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Production, Money Supply and Inflation

By A. M. SAKOLSKI

Economist points out that slogan "more production will stop inflation" may be erroneous, and that increased production, unless it is properly balanced and kept in check by credit safeguards, may lead to still greater inflation. Contends large existing money supply does not necessarily mean increased purchasing power, and that without a sound fiscal policy and an artificial decrease in circulating medium through drastic debt reduction, 'inflation" prices will not decline. Holds low interest rates combined with an inconvertible currency fosters inflation.

A. M. Sakolski

An exaggerated ballyhoo, emanating from political as well as from industrial and academic sources, regarding the effect of increased production on money supply and prices has gained wide credence in recent months. The public has been smothered with statements that as soon as production catches up with the demand caused by the large money supply, prices will go down and inflation will be curtailed. On this ground proponents of further price control justify the continued efforts to hold down prices. Its administrators argue that as long as money is in large supply and goods are in short supply, prices will rise, and accordingly, they will agree to removal of controls only "when production has caught up with purchasing power." Manufacturers' and retailers' organizations, together with politicians, economists and

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Widening Big-Power Rift Demonstrated at UN

By A. WILFRED MAY

Procedure over Iran and Spain reveals basically conflicting political interests. Soviet's attitude as reflected in its renewed rebuff to Council threatens to scuttle it. Organization's future site plans constitute a mess unsatisfactory to all concerned. Preliminary Economic and Social meetings next week.

HUNTER COLLEGE, New York, April 24.—On the first anniversary of the San Francisco deliberations which formulated the United Nations Charter, the Security Council's ninth meeting since Mr. Gromyko's epochal "walk-out" terminated with the Soviet representative's expressed intention of withdrawing again. Again this refusal "to play" is occasioned by the Security Council majority's overruling of the Soviet's demands in the Iran matter; but this time the implications seem more serious than those which attended Mr. Gromyko's previous huffy exit.

For the present crisis, wherein the Soviet will doubtlessly not conform to the Council's resolution, either by bringing in a report on May 6 regarding the fulfillment of its Iranian commitment, or by remaining at the table to discuss the matter at all, reflects an undisguised widening of Russia's fundamental rift with the other Big Powers.

A. Wilfred May

Deep-rooted recrimination is cropping out in the utterances of both "sides." Sir Alexander Cadogan, in discussing the Spanish situation at the Council table, saw fit—with a significant glance of the highest British suavity at the Soviet delegate—to "assure him that such an appeal coming from the delegate of Poland will find a sympathetic echo in **my country, which had the honor of being the first to declare war on Hitler in support of Poland. I can assure him also that my country, having fought through every day of two World Wars,** is not insensible of the vital necessity of averting the occurrence of such horrors." Thus recrimination over the embarrassing Moscow-Berlin Pact of 1939 barely missed being openly brought onto the agenda here.

Mr. Gromyko is ever more frequently indicting both the methods and the alleged purposes of the other Powers. Yesterday he charged that the members of the Committee of Experts, in bringing in an eight-to-three report adverse to the pro-Soviet opinion of Secretary-General Lie, were not acting as technicians but had stultified themselves "on orders" from their respective superiors (as statisticians who will prove either side of any question). In a larger sense—a la persecution complex—the Russian attitude unfortunately is veering

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A World Government To Enforce Peace

By OWEN J. ROBERTS*

Former Justice, U. S. Supreme Court

Asserting regulation of conduct of men of every race and clime by just rules, justly enforced, is only answer to problem of world peace, Ex-Justice Roberts contends United Nations does not perform this function, but constitutes merely a great alliance between Russia, Britain and U. S. Points out that superior military power of this country, besides being ineffective in atomic warfare, cannot be maintained except "by abandoning all the dearest things cherished by a democratic people," and urges U. S. to propose a union of peoples and a Parliament of the World to maintain peace.

Owens J. Roberts

. . . I have nothing to bring to you that is novel, that has not been said, that has not been written, that has not been thought of for quite a time past, but yet what I have to say and the facts that I bring to your attention seem to me not to have impressed the American people deeply, and in a crisis like this it seems to me a surprise that the great body of our electors are not thinking seriously, earnestly, almost prayerfully, about the situa-

*An address by Justice Roberts at a luncheon of the Associated Press, Waldorf-Astoria Hotel, New York City, April 22, 1946.

