Me.
March 18 filed 220,000 shares of preferred stock ($100 par). Dividend rate by amendment. By amendment filed March 29 company proposes to issue $13,000,000 1st & gen. mtge bonds series N due 1976 and 1,000,000 shares common (par $10). Bonds will be sold through competitive bidding. **Underwriters**—By amendment. Probable bidders include Glore, Forgan & Co.; W. C. Langley & Co.; The First Boston Corp.; Coffin & Burr; Harriman Ripley & Co.; Blyth & Co., Inc., and Kidder, Peabody & Co. (Jointly). **Offering**—Company will offer to holders of 7% preferred, $6 preferred and 5% $50 preferred stock 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. Balance of new preferred stock will be sold to underwriters, to be selected by competitive bidding. For details see issue of April 4.

Chain Store Investment Corp., Boston (4/22)
Feb. 8 filed 15,000 shares of 4½% cumulative convertible preferred stock (par $50) and 100,000 shares of common (par 10c). **Underwriters**—As to preferred, Childs, Jeffries & Thorndike, Inc., and H. C. Wainwright & Co.; as to common, First Colony Corp. **Offering**—Preferred stock will be offered to public by underwriters by amendment. Common stock will initially be offered by corporation for subscription to common stockholders at a price to be filed by amendment, but 50 cents per share under public offering price. For details see issue of Feb. 14.

Colorado Fuel & Iron Corp., Denver, Colo.
March 14 filed 275,000 shares of common stock (no par). Shares are being sold by certain stockholders. **Underwriters**—No underwriting agreement. **Offering**—Price to public "at market" on the New York Stock Exchange.

Compania Litgrofica De La Habana S. A.
(Havana (Cuba) Lithographing Co.)
March 18 filed 19,419 shares of 6% cumulative convertible preferred stock (par $25) and 197,000 shares of common (par 10c). The 19,419 shares of preferred and 162,000 shares of common are being purchased by

the underwriters from certain stockholders. The remaining 35,000 shares of common are being purchased from the company. **Underwriters**—Hirsch & Co., New York. **Offering**—Price by amendment. For details see issue of March 21.

● Compo Shoe Machnery Corp., Dover, Del.

April 10 William S. Anderson, William H. Bresnahan, J. Victor Loewi and Hamilton Pell filed voting trust certificates covering 149,977 shares. Common stock (par $1). **Purpose**—Common stock voting trust agreement as extended and modified March 15, 1946. Agreement is for 10 years. Expiring March 15, 1956.

Consolidated Gas Electric Light & Power Co. of Baltimore (4/17)

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. Probable bidders include Halsey, Stuart & Co., Inc.; Harriman, Ripley & Co., and Alex. Brown & Sons (Jointly), and White Weld & Co., and the First Boston Corp. (Jointly). **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. For details see issue of April 4.

Crowell-Collier Publishing Co., N. Y. (4/17)

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. For details see issue of April 4.

Curtis Companies Inc., Clinton, Iowa (4/18)

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.

Dallas Title & Guaranty Co., Dallas, Texas

Feb. 21 filed 25,000 shares of capital stock (par $10). **Underwriters**—None named. **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. For details see issue of Feb. 28.

● Davidson Bros., Inc., Detroit, Mich. (4/29)

April 10 filed 100,000 shares common stock (par $1). Shares are outstanding and are being sold for account of certain stockholders. **Underwriters**—Merrill Lynch, Pierce, Fenner and Beane, and Baker, Simonds and Co. **Offering**—Price to public by amendment. **Business**—Operates 12 general department and apparel stores.

● Delaware Power and Light Co., Wilmington, Del.

April 5 (letter of notification) common stock (par $13.50). The maximum number of shares to be offered is 7,500 shares. The offering is by holders of two shares of common of Delaware who may have received the shares as a result of the distribution by United Gas Improvement Co. Price at market.

Diamond T Motor Car Co., Chicago, Ill. (4/17)

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. For details see issue of April 4.

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. For details see issue of March 28.

DuMont (Allen B.) Laboratories, Inc., Passaic, N. J. (4/17)

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. For details see issue of April 4.

Eaton Manufacturing Co., Cleveland, O.

March 7 filed 178,364 shares of common stock (par $4). **Underwriters**—Merrill Lynch, Pierce, Fenner & Beane. **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. For details see issue of April 4.

● Electronic Laboratories, Inc., Indianapolis, Ind.

April 5 (letter of notification) common stock (par $1), of which $50,000 is to be offered. **Offering**—At the market estimated at $6 per share. There will be no underwriters. The stock is being offered for the account of a stockholder.

Firth Carpet Co., N. Y. (4/17)

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. For details see issue of April 4.

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.

● Frailey Industries, Inc. (4/17)

March 13 (letter of notification) 58,680 shares of class A stock (par $1). **Underwriter**—Edward R. Parker & Co. **Proceeds**—Working capital, etc. Price $5 per share.

● General Telephone Corp., New York (4/15)

April 8 (letter of notification) 203 shares of common stock (par $20). **Underwriter**—It is proposed to offer the shares through, Paine, Webber, Jackson and Curtis either at private sale or on the New York Stock Exchange. **Proceeds**—Working capital. Price at market (about $42¾ per share).

Gerity-Michigan Die Casting Co., Detroit (4/15)

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**—To pay note to Associates Discount Corp.; to retire 1,967 shares of cumulative 6% preferred stock ($100 par), balance to finance increased inventories and payrolls. For details see issue of April 4.

Giant Yellowknife Gold Mines, Ltd., Toronto, Ont.

on Feb. 21 filed 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. **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. **Offering**—Price is $5.10 (Canadian) per share, or the United States equivalent. For details see issue of Feb. 28.

Globe-Union Inc., Milwaukee, Wis. (4/15)

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. For details see issue of April 4.

Gold City Porcupine Mines, Ltd., Toronto, Ont.

Jan. 4 filed 600,000 shares of common stock (par $1) Canadian currency. **Underwriters**—No underwriters named. **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.

Graham-Paige Motors Corp. (4/15)

Feb. 21 filed $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, to be issued to Allen & Co., pursuant to a proposed standby agreement. **Underwriters**—Allen & Co., New York. **Offering**—Price to public by amendment. For details see issue of Feb. 28.

Greenfield Tap & Die Corp., Greenfield, Mass. (4/16)

March 28 filed 51,591 shares of common stock (no par). **Underwriters**—Tucker, Anthony & Co. **Offering**—Price to public by amendment. **Proceeds**—Net proceeds, with additional treasury funds will be applied to redemption, on or about May 1, 1946 of 9,000 shares of $6 preferred stock at 105.

Gulf Atlantic Transport'n Co., Jacksonville, Fla.

Jan. 17 filed 270,000 shares of common stock (par $1). **Underwriters**—Allen & Co. **Offering**—Price to the public by amendment. Stock is being offered initially to present shareholders 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. Postponed indefinitely. For details see issue of Jan. 24.

● Haile Mines, Inc., New York (4/12)

April 5 (letter of notification) subscription warrants for account of Caryl H. Sayre. Price to public at market. No underwriting. The warrants will be sold at market in the open market. Proceeds to seller, the issuer has no interest in the offering.

(Continued on page 1974)

NEW ISSUE CALENDAR

(Showing probable date of offering)

April 12, 1946

Haile Mines, Inc.	Warrants
Hudson Valley Gas Corp.	Common and Bonds
Kerr-McGee Oil Industries Inc.	Preferred

April 13, 1946

Huyler's	Common
Kingston Products Corp.	Common
McGraw (F. H.) & Co.	Preferred and Common
Public Service Co. of Ind., Inc.	Preferred
Sonotone Corp.	Preferred

April 15, 1946

American Molasses Co.	Common
Avon Allied Products Inc.	Preferred and Common
Bowser, Inc.	Preferred
Buffalo Forge Co.	Common
Eaton Manufacturing Co.	Common
General Telephone Corp.	Common
Gerity-Michigan Die Casting Co.	Common
Graham-Paige Motors Corp.	Debentures
Joy Manufacturing Co.	Common
National Automotive Fibres Inc.	Common
Red Top Brewing Co.	Cl. A Common
Republic Indemnity Co. of America	Common
Rockridge Gold Mines Ltd.	Common
Shell Union Oil Corp.	Debentures
Steep Rock Iron Mines, Ltd.	Common

April 16, 1946

American Acoustics Inc.	Preferred and Common
American Machine & Foundry Co.	Preferred
Borg-Warner Corp.	Preferred
Capital Records, Inc.	Common
Globe-Union, Inc.	Common
Greenfield Tap & Die Corp.	Common
Jessop Steel Co.	Preferred
Kansas City Fire & Marine Ins. Co.	Common
Keyes Fibre Co.	Bonds
Queen Anne Candy Co.	Common
Salt Dome Oil Corp.	Ctfs. of Interest
Weeden Co.	Preferred and Common