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Index of Regular Features appears on page 2268.

What Are Fair Wages?

By J. E. LeROSSIGNOL
Professor Emeritus of Economics
University of Nebraska

Veteran economist reviews the theories of fair wages from ancient to modern times and points out the conflict of the two factors, viz: the cost of living and the productivity of the worker. Holds the present wave of strikes illustrates the difficulty of harmonizing these factors and bringing them into equilibrium. Concludes the question of what is a fair, just and reasonable wage seems as elusive as ever, but suggests that an equilibrium of fair prices, profits and wages may be obtained where employees and employers can bargain in a free market.

One might think that the saints and sages of ancient times must have thrown clear light upon this perplexing problem, but they did not, probably because of the prevalence of slavery in those days. Socrates, as interpreted by Plato, discourses nobly on justice, which is the chief good, as being the health, beauty, and well-being of the state. It exists—in the ideal republic—when the rulers are wise, the soldiers brave, the common people industrious and obedient, and all work together for the general good in harmonious cooperation with their fellow-citizens. By way of reward for this, everyone is to receive his due and no more, according to his service and the needs of the community, but just what that should be in terms of money or goods Plato does not say.

J. E. LeRossignol

Aristotle, the other great Greek philosopher, does not go much beyond Plato in his discussion of this question, though he tries to be more realistic and specific. Distributive justice is found in the exchange of goods and services,

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More on "Purchasing Power" Fallacy

William Chamberlain discusses further effects of foreign grants-in-aid on our inflated money supply. Holds continuation of policy of making "disguised loans" will hasten our own ruin and only delay the inevitable ruin of others. Suggests that we make common cause with Governments now in financial distress in securing return to fiscal honesty and sobriety. Holds restrictive provisions in Anglo-American Financial Agreement weaken Britain and cruelly handicap her in competition with American mass production.

William Chamberlain, whose article on "The Purchasing Power Fallacy" was published in the issue of April 11 (page 1927), has furnished the "Chronicle" with a letter recently written to a friend regarding the inflationary effects of excessive foreign lending, in which he cautions that "grants-in-aid" to foreign nations disguised as loans, not only threaten our own economic stability, but also do not prevent the inevitable ruin of the recipients of the aid. Mr. Chamberlain, who now resides in Saratoga, Calif., and who was formerly President of the United Power & Light Co., and is a director of several public service corporations, writes as follows:

William Chamberlain

I

Today I will answer your question as to what alternative toward alleviating the world's commercial ills I would offer, in lieu of the proposed grants-in-aid which I oppose. In doing so I propose to set down certain principles which I suggest as a guide to our conduct:

First: Substantial gifts from the public treasury to foreign states should never be made except under extraordinary circumstances and in advancement of a clearly defined and well understood national purpose having more than a nominal chance of realization.

Second: The making of substantial monetary gifts to a foreign state or states by a government suffering from a severe inflation of its circulating medium is without justification except in time of national danger and for the purpose of meeting that danger.

Third: Large emissions of currency or credit by a government already suffering from a severe inflation of its circulating medium to provide grants-in-aid to foreign states in the hope of promoting foreign trade are utterly without justification.

Fourth: Restoration of the world's financial strength cannot be achieved through the practice of inflation and efforts to sustain foreign governments engaged in that practice by grants-in-aid, while wasting the substance of the one, are without permanent value to the other.

It was my opinion on Jan. 11, the date of my letter to Congressman Anderson, that the proposed grants, as part of a program for the financial rehabilitation of foreign states, offended against each of these principles. I am still of that opinion, though as I shall point out before concluding, considerations of national safety may now weigh heavily toward the British grant and with equal weight against the others.

Our Own Situation

In my letter to Congressman Anderson I called attention to the fact that for more than 12 years we have been following a deliberate and calculated policy of currency and credit inflation; that our circulating medium is already grossly inflated; that the Government sounds alarms to its own citizens but for itself refuses to heed them.

That because the national production and supply of purchasable things is insufficient to meet the abnormal demand created by its

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Muffing the Ball

Practices of making "inside allotments" by underwriters and selling groups are well known. SEC study surplusage. Practices complained of are integrated in trade custom and usage. Modification by rule-making power of administrative agency improper. Legal medium is Congressional action

To counteract inside allotments of new issues, the Securities and Exchange Commission is circulating a proposed rule *X-15c2-3, and inviting "comment and suggestion."

In its release the Commission indicates that its staff has made "a study" of distribution practices following certain offerings "to ascertain the facts and reasons bringing about this situation."

The situation referred to is that which results in certain issues selling substantially above the offering price specified in the prospectus.

The need for a "study" escapes us, and emphasis upon it seems to us to be naive.

It is, and has been, common knowledge that on the public offering date the traditional policy of many underwriters and selling group members has made it possible for their partners, officers and employees to buy shares for their own account and that in many cases such shares have sooner or later been resold by them at prices higher than the specified public offering price.

The alleged "study" is surplusage.

By the newly proposed rule the SEC attempts to place

*Given in full in "Chronicle" of April 18, on third page.

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Dealers' Views on SEC's Proposed Ban on Allotments to "Insiders"

In the April 18 issue of the "Chronicle," on page 2071, we commented editorially ("New Issues—Realism or Theory") on the plan of the Securities and Exchange Commission to ban, via proposed rule X-15C2-3, allotments of new security issues to so-called "insiders." The same issue contained a statement issued by the Commission, along with the text of the proposed regulation.

In connection with the subject, the "Chronicle" invited dealers and other interested parties to comment thereon, said views to be submitted anonymously. We are able to accommodate in today's issue some of the letters already in hand and these appear herewith. Others will appear in subsequent issues. **We shall be pleased to continue to receive additional letters and would ask that they be addressed to Editor, Commercial and Financial Chronicle, 25 Park Place, New York 8, N. Y.**

DEALER NO. 1

In reference to the proposed rule (X-15C2-3), I wish to go on record as being wholly in favor of it for the following reasons:

(a) Many small dealers have been completely unable to buy attractive new issue stocks either as a selling group member, less a concession, or even AT THE ISSUE PRICE! My firm has been forced on many occasions to go into the open market, to pay substantial premiums for stocks and also bonds (names will be furnished on request);

(b) Customers complain that apparently small dealers can and do sell only "sour" stock issues, and that we

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National Debt and Budget Outlook

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

Secretary Vinson, though maintaining that legal limitation on public debt has no practical significance, does not object to a limitation on ground that it brings Congress and the Treasury into conference. Urges Congress not to set debt limit so low as to impair needed flexibility in the debt management or interfere with apportionment of the various types of bonds among investors. Reports debt was reduced $7 billion during March and April and because revenues are above and expenditures below estimates, predicts further reduction through use of Treasury's cash balance.

I am appearing here today to give you my views on S. 1760, a bill to decrease the debt limit of the United States from $300,000,000,000 to $275,000,000,000.

Secretary Vinson

I am in complete accord with the purpose of this bill, and I wish to say so clearly at the beginning of my statement. Not only do I think that the public debt should be reduced, but I also think that it should be reduced as rapidly as possible consistent with the maintenance of duction in the economy; and as Secretary of the Treasury I am here to tell you that it is the Administration's objective to do so.

However, I feel I should mention at the outset that the debt limit should not be viewed apart from all of the factors that cause the debt to go up on one occasion and go down on another. The amount of the public debt is a residual figure. Changes in it come about only after the Treas-

*Statement by Secretary Vinson before the Senate Committee on Finance, April 23, 1946.

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When Is There Enough Money? Can Its Excess Be Eliminated?

E. S. Pillsbury writes Editor that, with a convertible currency, the supply can be automatically adjusted through processes of trade. Favors a gold backed currency and limitation on paper issues. Praises Thomas I. Parkinson for condemning "bad" money.

Editor, Commercial & Financial Chronicle:

Your March 28 and April 4 issues contain addresses by Thomas I. Parkinson, President of the Equitable Life Assurance Society, in which he asks the first of the above questions. I am undertaking to answer both in the following.