April 17, 1946

American Screw Co.	Preferred
Bendix Helicopter, Inc.	Common
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
DuMont (Allen B.) Laboratories Inc.	Cl. A Common
Firth Carpet Co.	Common
Frailey Industries, Inc.	Class A
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
Scranton Electric Co.	Preferred and Common
Super-Cold 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
Curtis Companies, Inc.	Common
Hoffman Radio Corp.	Common
Mading Drug Stores Co.	Debs., Pfd. and Common
National Skyway Freight Corp.	Common
Nation-Wide Securities Co., Inc.	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

April 22, 1946

Chain Stores Investment Corp.	Pfd. and Com.
Tex-O-Kan Flour Mills Co.	Preferred

April 23, 1946

Burlington Mills	2nd Preferred
Panhandle Eastern Pipe Line Co.	Debentures
Public Flyers, Inc.	Common

April 24, 1946

American Manufacturing Co.	Common
Hytron Radio & Electronics Corp.	Common
Morris Plan Corp.	Preference and Common
Peerless Casualty Co.	Common

April 29, 1946

Aro Equipment Corp.	Preferred and Common
Davidson Bros., Inc.	Common
Standard Steel Spring Co.	Preferred

Securities Now in Registration

● **INDICATES ADDITIONS SINCE PREVIOUS ISSUE**

(Continued from page 1973)

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**—By amendment. Probable bidders include Halsey, Stuart & Co., Inc.; W. C. Langley & Co.; Harriman Ripley & Co.; Mellon Securities Corp.; Kidder, Peabody & Co. **Offering**—Price to public by amendment. For details see issue of March 28.

Hayes Manufacturing Corp., Gr. Rapids, Mich.
Feb. 27 filed 215,000 shares of common stock ($2 par). Shares are being sold by certain stockholders. **Underwriters**—Laird, Bissell & Meeds have withdrawn as underwriters. **Offering**—Price to public by amendment. For details see issue of March 7.

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.

Hendry (C. J.) 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. (4/18)
March 30 filed 120,000 shares common stock (par $1). **Underwriters**—Cohu & Torrey. **Offering**—Price to public $6 per share. **Proceeds**—$97,125 to redeem preferred stock and approximately $400,000 to retire short-term bank borrowings; balance for working capital. For details see issue of April 4.

● **Hudson Valley Gas Corp. (4/12)**
April 3 (letter of notification) 3,000 shares of common stock (par $10) and 23,400 4% first mortgage bonds due serially April 1 and Oct. 1 to Oct. 1, 1965. **Underwriter**—Bioren & Co. Price, stock $25 per share; bonds, par. **Proceeds**—Securities being sold by stockholders.

● **Hydraulic Machinery, Inc., Dearborn, Mich.**
April 5 (letter of notification) 136,000 shares common (par $1). Price to public $2.20 a share. **Underwriters**—Lytle & Co., Inc., and Carr & Co., both of Detroit. **Proceeds**—Purchase of equipment and for working capital.

● **Huyler's, New York (4/13)**
April 8 (letter of notification) 6,000 shares of common stock (par $1). **Underwriters**—None. Securities will be offered for cash at market upon the New York Stock Exchange at approximately $11 per share (closing price April 3). **Purpose**—Stock is being sold by Munson Line, Inc.

Hytron Radio & Electronics Corp., Salem, Mass. (4/24)
March 29 filed 125,000 shares common stock (par $1). **Underwriters**—Herrick, Waddell & Co., Inc., **Offering**—Price to public by amendment. **Proceeds**—Working capital for expanding operations and 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. For details see issue of April 4.

Illinois Power Co., Decatur, Ill.
Feb. 27 filed $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. **Underwriters**—Names by amendment. Probable bidders include Halsey, Stuart & Co., Inc., and The First Boston Corp. For details see issue of March 7.

Indianapolis (Ind.) Power & Light Co.
March 9 filed 120,000 shares of 4% cumulative preferred stock (par $100). **Underwriters**—Lehman Brothers, Goldman, Sachs & Co. and The First Boston Corp. **Offering**—Company is offering to holders of 140,591 shares of 5¼% cumulative preferred stock the opportunity to exchange their shares for new 4% preferred, the exchange carrying a cash adjustment. Unexchanged preferred will be sold to underwriters. For details see issue of March 14.

Indianapolis (Ind.) Power & Light Co.
March 8 filed 142,967 shares of common stock (no par). **Underwriters**—Lehman Brothers, Goldman, Sachs & Co. and The First Boston Corp. **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. For details see issue of March 14.

Jefferson-Travis Corp., New York, N. Y.
Feb. 27 filed 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. **Underwriters**—Richard J. Buck & Co. **Offering**—Price to public $25 per share. For details see issue of March 7.

Jessop Steel Co., Washington, Pa. (4/16)
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**—$825,000 to retire regulation V-Loan; balance for additions. For details see issue of April 4.

Joy Manufacturing Co., Pittsburgh (4/15)
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. For details see issue of April 4.

Kansas City (Mo.) Fire & Mar. Ins. Co. (4/16)
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. **Proceeds**—To increase capital and surplus. For details see issue of April 4.

Kerr-McGee Oil Industries, Inc., Oklahoma City (4/12)
Feb. 28 filed 60,000 shares of $1.20 cumulative convertible preferred stock ($22.50 par). **Underwriters**—Straus & Blosser, Chicago. **Offering**—Price to public is $25 per share. For details see issue of March 7.

Keyes Fibre Co., Portland, Me. (4/16)
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; cost of construction and equipment of the Hammond plant. For details see issue of April 4.

Kingston Products Corp., Kokomo, Ind. (4/13)
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.

Longines-Wittnauer Watch Co., Inc., N.Y. (4/17)
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. For details see issue of April 4.

Lynch Corporation, Anderson, Inc. (4/17)
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 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. For details see issue of April 4.

McGraw (F. H.) & Co., Hartford, Conn. (4/13)
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. (4/18)
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 100 and prices of preferred and common stocks by amendment. **Proceeds**—Purchase of 3,587 shares of common stock of Mading's Drug Stores, Inc.; general corporate purpose, including the opening and acquisition of additional stores. For details see issue of April 4.

Mission Appliance Corp., Los Angeles, Calif.
Feb. 26 filed 133,000 shares of common stock (par $5), of which 102,150 shares are being sold by company and 30,850 by certain stockholders. **Underwriters**—Lester & Co., Los Angeles, Calif. **Offering**—Price to public will be $8.25 per share. For details see issue of March 7.

Monsanto Chemical Co., St. Louis, Mo.
March 15 filed 316,967 shares of $3.25 cumulative preference stock, series A (no par) convertible into common before June 1, 1956. **Underwriters**—Smith, Barney & Co. **Offering**—Shares are offered holders of common stock of record April 8 on basis of one share of preference for each four shares of common held at $101.50 a share. Rights will expire 3 p.m., April 24, 1946. For details see issue of March 21.

Morris Plan Corp. of America, N. Y. (4/24)
Jan. 29 filed 100,000 shares of preference stock, series A (par $1) with common stock purchase warrants attached and 150,000 shares of common (10c par). Dividend rate on preferred by amendment. The statement covers 200,000 additional shares of common reserved against warrants. **Underwriters**—Eastman, Dillon & Co. **Offering**—Price to public by amendment. For details see issue of Feb. 7.

National Automotive Fibres, Inc., Detroit (4/15)
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. For details see issue of April 4.

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 Skyway Freight Corp., Los Angeles, Calif. (4/18)**
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**—Working capital to be used for general purposes, principally to finance acquisition of new planes. For details see issue of April 4.

Nation-Wide Securities Co., Inc., N. Y. (4/18)
March 30 filed 300,000 shares of capital stock (par $1). **Distributor**—Calvin Bullock. **Offering**—At market. **Proceeds**—For investment.

New Haven (Conn.) Clock & Watch Co. (4/17)
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 at $481,360 bank loan; to redeem 4,376 shares of 6½% cumulative preferred stock; balance for purchase of new machinery. For details see issue of April 4.

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**—Common stockholders given right to subscribe for new debentures at rate of one $500 debenture for every 70 shares of common stock held. Price by amendment. For details see issue of March 28.

Ohio Public Service Co., Cleveland, O. (4/18)
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. **Underwriters**—To be filed by amendment. Probable bidders include Mellon Securities Corp.; Halsey, Stuart & Co., Inc. (bonds only); the First Boston Corp. **Offering**—Prices to public by amendment. **Proceeds**—Redemption and payment of bonds, notes and preferred stock. For details see issue of April 4.

● **Oil Prospects, Inc., New Bedford, Mass.**
April 8, (letter of notification) 59,250 shares capital stock (par $5). **Underwriter**—Arthur G. Wadsworth & Co., New Bedford. Price to public $5 per share. **Proceeds**—To defray expenses in connection with acquisition of properties and to purchase non-producing mineral rights under lands that are now under effective oil and gas leases.

Palmetex Corp., Pinellas Park, Fla.
March 22 filed 250,000 shares common stock (par $1). **Underwriter**—Floyd D. Cerf Co., Inc., Chicago. **Offering**—Price to public is $3.25 per share. **Proceeds**—Purchase of plant occupied under lease, new dryer, working capital, etc.

● **Panhandle Eastern Pipe Line Co., Chic. (4/23)**
April 4 filed $50,000,000 serial debentures, dated May 1, 1946. Interest rate by amendment. **Underwriters**—Kidder, Peabody & Co., Merrill Lynch, Pierce, Fenner & Beane, and Halsey, Stuart & Co., Inc. **Offering**—Price to public by amendment. **Proceeds**—To redeem following bonds: $12,000,000 first mortgage and first lien 3% bonds, series B, at 104; $8,250,000 first mortgage and first lien 3% bonds, series C, at 103⅛, and $10,000,000 first mortgage and first lien 2¾% bonds, series D, at 103¼. A portion will be used to prepay promissory notes and balance added to general funds and be available for general corporate purposes, possibly including payment of part of the cost of construction work now authorized. The construction program in 1946 involves an expenditure of approximately $9,000,000.

Paulsboro (N. J.) Manufacturing Co. (4/17)
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**—Purchase or construction of a plant and necessary machinery and equipment. For details see issue of April 4.

Peerless Casualty Co., Keene, N. H.
March 8 filed 50,000 shares of common stock (par $5). **Underwriters**—Herrick, Waddell & Co., Inc., New York. **Offering**—Common stockholders given right to subscribe for new shares in ratio of 5 additional shares for each 11 shares held, at $14 per share. For details see issue of March 14.

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**—By amendment. Probable bidders include Halsey, Stuart & Co., Inc. (bonds only); Smith, Barney & Co. (preferred only); Kuhn, Loeb & Co., and Lehman Brothers (jointly). **Offering**—Prices to public by amendment. For details see issue of March 28.

Peninsular Telephone Co., Tampa, Fla.
March 14 filed 80,000 shares of $1 cumulative preferred stock (par $25) and 26,799 shares of common stock (no par). **Underwriters**—Morgan Stanley & Co., Coggeshall & Hicks, G. H. Walker & Co., White, Weld & Co. **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 cash adjustment. Exchange privilege will expire April 15. (Unexchanged shares will be sold to underwriters at $28 per share). Common stockholders will be given 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 $30 per share. For details see issue of March 21.

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., Lock Haven, Pa.
Feb. 18 filed 150,000 shares of common stock (par $1). **Underwriters**—Hayden, Stone & Co. **Offering**—Price to public will be filed by amendment. For details see issue of Feb. 20.

● **Property Management, Inc., Baltimore**
March 28, (letter of notification) on behalf of the Tuscany-Lombardy Corporation; 170,000 certificates of participation in mortgage to be assigned to Property Management, Inc., by Certificate Holders Corporation. Tuscany-Lombardy Corporation will pay par for $16,000, par value of certificates likely to be acquired under cash offer in event extension is consummated.

● **Public Flyers, Inc., N. Y. (4/23)**
April 4 filed 200,000 shares of common stock (par $1). **Underwriters**—Bond & Goodwin, Inc. **Offering**—Price to public $3 per share. **Proceeds**—Payment of notes, purchase of flight equipment, additional hangar facilities, improvement of airport property and other related uses. **Business**—Present activity, operating a flying school and acting as sales dealer for the sale of aircraft. Proposes to enter the field of transportation.

Public Service Co. of Ind., Inc. (4/13)
March 25 filed 150,000 shares of cumulative preferred stock (par $100). Dividend rate by amendment. **Underwriters**—Names by amendment. Probable bidders include Kuhn, Loeb & Co. and Harriman Ripley & Co. (jointly); Glore, Forgan & Co.; the First Boston Corp. **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. For details see issue of March 28.

Public Service Co. of New Hampshire
March 1 filed 102,000 shares of preferred stock ($100 par). Stock is to be offered at competitive bidding, with dividend rate supplied by amendment. **Underwriters**—By amendment. Probable bidders include Kuhn, Loeb & Co., Harriman, Ripley & Co. and Smith, Barney & Co. (jointly); Kidder, Peabody & Co. and Blyth & Co., Inc. (jointly); Coffin & Burr and the First Boston Corp. (jointly). **Offering**—Stock will first be offered to holders of company's $6 and $5 dividend preferred stock on an a share for share basis, with cash adjustment. For details see issue of March 7.

Public Service Co. of New Hampshire (4/17)
March 29 filed 500,000 shares of common stock (par $10). **Underwriters**—Names by amendment. Probable bidders include Kuhn, Loeb & Co.; Harriman, Ripley & Co., and Smith, Barney & Co. (jointly); Kidder, Peabody & Co. and Blyth & Co., (jointly); The First Boston Corp. and Coffin & Burr (jointly). **Offering**—Company will sell at competitive bidding, for an aggregate price of $5,000,000, not exceeding 500,000 shares of common stock, the number of shares to be determined by each bidder. **Proceeds**—New common and preferred are being issued to retire 117,404 shares of old preferred and serial notes and to provide funds for construction and extension. For details see issue of April 4.

Queen Anne Candy Co., Hammond, Ind. (4/16)
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. For details see issue of April 4.

Red Top Brewing Co., Cincinnati, Ohio. (4/15)
March 26 filed 150,000 shares of class A common stock (par $1). Shares are being sold by certain stockholders. **Underwriters**—Westheimer & Co., Cruttenden & Co., A. G. Edwards & Sons, Loewi & Co., Stein Bros. & Boyce, the Ohio Company, and Piper, Jaffray & Hopwood. **Offering**—Price to public $10.50 per share. For details see issue of March 28.

Republic Indemnity Co. of Amer., Tucson, Ariz. (4/15)
March 27 filed 10,000 shares common stock (par $10). Shares are being offered by the company. **Underwriters**—Not underwritten. **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. For details all issue of April 4.

● **Rio Grande Valley Gas Co., Houston, Texas**
April 10, Ralph B. Lloyd, Paul O. Koester and Joseph M. Jackson, voting trustees, filed voting trust certificates for 2,080,376 shares of common stock, (par $1). **Purpose**—To establish voting trust. The agreement to expire April, 1956.

Roberts & Mander Corp., Hatboro, Pa. (4/21)
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. For details see issue of April 4.

Rockridge Gold Mines Ltd., Tor., Can. (4/15)
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. For details see issue of April 4.

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. Probable bidders include White, Weld & Co.; Halsey, Stuart & Co., Inc.; Harris, Hall & Co. (Inc.); Glore, Forgan & Co., and Harriman, Ripley & Co. (jointly). **Offering**—Price to public by amendment. For details see issue of March 28.

Salt Dome Oil Corp., Houston, Tex. (4/16)
March 28 filed certificates of interest for 800,000 certificates 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**—Exploring and developing. For details see issue of April 4.

Samson United Corp., Rochester, N. Y.
March 15 filed 125,000 shares of cumulative convertible preferred stock (par $8) and 166,666 shares of common stock (par $1). Dividend rate on preferred by amendment. Common shares which constitute 51.4% of the outstanding are being sold by Clark-Babbitt Industries, Inc. **Underwriters**—Burr & Co., Inc., heads the underwriting group. **Offering**—Prices of preferred and common by amendment. For details see issue of March 21.

Scranton Electric Co., Scranton, Pa. (4/17)
March 29 filed 53,248 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**—By amendment. Probable bidders include Smith, Barney & Co.; Mellon Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane, and Kidder, Peabody & Co., (jointly). **Offering**—Price by amendment. **Proceeds**—Net proceeds from sale of 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 Co. For details see issue of April 4.

Scranton-Spring Brook Water Co., Wilkes-Barre, Pa.
Feb. 8 filed $23,500,000 first mortgage bonds, due March 15, 1976, and 100,000 shares of cumulative preferred stock (par $100). Interest and dividend rates by amendment. **Underwriters**—By amendment. Probable bidders include Halsey, Stuart & Co., Inc. (bonds only); Morgan Stanley & Co.; Kuhn, Loeb & Co., Lee Higginson Corp. and Smith, Barney & Co. (jointly); Mellon Securities Corp. **Offering**—Bonds and preferred stock will be sold at competitive bidding. For details see issue of Feb. 14.