E. S. Pillsbury

It is encouraging when top leaders like the President of the Equitable come along with their experiences in an effort to find a solution for intricate problems such as the current monetary one. It gives one renewed confidence in democratic processes, even though, as in this case, the speaker does not actually point to a workable scheme for accomplishing the result he hopes for. Mr. Parkinson appeals to the bankers, to the Federal Reserve authorities, and finally to Congress, to appoint a Commission to study the problem, but so far as I can see, he does not actually tell how much money is enough, nor point to a practical plan for providing the correct amount.

After the collapse of the bull market of 1926-29, I expected business to attain its normal vol-

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Hedging Against Inflation

By JOHN D. GILL*
Director, The Atlantic Refining Co.

Although denying existence of effective investment hedge against inflation, Mr. Gill declares we must be concerned with its differential effects. Predicts current inflation will be followed by price recessions, and that rentier class will experience only temporary effects from the cycle. Concludes that most kinds of income become insufficient over a span of years, the best hedge being a place on payroll of a non-cyclical business.

I have no pat investment or speculative procedure for hedging against inflation. I expressed willingness to talk to you on some elementary concepts of the inflation problem, and to present a few charts, which for the most part speak for themselves.


John D. Gill

It will serve our present purpose to think of general inflation (distinguished from specific inflation, e. g., of real estate) as a rapid upswing of the price composite from the price composite *trend*. See Chart 1. Note the rapid rise from 1916 to 1920; also from 1940 to 1942. The time intervals were short; the upswings considerable and grievous because the up-movement left in its wake disequilibria — uncompensated or not sufficiently compensated elements of the economy. The upswing from 1897 to 1915 has not been generally considered inflationary despite an appreciable total rise in prices, because:

First, the long interval during which prices rose slowly afforded time for the making of adjustments; and

Second, prices were rising slowly toward the long-term trend and not upwards away from it.

The "long-term trend" concept is important. See Chart 2. Note that the long-term trend of the cost of living ("price") index is upward. The increase in the cost of living of a fixed standard over a hundred years has been considerable. Nevertheless, the trend rise has not been considered as evidence of inflation. Chart 2 shows clearly periods of inflation and deflation—rapid, wide upswings and downswings.

Inflation is a symptom. It is an effect of other fundamental unbalance in the economy. Its harm arises from the dislocations which it creates. There is more ado about inflation than deflation. But deflation can also be grievous in its effects, sometimes more grievous, because deflation begets a pessimistic psychology inhibiting creative action.

Chart 3 shows price deflation in the early thirties and its relation to the national income. I do not have space to show how the deflation of the early thirties might have been avoided by maintenance of equilibrium in the economy, but in passing I would like to call attention to the fact that the worst economic debacle of our history was not preceded immediately by price inflation, but rather, in the several years before 1930, by gradual price recession. The latter period was notable otherwise for its growing economic disequilibria, as is shown in Chart 4.

To my mind there is no argument whether we now have inflation. Inflation is here. It may increase. Prices will recede if history repeats. I think history will repeat. I do not think of inflation in this country as of the 1923 German type. That kind of inflation is possible here, but we have never experienced it, and for present purposes I do not contemplate it. See again Chart 1.

If the current price inflation, which is differential in its effects upon the several economic classes (e. g., wage earners, landlords, annuitants, farmers, etc.) of our people, does not recede, but rather if prices remain on a plateau, patterns of business competition will be greatly altered. They will be altered somewhat anyhow, the extent of the change being determined by the amplitude of the inflation and the time which will be required for a return of the price level to the long-term trend, or to some substantially lower-than-present level.

It is the differential effects of inflation with which we must be most concerned. If all were hurt

*A panel talk by Mr. Gill before the National Industrial Conference Board March 21, 1946.

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Inconsistencies in Our Trade Policy

By HERBERT M. BRATTER

Washington observer notes inconsistency in the Philippine trade bill, which provides for bilateral trade preferences, and the strenuous efforts of Government to bring about multilateral systems of international trade. Cites also the Congressional Act requiring that loans by Export-Import Bank be used to purchase American goods shipped in American bottoms.