Segal Lock & Hardware Co., Inc., N. Y. (4/18)
March 30 filed 738,950 shares of common (par $1). **Underwriters**—Floyd D. Cerf & Co. **Offering**—Holders of common stock, 7% preferred stock and $2.50 cumulative preferred stock are given right to subscribe to new common shares at rate of one share of common for each two shares of any such stock held. Price by amendment. **Proceeds**—Purchase of additional machinery and equipment for modernization of present facilities, etc. For details see issue of April 4.

Selected Industries, Inc., N. Y. (4/18)
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**—To pay $6,900,000 bank loans. For details see issue of April 4.

Sharon Steel Corp., Sharon, Pa. (4/21)
April 2 filed 150,000 shares common (no par). **Underwriters**—Mellon Securities Corp. **Offering**—Price to public by amendment. **Proceeds**—To redemption of outstanding convertible $5 preferred stock. For details see issue of April 4.

Shell Union Oil Corp., N. Y. (4/15)
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. For details see issue of April 4.

Sinclair Oil Corp., N. Y.
Dec. 26 filed 150,000 shares of common stock (no par). Shares are being sold by H. F. Sinclair. **Underwriters**—Kuhn, Loeb & Co. **Offering**—Price to the public based on market. For details see issue of April 4.

Sonotone Corp., Elmsford, N. Y. (4/13)
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.

● **Spacarb Inc., New York**
April 1 (letter of notification) 88,025 common shares (par $2.50) and 12,500 warrants for purchase of 12,500 common shares. Price, common, $3 per share; warrants, 1 cent. Stockholders will vote April 18 on increasing capital from 6,000 shares (par $50) to 1,000,000 shares (par $2.50) and issuing 20 new shares (par $2.50) for each $50 par share. Stockholders will be given right to purchase 1¼ new shares for each 20 shares held at $3 per share. Shares not subscribed for will be offered to other parties at $3 per share. If new shares are subscribed for total outstanding will be 158,445 shares. Proceeds will be used for purchase of vending machines, working capital, etc.

● **Standard Steel Spring Co., Corapolis, Pa. (4/29)**
April 10 filed 100,000 shares of convertible preferred stock (par $50). Dividend rate by amendment. **Underwriters**—Goldman, Sachs and Co. **Offering**—The price to public by amendment. **Proceeds**—Principally for expanding existing facilities for manufacture of bumpers for passenger automobiles. Company expects to purchase from war assets administration a surplus war plant located in Newton Falls, Ohio, for $638,000, and new equipment in the plant for $47,000. It is estimated that in addition to $150,000 for repairs, the additional cost of equipping the plant will be around $2,750,000. It is expected the new plant will commence operations some time in the late fall. The company also plans other additions costing $800,000 any portion of proceeds not used in plant expansion will be added to working capital. **Business**—Bumpers, flat leaf springs, and universal joints and assemblies. Principally for sale to the automobile, truck and farm equipment industries.

Steep Rock Iron Mines Ltd., Ont., Can. (4/15)
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. For details see issue of April 4.

Stromberg-Carlson Co., Rochester, N. Y.
March 19 filed 67,731 shares of 4% convertible preferred stock (par $50). **Underwriter**—First Boston Corp. **Offering**—Company is offering to holders of common stock of record April 8 pro rata rights to subscribe to new

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Securities Now in Registration

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preferred on basis of one share of preferred for each four shares of common held at $50 per share. Rights expire April 24 at 3 p.m. For details see issue of Mar. 21.

Super-Cold Corp., Los Angeles, Calif. (4/17)
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. For details see issue of April 4.

Taca Airways, S. A., N. Y. (4/18)
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. For details see issue of April 4.

Tex-O-Kan Flour Mills Co., Dallas (4/22)
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. For details see issue of March 28.

Tucson (Ariz.) Gas, El. Lt. & Pwr. Co. (4/17)
March 29 filed 147,000 shares common stock (no par). Stock constitutes all of the outstanding common stock of Tucson and is owned by Federal Light and Traction Co. **Underwriters**—By amendment. Probable bidders include Harriman Ripley & Co.; The First Boston Corp., and Blyth & Co., Inc. **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 (4/17)
March 29 filed 130,000 shares of preferred stock (no par). Dividend rate by amendment. **Underwriters**—By amendment. Probable bidders include White, Weld & Co., and Shields & Co. (jointly); Dillon, Read & Co. Inc.; Lehman Brothers, and Blyth & Co., Inc. **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. **Purpose**—To refinance old preferred stock at a lower dividend rate. For details see issue of April 4.

Union Wire Rope Corp., Kansas City, Mo.
Feb. 4 filed 42,000 shares capital stock (no par). **Underwriters**—P. W. Brooks & Co., Inc., New York. **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. For details see issue of Feb. 7.

United Cigar-Whelan Stores Corp., N. Y. (4/17)
March 29 filed 50,000 shares of common stock (par 30 cents). **Underwriters**—No underwriting agreements exist. **Offering**—Under an agreement dated Feb. 1, 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. For details see issue of April 4.

United Transit Co., Richmond, Va. (4/17)
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. For details see issue of April 4.

Universal-Cyclops Steel Corp., Bridgeville, Pa.
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 by amendment. Probable bidders include Halsey, Stuart & Co., Inc., and The First Boston Corp. **Offering**—Price to the public will be filed by amendment. For details see issue of March 28.

Utility Appliance Corp., Los Angeles (4/17)
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**—Purchase of business and assets of Gaffers & Sattler and Occidental Stove Co.; additions and tooling and additional working capital. For details see issue of April 4.

Verity Porcupine Gold Mines, Ltd., Tor., Can.
March 12 filed 250,000 shares of common stock. **Underwriters**—Mark Daniels & Co., 371 Bay Street, Toronto, Canada, is named underwriter. **Offering**—Price to public is 50 cents per share. For details see issue of March 14.

Virginia Red Lake Mines, Ltd.
June 24 filed 220,000 shares of capital stock (par $1—Canadian). **Underwriters**—Willis E. Burnside & Co., New York. **Offering**—Offering price to public 28 cents United States funds. For details see issue of Aug. 2, 1945.

Yank Yellowknife Gold Mines, Ltd., Tor., Ont.
Feb. 13 filed 1,000,000 shares of common stock (par $1). **Underwriters**—J. J. Carrick, Ltd., Toronto, Canada. **Offering**—Price to public 30 cents per share, United States funds. For details see issue of Feb. 21.

Walworth Co., N. Y. (4/17)
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**—$4,590,000 to redeem first mortgage 4% bonds due April 1, 1955; $619.120 to restore working capital expended for redemption of 6% preferred; $800,000 for improved foundry and finishing equipment; $220,000 for acquisition of two warehouses; balance for working capital. For details see issue of April 4.

Weeden & Co., San Francisco, Calif. (4/16)
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**—General funds for use in operations. For details see issue of April 4.

Young Radiator Co., Racine, Wis.
Jan. 29 filed 100,000 shares of common stock (par $1); also registered 40,000 shares of common for issuance upon exercise of warrants. **Underwriters**—Van Alstyne, Noel & Co. **Offering**—Price to public $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 issue to stockholders on recapitalization and 20,000 are being sold to underwriters at 10 cents per warrant share. Offering postponed indefinitely. For details see issue of Feb. 7.

Prospective Security Offerings

(NOT YET IN REGISTRATION)

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• Air Services, Inc., New York
April 1 company was reported planning sale of 150,000 shares of common stock through B. G. Cantor & Co., New York, as underwriter. Price about $2 per share. Company's headquarters will be located within eight miles of New York City. Principal business will be student training and charter service.

Alden's, Inc., Chicago, Ill.
May 14 stockholders will vote on approving an issue of 50,000 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 1,290,568 outstanding common shares.

• American Brake Shoe Co., New York
April 23 stockholders will vote on increasing common from 1,000,000 shares to 2,000,000 shares. Action is being taken to have stock available if and when needed. Company has no present plans to issue the stock. Previous underwriters for preferred stock included Morgan Stanley & Co., Inc., Drexel & Co., Mellon Securities Corp., Harris, Hall & Co. (Inc.), and Spencer Trask & Co.

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.

• Arkansas Power & Light Co., Little Rock, Ark.
March 30 reported company planned to issue 290,000 shares common stock (par $12.50) and $5,000,000 in promissory notes, for purpose of paying current promissory notes and finance expansion program.

• Art-Craft Brier Pipe Co., Brooklyn, N. Y.
April 8 company planning the sale of 100,000 shares of common stock at $2.25 per share. Proceeds for expansion. **Underwriter**—B. G. Cantor & Co., New York.

• Atlantic Coast Line RR.
April 16 stockholders will vote on authorizing a total of 1,350,000 (no par) common shares and 150,000 preferred shares (par $100). Outstanding 823,427 common shares (par $100) would be exchanged share for share for new no par stock and the 5% existing preferred would remain outstanding and designated "original preferred stock" and the new preferred would be designated as "series preferred stock" and would be issued as directors authorize. In view of present market conditions, C. McD. Davis, President, states that directors are of opinion that additional capital stock should be made available for debt retirement if favorable opportunity offers.