WASHINGTON, D. C., April 24.—The United States Government has been making such strenuous efforts to bring about a restoration of a multilateral system of international trade that the existence of policies in conflict with this purpose may be of more than passing significance. To persuade other countries to eliminate bilateral agreements and trade preferences this country is making and pledging billions of dollars, the ultimate repayment of which will not be possible without a much more liberal import policy than this country has heretofore had. Yet, even while Congress is debating the Anglo-American financial agreement as a means of overthrowing Empire preference it has passed the Philippine trade bill embodying trade preferences for the next twenty-eight years. And while we are at every opportunity giving lip service to the thesis that bigger imports of foreign goods and services are necessary if we are to collect on the outside world's debts to us, under a Congressional mandate the Export-Import Bank is requiring the use of American bottoms to carry away goods purchased here out of the proceeds of loans it makes to foreign countries. In such cases, in other words, instead of our making dollars available to others by the hiring of their shipping services, we are doing the exact opposite: requiring foreigners to hire our shipping services, even where they have ships of their own.


Herbert M. Bratter

In July, 1945 negotiations between the Export-Import Bank and the Norwegian Government terminated in the opening of a $50,000,000 credit for the purchase of American products. To date Norway has not availed itself of the credit because of the above-mentioned shipping condition. Norway has a merchant marine of its own and sees no point to paying interest on a loan to hire high-cost American shipping services. This is just carrying coals to Newcastle. Therefore, as reported last week in the "Chronicle," the Norwegian Government is discussing with private American underwriters a bond issue of $100,000,000 which will not have such a restriction.

The shipping restriction on Export-Import Bank loans arises from Public Resolution 17 of the 73rd Congress, which specifies that all exports of agricultural and other products fostered by loans made by any instrumentality of the U. S. Government should be carried exclusively in vessels of U. S. registry, unless sufficient such tonnage is not available.

In Britain, the "Economist" has been taking the Export-Import Bank to task for its "tied" loans. The Bank, apparently sensitive to the criticism, took the unusual step of sending the editors of the "Economist" an explanation. This prompted the publication to revert to the subject and state in part the following:

"In short, what the Export-Import Bank is arguing is not that it does not discriminate, but that its

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NOTE—On account of the fluctuations in the rate of exchange, remittances for foreign subscriptions and advertisements must be made in New York funds.

British Government Holdings Of American Securities

Investment Service, in calling attention to British Government's large holdings of American securities, now used as collateral for loans received in U. S., concludes that, from investor's viewpoint, there is no reason for concern at this time regarding the liquidation of these securities. Maintains that liquidation, if any, will not be undertaken for some years ahead.

Leslie H. Bradshaw
Editor
"Investment Timing"

One aspect of the proposed $3.75 billion loan to Great Britain, the ratification of which is now being considered by Congress, is the little-discussed matter of British Government holdings of American securities.

Some critics of the proposed loan have pointed out that these holdings, which represent a substantial interest in leading American corporations, are hypothecated here for a loan the equity of which at the prevailing market prices is estimated at nearly $550 millions, and that if the loan were liquidated this equity could be used correspondingly to decrease the proposed new loan and thus indirectly relieve American taxpayers to that extent.

The $425 Million Loan

Without participating in this argument or discussing the pending financial agreement between the two countries pro and con, we have examined the circumstances surrounding the previous loan and its present status.

Early in the War the British Government sequestered all American securities held by British citizens, paying for them in sterling, and in turn used these securities as collateral for a loan obtained from the U. S. Government. This loan was made on July 21, 1941 by the Reconstruction Finance Corporation in the amount of $425 million at 5% to mature in 1956. The intention was to aid Great Britain in paying for war supplies ordered in the United States prior to the enactment of the lend-lease program, "for the purpose of providing the British with dollar exchange without having to sell their securities and investments at forced sale."

At the time the loan was negotiated the collateral securing it consisted of three types of securities:

1. Listed common and preferred stocks of 83 representative American companies having a market value of approximately $200 millions;

2. Unlisted American securities consisting of common and preferred stocks and first and second mortgage bonds of 66 companies in the sum of $115 millions;

3. The capital stock of 40 British-owned American insurance companies with approximate net worth of $180 millions, together with an assignment of earnings of the American branches of 41 British insurance companies.

The total securities deposited as collateral at the time of the loan

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Securities Exempted From State Regulation

By HON. MAURICE HUDSON
Corporation Commissioner, State of Oregon
Treasurer, National Association of Securities Administrators

Mr. Hudson points out that the bulk of new securities are exempt from regulation under State "Blue Sky" laws and lists the exemptions under the Oregon law as a general pattern. These exemptions include securities listed on stock exchanges as well as Federal, State and municipal bonds and shares of banks and insurance companies, together with securities arising from reorganizations. Urges that dealers and public familiarize themselves with these exemptions.