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,-000) through sale of equal amount of bonds under new mortgage, through competitive bidding.

• Beneficial Industrial Loan Corp., New York
April 3 directors voted to offer common stockholders right to subscribe to one new share for each five shares held, subject to effectiveness of registration statement to be filed with SEC at early date. Eastman, Dillon & Co. probable underwriter.

• Brooklyn (N. Y.) Union Gas Co.
Stockholders will vote May 7 on approving a plan to refund $29,240,000 first mortgage 3½s and $11,850,000 4% debentures. Plan is said to provide for $10,000,000 new preferred stock, mortgage bonds and serial notes to be sold through competitive bidding. Approval of stockholders and New York Public Service Commission necessary. Probable bidders will include Halsey, Stuart & Co., Inc. (bonds only), Mellon Securities Corp. and Harriman Ripley & Co.

• Caterpillar Tractor Co., Peoria, Ill.
March 29 company announced it was negotiating with underwriters for sale of $20,000,000 of securities, probably in 10-year debentures, proceeds to be used to meet cost of proposed expansion program. Blyth & Co., Inc., probable underwriter.

Central & Southwest Utilities Co., Wilmington, Del.
Third amended plan filed with SEC in March provides that company be merged with American Public Service Co. 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).

• City Investing Co., New York
May 2 stockholders will vote on splitting common shares 6 for 1 and approving $5,000,000 of debentures to provide additional funds. Probable underwriter, The First Boston Corp.

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 refund $304,240,000 callable debentures. Contemplated new bonds, to be sold at competitive bidding, would initially, it is said, involve $100,000,000. Morgan Stanley & Co. probable underwriters.

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. Probable bidders include Morgan Stanley & Co.; Lehman Brothers; Harriman, Ripley & Co., and Mellon Securites Corp. (jointly).

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 all outstanding preferred and for working capital.

● **Harvill Corp., Los Angeles, Calif.**

April 6 company announced offering of 100,000 shares of common stock (par $1) to holders of record April 12 at $2 per share in ratio of one new for each five shares held. Rights expire about April 27. Sulzbacher, Granger & Co., New York, and Nugent & Igoe, East Orange, N. J., probable underwriters.

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.

● **Industrial Rayon Corp., Cleveland, Ohio**

March 27 stockholders increased authorized common from 1,200,000 shares (no par) to 3,000,000 shares (par $1). The outstanding 759,325 shares were split 2 for 1, increasing outstanding shares to 1,518,650. Unissued shares will be available for issuance when needed for future expansion. Kuhn, Loeb & Co., Harriman, Ripley & Co. and associates underwrote preferred financing in 1944.

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. White, Weld & Co. will be underwriters.

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. Probable bidders include Merrill Lynch, Pierce, Fenner & Beane, and White, Weld & Co. (jointly); Glore, Forgan & Co.; The First Boston Corp.

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.

● **Kurman Electronic Corp.**

Company, manufacturer of various electrical relays and clocks, is reported planning the sale of 100,000 shares of common stock through B. G. Cantor & Co. Price about $3 per share.

● **Maryland Drydock Co., Baltimore, Md.**

April 24 stockholders will vote on creating new issue of 4½% series A preferred stock which will be offered in exchange for 7% preferred stock on share for share basis with cash adjustment.

● **Mercantile Stores Co., Wilmington, Del.**

April 3 it was reported that early registration of 275,000 common shares was expected for the account of certain stockholders. Clark, Dodge & Co. probable underwriters.

● **Merritt-Chapman & Scott Corp., New York**

April 1 it was reported that a committee of directors was studying plans for refunding existing preferred stock, which may entail issuance of new preferred shares.

● **Michaels Brothers, New York**

April 8 it was reported company plans new financing, through common stock, with Burr & Co. as underwriters.

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. Probable bidders include Blyth & Co., Inc.; Kidder, Peabody & Co.; The First Boston Corp.; Harris, Hall & Co. (Inc.); Merrill Lynch, Pierce, Fenner & Beane, and Ira Haupt & Co.

● **Miller-Wohl Inc., New York**

May 1 stockholders will vote on approving a split-up of common stock and creation of 40,000 shares of new 4½% cumulative preferred stock (par $50). New preferred if sold will probably be underwritten by Allen & Co.

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.; Smith, Barney & Co., and Kuhn, Loeb & Co. probable bidders.

Northern Pacific Ry., St. Paul, Minn.

It was reported April 10 that company has under consideration the refunding of $55,000,000 collateral trust 4½% bonds due 1975 and the issuance of a new series of collateral trust bonds. 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.

● **Pacific Lighting Corp., San Francisco**

Possibility of the company issuing $15,000,000 first mortgage bonds upon completion of pipe line facilities foreseen. Proceeds would be used to replenish working capital. Probable underwriters include Blyth & Co., Inc.

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.

● **Pere Marquette Ry.**

April 25 company will open bids for purchase of $1,300,000 issue of serial equipment trust certificates of 1946. Bids will be opened at noon and no bids for less than 99 will be considered. Successful bidder will name dividend rate. Possible bidders include Halsey, Stuart & Co., Inc., and Salomon Brothers & Hutzler.

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.

● **Philco Corp., Philadelphia**

May 17 stockholders will vote on increasing capital stock from 2,000,000 shares of common to a total of 3,370,057 shares, consisting of 250,000 preferred shares (par $100), 2,500,000 common shares (par $3) and 620,057 class B stock (par $3). Purpose is to secure permanent capital as may be required for future expansion. Smith, Barney & Co. probable underwriter if sale of securities takes place.

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.

● **Public Service Co. of Colorado**

March 25 stockholders' special meeting to act on proposed refinancing was adjourned, sine die, without action being taken on the recommendation of the management.

● **Republic Drill & Tool Co., Chicago**

March 30 company announced it had been considering question of public financing in order to redeem its 10-year 5% convertible debentures. Plans, however, have not been completed but company in meantime is offering debenture holders opportunity to exchange their holdings for 6% cumulative preferred stock (par $5) in ratio of $1,000 debenture for 234 shares of preferred.

● **Rochester (N. Y.) Telephone Corp.**

March 15 company disclosed its purpose to refund outstanding first and refunding 2⅞s and 3½s through private sale of $6,238,000 2½s, if approved by New York Public Service Commission. Company also applied to the Commission to issue $2,800,000 2¾% debentures, proceeds to retire demand notes. If Commission decides on public sale, Halsey, Stuart & Co., Inc., probable bidder.

● **Southern Natural Gas Co.**

Company has under consideration a plan for refunding its approximately $15,000,000 of mortgage bonds and serial notes outstanding, stockholders were advised in the annual report for 1945.

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.

● **Union Electric Co. of Missouri**

It is rumored that company contemplates refunding its outstanding $90,000,000 3⅜s of 1971 with lower cost obligations. Possible bidders would include Dillon, Read & Co. Inc., and Halsey, Stuart & Co., Inc.

● **United Air Lines Inc., Chicago**

April 9, at annual meeting, W. A. Patterson stated that company intended to do some financing in near future to meet expenses of a $52,000,000 new equipment and expansion program during the next 12 or 18 months. He stated he did not favor the sale of additional stock and that the financing may probably take the form of bank loans, for which company was in a very favorable position.

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.

● **Western Pacific RR.**

April 3 company reapplied to ICC for authority to issue $10,000,000 first mortgage bonds, dated Jan. 1, 1946, due Jan. 1, 1981. Interest rate to be specified in bids. Probable bidders include Blyth & Co., Inc., Bear, Stearns & Co., Halsey Stuart & Co., Inc., Merrill Lynch, Pierce, Fenner & Beane, Shields & Co., and Glore Forgan & Co.

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).

Progress of 'Hold-the-Line' Order

(Continued from page 1927)

The Purpose of This Report

Three years ago today, on April 8, 1943, President Roosevelt issued his Hold-the-Line Order. It was designed to check a steady increase in the cost of living which threatened to break down the stabilization program wisely provided by Congress earlier in the war to protect the country from the ravages of wartime inflation. The "Hold-the-Line" Order directed the stabilization agencies to take certain steps to insure that the intent of Congress would be carried out.

As heads of the agencies charged with administering the stabilization program, we again take the anniversary of the "Hold-the-Line" Order as an opportunity to give you an accounting of our trusteeship. This report also contains our best estimate of the possibility of keeping the general level of rents and prices reasonably stable in the critical months ahead.

But our report also has a more basic purpose.

Today, after sacrificing the lives of almost a quarter of a million of our finest young men for world peace and security, this nation stands at a crossroads. We believe that one way leads to economic disaster; the other to a future of long-range prosperity. And there is no middle path.