Maurice Hudson

Recently when in New York City I appeared with several of the State Commissioners on the balcony of the New York Stock Exchange. I was amused at the good-natured razzing we received. I assume that this stemmed from the fact that we were considered to be administrators or regulators of the sale of all securities—in other words, the "umpires." We all know how the world loves an umpire.

Actually, however, securities listed on the New York Stock Exchange and other exchanges are exempt from state regulation in most instances. The careful investigation of the listed securities by the exchanges themselves has led to this favor or exemption granted by the laws of the various states.

Every few days my department receives applications to permit the sale of securities exempted under our laws. Many of these applications come from Eastern States. In view of these circumstances, I will attempt to state the exemptions under the Oregon law, with some comment on the exemptions granted by other states. The Oregon act does not apply to any of the following classes of securities:

(a) Any security issued or guaranteed by the United States or any territory or any insular possession thereof or by the District of Columbia or by any state or political subdivision or agency thereof.

(b) Any security issued or guaranteed by any foreign government with which the United States is at the time of the sale

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Kingston Prod. Stock Offered by Alison & Co.

An issue of 148,448 shares of common stock (par $1) of Kingston Products Corp. was publicly offered April 17 by Alison & Co., Detroit. The stock was priced at $8.50 per share.

Politics and Steel in Britain

Noting the British Government's announcement of intention to nationalize steel industry without indicating or presenting a plan, Mr. Einzig points out that this action was taken as a political move to satisfy the ruling element in the Labor Party and to frustrate move of its merger with Communists. Sees harm done to steel industry because of uncertainty.

LONDON, ENG.—The Government's announcement on April 17 of its decision to nationalize the iron and steel industry did not come as a surprise.


Paul Einzig

For, even though it had been known that the Cabinet is sharply divided on the question whether the industry should merely be brought under public control or should be brought under public ownership, nobody could reasonably doubt that the views of those favoring outright nationalization would eventually prevail. What was surprising was the remarkable vagueness of the terms of the announcement. Mr. Wilmot, the Minister of Supply, declared that there would be "a large measure" of nationalization, and refused to indicate in any way what he meant by this.

Prior to the decision it was understood in usually well-informed quarters that the Government would only nationalize the twenty largest combines which, between themselves, control about 90% of the total capacity of the industry; and that only the works producing raw materials up to the ingot stage would be brought under public ownership. There was nothing in the text of the official statement, or in the answers given

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Factors in Anglo-American Cooperation

By the EARL OF HALIFAX*

British Ambassador to the United States

In calling attention to value of British-American wartime collaboration, Lord Halifax points to need of a similar method of cooperation between the two Powers to maintain peace. Holds that had peacetime cooperation been in effect during thirties, European war might have been averted. Pledges loyalty to UN, "the rock upon which our house of peace is built," and concludes that so long as present pattern of Anglo-American relations exists, we need have no fear of minor differences, and that the two nations should continue to do together what neither can do separately.

This great Society has a kindly tradition of greeting a coming and speeding a parting British Ambassador; and in gratitude my mind goes back to that other occasion, more than five years ago, when you welcomed us to these shores. I stood then, as a pilgrim among Pilgrims, on the threshold of what must always be one of the most honorable and important missions that any man from my country can be called upon to undertake. That was doubly true in the early days of 1941. The Battle of Britain was just over. Battered and bruised, we had come through; wounded indeed, but with the will to fight unbroken. The might of Germany, though was still unsapped; her planes were still bombing our cities; her armies were still poised for a possible invasion; the Swastika still floated over the greater part of Europe; and, save for one small country, Greece, we stood alone. A few months earlier many of our friends in this country had thought our cause was lost; and glad as they soon were to have been wrong, they did not know that they were wrong then. And for us all there was a wide and unbridged gap between escaping defeat and achieving victory. In Britain we had never doubted we would win; but how and when victory would come, we would have found it more hard to say; and I was conscious, in that great company of friends whom I met in this place on March 25, 1941, that if they shared our faith they also shared our uncertainty.