The vast majority of American businessmen, farmers, factory workers and housewives are determined that we must choose the right road. Yet today there is grave danger that we will be stampeded into a severe snowballing inflation. And if inflation comes the inevitable result will be depression, widespread misery, several years' delay in our transition to a sound, full-production economy, and serious impairment of our leadership in the endeavor to build lasting world peace and security.

Three years ago the American people faced a problem which was in many ways similar to the one we face today. It was the problem of achieving all-out production without at the same time creating runaway inflation.

We who are responsible for the administration of the stabilization program feel that a look backward over the ground that has been held in the fight against inflation should provide renewed confidence in this nation's ability to prevent a disastrous boom and collapse in the months ahead. And we believe that the record of the last three years should give us renewed determination to take whatever steps are necessary to see the fight through to a successful finish.

What Has Happened to Prices, Rents and Wages in the Last Three Years?

Every housewife knows that during the last three years since the issuance of the "Hold-the-Line" Order, the prices of many individual items have increased.

For example, according to the Bureau of Labor Statistics, the general level of clothing prices has risen 17.2% from the time the "Hold-the-Line" Order became effective in February, 1946. House furnishings have risen 18.6% in the same period.

Both fields presented difficult pricing problems which government and industry together failed to meet adequately in the early days of the war. Today those problems are being dealt with more effectively and results are beginning to show in more and better merchandise in the lower price ranges.

It should be remembered that while increases in clothing and house furnishings prices have had a serious effect on the cost of living in this war, those increases have been nowhere near so large as they were in the last war when clothing prices rose 200% and house furnishings went up 179%.

There have also been substantial increases in a number of minor items such as beauty and barber-shop services and theater tickets on which the Government has no authority to place price ceilings.

But clothing, house furnishings and the troublesome miscellaneous items—on which there have been substantial increases during the past three years—together take only about one-third of the expenditures of the moderate-income urban family. On the other hand, rent, food, fuel, ice, electricity and certain other items—on which there has been little or no increase since the "Hold-the-Line" Order—together take about two-thirds of the moderate-income family's expenditures.

This two-thirds of the cost of living has been held generally stable and has prevented increases in the other one-third from causing a sharp rise in the overall cost of living.

According to the Bureau of Labor Statistics of the Department of Labor, the general level of rents has increased only three-tenths of 1% from May, 1943 to February, 1946 (the latest date for which figures are available).

Food prices, which alone take 40% of the moderate-income urban family's budget, are actually lower by almost 2½% than they were three years ago, according to the Bureau of Labor Statistics. Because the moderate-income family spends about three times as much for food as for clothing, even this small decline in the general level of food prices is sufficient to prevent the increase in clothing prices from raising the general level of consumer prices substantially.

Probably because many families have been eating more and better food and have therefore paid higher total food **bills** during the last few years, it is often hard to convince the average housewife that food **prices** have been held generally stable. For the housewife who prefers to check the Bureau of Labor Statistics in her own way, the best evidence that food prices have in general been held is a comparison of the actual prices of the most frequently purchased items as they appeared in food-store advertisements for May, 1943, and today.

Almost invariably it will be found that the average market basket of groceries can be bought today for the same amount—or a little less—than it cost three years ago.

Putting all of these factors together, the Bureau of Labor Statistics reports that the general level of all consumer prices has risen 31% since September, 1939, when the war in Europe began. This is a creditable record when it is remembered that during the inflationary period of the last war living costs rose to a peak 108% above the prewar period.

But even more important is the fact that nine-tenths of the 31% increase in this war occurred before the "Hold-the-Line" Order. In the three-year period since then—a period of unprecedented inflationary pressures—consumer prices, according to the Bureau of Labor Statistics, have increased only 3.4%. In the same three-year period prices of industrial materials have risen only 4.8%, and wholesale prices have gone up only 3.5%.

Everybody knows that there has been some deterioration in quality. "Bargain sales" are a thing of the past. The lower-priced goods in many fields have disappeared. Thus, in order to get a more nearly accurate estimate of the cost of living increase in the past three years, something must be added to the 3.4% which the statistics show.

But even with a reasonable addition for this purpose, the American people have established a stabilization record of which they can well be proud. It is a record which should settle once and for all the question of our technical ability to resist an inflationary blow-up in spite of staggering pressures.

Average weekly earnings of factory workers were 4.2% lower in February, 1946, than in May, 1943; and average hourly earnings were 5.4% higher.

With the end of the war in August, 1945, there were sharp cutbacks in take-home pay due to down-grading and elimination of overtime. Since V-J Day these cuts have been partially restored through new wage agreements in several thousand industries. This process is continuing under the new Wage-Price policy which was announced on Feb. 14.

The following table compares the movement of the prices of important cost-of-living items and of wages during the last three years with their movement in the whole of the World War II period and with World War I:

Percent of Average Family Expenditures		WORLD WAR I. % Change from July 1914 to peak of inflat.	WORLD WAR II % Change from Aug. 1939 to Feb. 1946	SINCE THE HOLD THE LINE ORDER. % Change from May 1943 to Feb. 1946
100%	ALL CONSUMER PRICES	108%	31%	3.4%
40%	FOOD	126	49	—2.4
	Round Steak	85	18	—11.1
	Pork Chops	125	24	—10.7
	Eggs	208	59	1.4
	Bread	92	12	0.1
	Milk	94	31	—0.4
	Cereals	139	18	2.
	Canned Goods	*	43	—0.2
	Fresh fruits and vegetables	*	108	—6.2
	Potatoes	291	119	—23.
16%	RENT	54	4	0.3
13%	CLOTHING	200	50	17.2
	Men's Suits	*	42	6.5
	Men's Shoes	*	37	4.7
	House Dresses	*	148	54.0
	Cotton Work Shirts	*	80	15.9
6%	ELECTRICITY, FUEL, ICE	91	14	3.2
3%	HOUSE FURNISHINGS	179	48	18.6
21%	MISCELLANEOUS	101	25	8.5
	ALL WHOLESALE PRICES	148	44	3.5
	Industrial Prices	165	27	4.8
	Building Materials	218	35	9.4
	Plate Glass	271	0	0
	Steel Plates	232	13	13.1
	Copper	65	15	0
	Anthracite Coal	82	44	15.9
	Bituminous Coal	675	30	7.8
	Textile Products	252	51	4.9
	Blue Denims	266	104	16.4
	Men's Cotton Hose	277	77	3.2
	AVERAGE WEEKLY EARNINGS OF FACTORY WORKERS	140	74	—4.2
	AVERAGE HOURLY EARNINGS OF FACTORY WORKERS	150	61	5.4

(* No data available)

The Record Has Been Achieved in Spite of Staggering Inflationary Pressures

In the 27 wartime months between the launching of the "Hold-the-Line" program and V-J Day upward pressures on prices, due to unprecedented demand for an inadequate supply of civilian goods, were stronger than ever before in history. When V-J Day came many people thought that sharp cut-backs in the amounts of goods needed to supply the armed forces and reductions in purchasing power due to temporary unemployment would reduce the pressure on prices.

But the process of retooling our plants got underway much more quickly than most people expected. Today employment is at a record peak in the peacetime history of our country. While take-home pay has been sharply reduced in many cases, total purchasing power from current income still far outweighs the supply of civilian goods which could be made available in retail stores in the few months since full reconversion began. We are faced with severe shortages of clothing, housing, consumer durable goods and many food items. And tremendous quantities of merchandise are needed merely to fill the pipelines of our distribution system.

Today inflationary pressures are many times greater than they were three to six months after World War I when inflation broke loose in the country.

What Has Happened to Production Since the "Hold-the-Line" Order?

Everybody agrees that all-out production is the only effective escape valve for inflationary pressures. But there are those who say that in the fight to maintain a stable economy we have sacrificed production by imposing "stifling" price controls. What has actually happened to production in the past three years?

The fact is that total production for both military and civilian purposes during the war exceeded anything this nation has ever known before. During the first World War industrial production rose only a quarter while industrial prices doubled by November, 1918. During the war just past the increase in industrial production was four to five times as much as in the first war and industrial prices increased only about 25%. (Although much finished war equipment such as planes, tanks and warships were not subject to price controls the basic materials which went into them were effectively held under price ceilings.)

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 time the "Hold-the-Line" order went into actual operation in May, 1943, to V-J Day. And that period of two years and three months was our period of greatest production.

And what has happened to production since V-J Day? Severe dislocations were to be expected in the process of converting our gigantic economic machinery from war to peace. Production of many finished consumer goods is still lagging. Yet industrial production as a whole stands today at the highest point in our peacetime history—more than 60% above the average of the prewar years from 1935 to 1939. Employment is at the highest peacetime levels on record.

Certainly it would seem that, given the proper tools, the American people have ample reason to be confident of their ability to stave off a disastrous inflation and collapse during the critical months ahead and still create a flood of production which will wipe out the possibility of a runaway inflation.

The Dangers Ahead

But the next few months will be dangerous, and difficult.

Even with the present rapid increase in production rates continuing, supplies of goods available to consumers are still short of the purchasing power that people have from their current incomes. This gap will be closed in the coming months as production expands and as business inventories at all levels are built up to normal. There are still shortages of many materials and parts used in manufacturing finished products. Most of these shortages will be eliminated as production expands in the coming months.

But in the meantime until shortages of materials and parts are eliminated and until the stores are full of consumer goods the danger of an explosive inflation is grave. Both business and consumers have immense liquid savings. If they should become convinced that prices were going up sharply, they would try to protect themselves by turning their money savings into whatever goods they could find. This would mean that the actual working demand would *greatly* exceed supplies of everything. This is exactly the situation which gives rise to gyrating, cumulative inflation. Hence it is imperative to maintain price stability until the economy is working at capacity, shortages are eliminated and people see the stores full of goods.

Nobody knows exactly how much prices would rise if our stabilization controls were weakened or eliminated now. But we do know that inflationary pressures are many times stronger now than they were at this time after the last war. The economic history books tell the dismal story of what happened in similar but far less dangerous circumstances at just about this time after the last war.

Shortly after the Armistice in 1918 most of our leaders believed that the problem of inflation was behind us. What controls we had were discarded. Prices dropped slightly while the reconversion process got underway. Then the upward surge began in March, 1919. A frantic effort to reorganize our defenses against inflation was too late and too weak. Businessmen began a perfectly natural scramble for inventories. Uncertainties about business costs and prices made long-range planning impossible and hampered production. As the cost of living moved up from 62% above prewar levels to a peak of 108% above prewar in the spring of 1920, millions of people living on fixed incomes suffered. Workers who got wage increases found them swallowed up almost overnight by new price increases. Men who had just returned from war service found it impossible to get their feet on the ground and to get started in business.

Finally, when enough families could no longer afford to pay the prices, the final inevitable collapse came in May, 1920. Factory payrolls dropped 44%, leaving nearly one-third of our factory workers unemployed. Businessmen lost $11 billions in the reduced values of inventories. Corporation profits dropped from $6½ billions to a net loss of $55 millions. One hundred and six thousand businesses went bankrupt. Farm income dropped 66%, and in the next five years 453,000 farmers lost their properties through foreclosures.

What Is Needed to Insure Final Victory Over Inflation

We have the proof in our wartime record and in the record since V-J Day that we can prevent a repetition of that disaster. The question is, are we willing to deal with the present emergency in the same spirit and with the same tools with which we met a similar emergency during the war.

The responsibility for determining the policies under which we as a nation will face the stabilization task ahead rests entirely with Congress. On the basis of the record of the past four years the American people can be confident that Congress will fulfill this responsibility in spite of heavy pressures from special interest groups which are out to eliminate or cripple the price and rent control legislation.

As the heads of the agencies which are responsible for administering the stabilization program we are convinced that the following legislation is indispensable if the danger of inflation is to be dealt with successfully during the next crucial months:

1. We believe that the Emergency Price Control Act which expires on June 30 must be renewed without the crippling amendments which are now being proposed almost daily. The interests of the American people would be better served by eliminating price control entirely rather than encouraging the false sense of security which would result from a mere illusion of price control.

And we believe that the act must be passed in final form by May 15 at the latest. Already the delay in arriving at a final decision on the course we are to take in the months ahead is creating uncertainty. Uncertainty can only impede production and increase inflationary pressures by encouraging hoarding and speculation. Above everything else, the country needs to know where it stands. Before businessmen can plan ahead in complete confidence they must know that prices and costs will remain generally stable.

2. We believe that effective price control and the subsidy program are indivisible. Without a continuation of the present food subsidies we must expect sharp increases in food prices which would almost certainly result in another round of wage increases, higher manufacturing costs and still higher consumer prices.

3. We believe that the Second War Powers Act must be extended beyond June 30 to enable the Government to prevent hoarding through inventory controls and to guide scarce materials into channels where they are most needed. During the war the machinery of allocation and priority was a powerful adjunct to price control. We cannot expect to maintain our economic stability and still get badly needed production—especially in the clothing and building materials field—without the support of allocations and priorities in the months ahead.

4. We believe that uncontrolled inflation in the real estate field is a serious threat not only to rent controls, but to the entire stabilization program. We feel that it must be met through quick adoption of the Patman Housing Bill.

We also urge that the nation act to check sharp increases in commercial rents. This step was first recommended 18 months ago. Since that time established businesses and veterans trying to get started in new ventures have in many areas been hard-pressed by constantly rising rental costs.

5. The stabilization agencies must have for the fiscal year 1946-47 adequate appropriations with which to enforce their regulations and handle their workloads expeditiously.

Given the necessary legislative tools, all of the stabilization agencies have a heavy responsibility to administer them wisely and with a minimum of mistakes and delays. Above all, they must avoid any action that might obstruct all-out production. We must continue to have a sensitive stabilization program which takes advantage of every opportunity to increase production. We must cut the red tape wherever possible. And we must make quick decisions on prices wherever they are necessary.

Wage adjustments under the new wage-price policy must be acted upon quickly and accurately within the industry patterns established by labor and management in free collective bargaining between V-J Day and February 14 when the new policy was announced. Clearly, our ability to adhere to these patterns will depend on our ability to hold prices and rents in line.

We must also be prepared to resist vigorously the inroads of any individual group which is willing to risk the welfare of the entire country for its own selfish gain.

Finally, success in our efforts calls for a large measure of selflessness, patience and give and take on the part of every group in the country — businessmen, farmers and workers alike.

If we are prepared to face the next few critical months in the same spirit in which we faced the war emergency, and if the necessary legislation is passed, we believe that the last major stumbling block will be behind us. We believe that the flow of goods which is now growing daily to record levels will come from our factories in even greater quantities.

It is our earnest hope that if all goes well during the next year the danger of a severe inflation will have passed by the middle of 1947. In the meantime controls should be gradually removed wherever and whenever it is safe to do so. By June 30, 1947, only rent controls and some last remnants of price control in a few isolated fields will remain. When that time comes we will have the deep satisfaction of knowing that we have come out of the war period with a firm foundation on which to build the full production, full employment economy which we all agree our country can and must achieve.

Today America has almost within her grasp a future of economic security and prosperity which is far beyond anything we have ever dreamed of in the past. It is unthinkable that with that goal in plain view and with the knowledge that we have met and dealt with an equally difficult task in the past, we will fail to take whatever steps are necessary to win through successfully.

Goldman, Sachs Group Offers Debentures

Goldman, Sachs & Co. heads a group of investment bankers that is making public offering today (April 11) of $10,000,000 2¾% debentures of United Biscuit Co. of America, due April 1, 1966, at 102% and accrued interest from April 1, 1946. Proceeds of the financing will be applied to the redemption of $4,270,000 principal amount of 3½% debentures, due April 1, 1955, of the company, at 103½% of their principal amount, and 25,000 shares of 5% cumulative preferred stock at $107.50 a share. The remainder of the net proceeds will be added to the general funds of the company.

Cuban Atlantic Sugar Stocks Being Offered

An underwriting group headed by Wertheim & Co. and Ladenburg, Thalmann & Co. on April 10 offered to the public new preferred and additional common stock of Cuban Atlantic Sugar Co. with a total market value of about $8,700,000. The offering consisted of 30,000 shares of 5% cumulative preferred stock ($100 par) which was priced at $104 a share, and 175,000 shares of common stock (par $5) at $34.625 a share.

These securities represent part of the 60,000 shares of preferred stock and 275,000 shares of common which are being issued by Cuban Atlantic Sugar for the purpose of acquiring the Hershey Cuban enterprises.

Of the total securities being offered 20,000 shares of preferred and 137,500 shares of common were purchased by the underwriters from Cuban Atlantic Sugar Co. and 10,000 shares of preferred and 37,500 shares of common from the Hershey Trust Co., trustee for the Hershey Industrial School of Hershey, Pa. The shares purchased from the trustee are part of 40,000 shares of preferred and 137,500 shares of common issued by Cuban Atlantic to the trustee as part payment for certain assets of the Hershey Cuban properties.

Pennsylvania Co. Notes Offered by Syndicate

Halsey, Stuart & Co., Inc., headed a group that on April 9 won the award of $30,000,000 Pennsylvania Co. secured serial notes, and immediately reoffered the notes, which mature $1,500,000 annually from April 1, 1947, to 1966, at prices to yield 0.90% to 2.20%, according to maturity. The offering is subject to approval of the Interstate Commerce Commission.

Proceeds from the sale of the notes, together with such additional funds to be provided by the company as may be required, will be applied to the redemption on June 1, 1946, of $12,000,000 of secured notes, series A, and $20,000,000 of 25-year 3⅛% secured sinking fund notes, series B now outstanding.