Lord Halifax

To recapture the mood of those days we may recall the last words of my predecessor, Lord Lothian, in the speech delivered for him as he lay dying on Dec. 11, 1940:

"I have done," he said. "I have endeavored to give you some idea of our present position and dangers, the problems of 1941 and our hopes for the future. It is for you to decide whether you share our hopes and what support you will give us in realizing them. We are, I believe, doing all we can. . . If you back us you won't be backing a quitter."

A few weeks after he made that speech, we landed at Annapolis, being welcomed, as you will remember, by the late President Roosevelt, in a gesture both gen-

*An address by the Earl of Halifax before the Pilgrims of the United States, New York City, April 22, 1946.

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Lord Keynes Is Dead

The unexpected death on April 21 of John Maynard Lord Keynes, British economist, brought expressions of regret particularly in this country, where he had so recently figured in the discussions of the International Monetary Conference at Savannah, Ga. Lord Keynes in life, said Associated Press advices from Washington on April 21, was a figure of controversy in America wherever the subject of Government deficit spending came up, but his death evoked official tribute to him as an economist-statesman whom the world needed in these times. These advices added:


Lord Keynes

Secretary of the Treasury Vinson led off with the comment that he was "deeply shocked" and added:

"In these chaotic days the world can ill afford to lose a man of Lord Keynes' stature."

Harry White, Assistant Secretary, expressed similar sentiments, as did Will Clayton, Assistant Secretary of State. Both had been associated with the British econo-

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The Problems of Tax Revision

By ROY BLOUGH*
Director of Tax Research, U. S. Treasury

Dr. Blough, maintaining that time has not arrived for a revision of tax structure, points out that economic objectives of a new tax policy should be (1) combating inflationary pressures, and (2) removing restrictions that reduce production and employment. Cites difficulties in tax administration that limit tax reforms, and lists as tax changes now under consideration: (1) corporation taxes; (2) applying "averaging" principle in taxing income; (3) capital gains and losses; (4) income tax rates and exemptions; and (5) treatment of family incomes. Concludes tax problems ahead have serious bearing on future economy and that tax controversy should be withdrawn from narrow self-interest and group pressure.

The year 1946 may well turn out to be a quiet year with respect to tax legislation. This is not a forecast. The unexpected happens too often in taxation to permit forecasts. It is only a projection into the future on the basis of events to date.


Roy Blough

It is not surprising that this should be a quiet tax year. The tax problems of transition were promptly attacked in the Tax Adjustment Act of 1945 and the Revenue Act of 1945. The former made currently available for the reconversion period postwar tax benefits whcih had been provided in wartime revenue acts. The Revenue Act of 1945 repealed the excess profits tax, the capital stock tax, and the automobile use tax, and reduced personal and corporatte income taxes. By and large the changes made in the tax laws of 1945 were designed to promote reconversion and the expansion of peacetime business. They were measures for the transition period and were not looked upon as accomplishing postwar tax revision.

We are still very much in the period of transition. Government expenditures are declining more rapidly than was expected but are still a long way above the probable postwar level. Inflationary pressures are very strong and the problems of holding the price line and maintaining a stabilized economy continue to be serious.

As the prospects of achieving a balanced budget approaches, with the possibility of having a budgetary surplus, there are some demands for further tax reduction.

*An address by Dr. Blough before the Eastern Spring Conference, Controllers Institute of America, New York City, April 15, 1946.

(Continued on page 2246)

A Compromise Silver Bill

Treasury buying price expected to be fixed between 90 cents and $1.00 per ounce, and nationalization of newly mined silver discontinued.

WASHINGTON, April 24.—Silver interests on Capitol Hill expect that, barring some unforeseen hitch, a compromise between mining and consuming interests will be reached within a few days. Other interests also are concerned in the current palavers and the compromise may assume an omnibus nature.

The present compromise outlook centers around an amendment to the Silver rider the house attached to the Treasury appropriation bill. The amendment is being offered by Senator Carl Hayden of Arizona, a silver-mining state. While there has been no publicity on the nature or even existence of the Hayden amendment it is believed to aim at the following:

(1) Raising the Treasury's buying price for newly-mined domestic silver to a figure yet to be agreed upon by the opposing sides but now indicated as within the range of 90 cents to $1.00 for a limited period of say one or two years: and thereafter to be fixed at $1.29.