Kuhn, Loeb & Co. Offers Pressed Steel Shares

A group headed by Kuhn, Loeb & Co. offered April 9 100,000 shares of common stock (par $1) of Pressed Steel Car Co., Inc., at $23 a share. The concession to dealers was 50 cents a share. The shares represent authorized but unissued stock of the company. Net proceeds from the sale will be applied by the company towards the purchase price of the physical assets of Mt. Vernon Car Manufacturing Co. Under the terms of the purchase agreement, Pressed Steel Car is to pay approximately $2,650,000 on April 10, on which date it takes title to the Mt. Vernon property.

Nat'l Distillers Common Stock All Sold

Glore, Forgan & Co. and Harriman Ripley & Co., Inc., announced April 10 that over 95% of the 379,894 shares of common stock of National Distillers Products Corp. which was offered to stockholders at the rate of one-sixth of a share for each share held, has been subscribed for by the stockholders. The unsubscribed portion amounting to 15,799 shares has been sold by the underwriting group. The proceeds of this financing amounting to approximately $23,135,544 before miscellaneous expenses, will be used for additional working capital.

American Airlines, Inc. Stock on Market

Emanuel, Deetjen & Co. and Lehman Bros. head a nationwide group of 116 underwriters that is offering publicly today (April 11) 211,000 shares of American Airlines, Inc., common stock ($5 par) at $90 a share. This offering constitutes a registered secondary. The shares being offered are issued and outstanding and are not being offered by the company. They are being sold by Aviation Corp. which owns beneficially 262,538 shares, or approximately 20.3% of American Airlines, Inc. common outstanding, in order to comply with an order of the Civil Aeronautics Board directing that on or before July 31, 1946, it reduce its holdings to not exceeding 4% of the total voting stock of the company outstanding.

Flamingo Air Service Stock Publicly Offered

An issue of 135,000 shares of capital stock (par $1) of Flamingo Air Service, Inc., is being publicly offered at $2 per share by Hoit, Rose & Troster, New York. Proceeds will be used for modification of three company-owned aircraft hangars, etc., and for working capital.

Our Reporter's Report

This was a really busy week for the underwriters of new securities with the bulk of their business taking the form of equity offerings. The overall roster, however, included three sizable debt issues, one due out today.

Dealers reported a brisk demand for the new issues offered by bankers for the Tennessee Gas & Transmission Co., which included $35,000,000 of 2¾% first mortgage bonds, 100,000 shares of 4.1% cumulative $100 par preferred and 484,444 shares of additional $5 par common stock.

Like the foregoing undertaking, the sale of $30,000,000 of Pennsylvania Co., serial notes proved a fast operation. This was strictly an institutional undertaking since the notes mature serially from 1946 to 1947 to 1966 and were priced on re-offering to yield from 0.90% to 2.25%, based on maturity.

Meanwhile it was indicated indicated that dissolution of syndicates had brought about a marked improvement in the general situation so far as some recent offerings were concerned.

Both the Union Pacific and the Southern Pacific long issues, brought out in the last few weeks were reported pretty well cleared away on concessions from the original issue prices.

Although institutional buyers, chiefly insurance companies, did not seemingly win the entire ten rounds, they were able, presumably to obtain bonds on a basis more in keeping with their own pricing ideas.

Big Issues Moving Up

Panhandle Eastern Pipe Line Co. moved its prospective financing a step nearer to fruition this week when it applied to the Ohio Securities Commission for authority to market the loan in that state.

This project is substantial, involving as it does the sale of $50,000,000 of serial debentures proceeds from which the company would apply to the redemption of $30,250,000 of outstanding first mortgage and first lien bonds, and liquidation of $16,000,000 of promissory notes.

The company already has placed the new securities in registration with the Securities and Exchange Commission, and, since this is not a competitive bidding deal, should be ready to proceed with marketing within a fortnight or so, provided market conditions are right.

Union Electric Co.

Should the investment market maintain its currently strong undertone in the months ahead, there are indications, although nothing official as yet, that Union Electric Co. may undertake a major new refunding.

While no official word has been forthcoming to date, the formation of at least two banking groups with an eye to going after such potential business, suggests that it could develop under proper circumstances marketwise.

The company has outstanding about $90,000,000 of first mortgage and collateral trust 3⅜s, scheduled to mature in 1971. Considering the current yields on high-grade utilities the market must be tempting to company officials.

United Biscuit Co.

The Street was looking forward to public offering today of $10,000,000 new debentures, due 1966, of United Biscuit Co. of America by bankers handling the business.

Proceeds from this undertaking would be applied to the redemption, at 103½ and interest, of the company's outstanding 3½s of 1955, along with its 5% preferred stock at 107½.

Any balance would be added to general funds for corporate purposes.

DIVIDEND NOTICES

Urge Federal Economy and Balanced Budget

Members of Economists' National Committee on Monetary Policy urge drastic reductions in proposed expenditures to permit balancing Budget.

The following statement, signed by 62 members of the Economists' National Committee on Monetary Policy, has been released by the office of the Committee in N. Y. City: "We urge that every effort be made to achieve a balanced Federal budget in the coming fiscal year. We recommend drastic reductions in proposed expenditures sufficient to permit a balanced budget. Present high rates of taxation are justifiable only if the proceeds are applied to absolutely essential needs."

The statement was signed by the following: Eugene E. Agger (Rutgers University); Benjamin M. Anderson (University of California at Los Angeles); Charles C. Arbuthnot (Western Reserve University); Leonard P. Ayres (The Cleveland Trust Company); James Washington Bell (Northwestern University); William A. Berridge (Metropolitan Life Insurance Co., New York City); Ernest L. Bogart (New York University); Frederick A. Bradford (Lehigh University); J. Ray Cable (Missouri Valley College); Wilbur P. Calhoun (University of Cincinnati); William W. Cumberland (Landenburg, Thalmann & Co., New York City); Rev. Bernard W. Dempsey, S.J. (St. Louis University); Charles A. Dice (The Ohio State University); William E. Dunkman (White Plains, N. Y.); D. W. Ellsworth (E. W. Axe & Co., Inc., Tarrytown, N. Y.); William D. Ennis (Stevens Institute of Technology); Fred R. Fairchild (Yale University); Charles C. Fichtner (Buffalo, N. Y.); Clyde Olin Fisher (Wesleyan University); J. Anderson Fitzgerald (The University of Texas); Herbert F. Fraser (Swarthmore College).

Roy L. Garis (Vanderbilt University); Arthur D. Gayer (Queens College); Lewis H. Haney (New York University); E. C. Harwood (American Institute for Economic Research); Hudson B. Hastings (Yale University); William F. Hauhart (Dean Emeritus, Southern Methodist University); Frederick C. Hicks (University of Cincinnati); John Thom Holdsworth (The University of Miami); Montfort Jones (The University of Pittsburgh); Donald L. Kemmerer (University of Illinois); William H. Kiekhofer (The University of Wisconsin); William H. Kniffin (Bank of Rockville Centre Trust Co., Long Island, N. Y.); J. L. Leonard (University of Southern California); Philipp H. Lohman (University of Vermont); James D. Magee (New York University).

A. Wilfred May (Executive Editor, "The Commercial and Financial Chronicle," N. Y. C.); Roy W. McDonald (Donovan, Leisure, Newton and Lumbard, New York City); Mark C. Mills (Indiana University); Melchior Palyi (Chicago, Illinois); Frank Parker (University of Pennsylvania); Clyde W. Phelps (University of Chattanooga); Chester A. Phillips (The State University of Iowa); Charles L. Prather (Syracuse University); Howard H. Preston (University of Washington); Leland Rex Robinson (2 West 45th Street, N. Y. C.); R. G. Rodkey (University of Michigan); Olin Glenn Saxon (Yale University); Joseph A. Schumpeter (Harvard University); Carlton A. Shively (The New York "Sun").

Walter E. Spahr (New York University); Charles S. Tippetts (Mercersburg Academy); Alvin S. Tostlebe (The College of Wooster); James B. Trant (Louisiana State University); Rufus S. Tucker (Westfield, N. J.); Leonard L. Watkins (University of Michigan); Russell Weisman (Western Reserve University); William O. Weyforth (The Johns Hopkins University); Nathaniel R. Whitney (The Procter and Gamble Co., Cincinnati, Ohio); Edward Wiest (University of Kentucky); Max Winkler (College of the City of New York), and Ivan Wright (Brooklyn College).

Thomas H. Kelly With Staff of J. W. Brady Co.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO.—Thomas H. Kelly has become associated with J. W. Brady & Co., 411 North Seventh Street. In the past he was manager of the trading department for Louis W. Ochs & Associates and Fusz-Schmelzle & Co.

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