(2) Authorizing the Treasury to supply silver to American industrial consumers at corresponding prices.

(3) Instructing the OPA to remove all ceilings on silver bullion and manufacturers of silver.

(4) Repealing sections 6, 7 and 8 of the Silver Purchase Act of 1934—the sections relating to the Nationalization of Silver and the special silver transactions tax.

The last mentioned feature,

(Continued on page 2259)

Export-Import Bank Closes Subscription List For Dutch Credit

Expected half credit will be Supplied by commercial banks

WASHINGTON, April 24.—At the Export-Import Bank it is learned by the "Chronicle" that tentative subscriptions to the impending Dutch credit will not be accepted after April 24. Since the agreement for the $200,000,000 2-year Export-Import Bank Credit to the Dutch Government has not yet been signed, all subscriptions are necessarily tentative. Subscriptions have been limited to commercial banks. From the rate at which they have been coming in, it appears that about half the credit will be supplied by the Export-Import Bank and half by commercial banks.


Wm. McC. Martin, Jr.

Subscriptions have been the result of conferences which the Bank's Chairman, Mr. William McChesney Martin, has held with interested commercial banks at the offices of the Federal Reserve Banks in New York and Chicago this month. Apart from these meetings, commercial banks have been apprised of the main features of the credit through the 12 Federal Reserve banks, who have made the information available to member banks at the request of the Export-Import Bank.

By the end of this week an announcement on the Dutch credit is expected to be made by the Export-Import Bank in Washington.

Rejoins Thomson & McKinnon

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—**Richard R. Cooley** has rejoined the staff of **Thomson & McKinnon**, 231 South La Salle Street, after serving in the U. S. Army.

With Fewel & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—**Cecil J. Downs** has joined the staff of **Fewel & Co.**, 453 South Spring Street. He was formerly with Merrill Lynch, Pierce, Fenner & Beane and E. F. Hutton & Co.

Effect of Cartels on the Managerial Function

By WENDELL BERGE*
Assistant Attorney-General

Head of Anti-Trust Division of Administration stresses importance of management in promoting efficiency and economy, and points out monopoly tends to impair managerial function, thus destroying individual initiative as well as discouraging technological improvement. Says cartels are most recent and most powerful form of monopoly, and their effects lead to increased prices, restricted output, reduction of employment, and protection of inefficient producers. Urges alertness to prevent the "sabotage of a free economy" by cartels and other monopolistic trends.

It is only a few short months since the United Nations struck a hammer blow in the cause of liberty by defeating Germany and Japan. Yet it is possible, even in this short span, for us to realize that the world has witnessed a major transformation in the conditions of human existence. It is also evident that transition will continue at a rapid pace in the years immediately ahead. When World War II began, an age ended.


Wendell Berge

Even more surely, when World War II ended, a new age began. The challenge of this new era with all of its complex problems is inescapable. It is inevitable that many of our familiar notions will be altered, and that much of our knowledge will be recast. We know also that there are issues touching every phase of society so grave that unless we master them they will master us. Seldom has any generation carried a greater responsibility to itself and to the future to use the best of its thought and its utmost endeavor to establish a peaceful and productive world.

In accepting the responsibilities and meeting the challenge of a new era, this nation in particular has a critical role and enjoys a unique opportunity. On the economic level, especially, the degree of our success in attaining prosperity will exert an immense influence on the shape of the future. It is crucial for us to think and to act in the light of a clear understanding of what is involved in the achievement of an expanding economic life for this country.

There are certain dominant facts, certain fundamental principles and certain specific objectives which govern the decisions we shall be required to make. The cardinal economic fact which our war experience emphasized is the industrial power of the United States. The record of American industry during the war was a brilliant accomplishment and a lasting tribute to the ability of management, the skill of labor and the ingenuity of American scientists and engineers. To maintain this power and to apply its full force to the work of peace and of progress for the American people is the central economic task before us. The reconversion of industry is now in process. In some respects it is an interim period of expedients and adjustments to immediate situations. In other respects, however, reconversion is a major first step toward those long-run goals which are of primary importance in our economic development.

The Policies of Management

It is at this juncture that the functions of management in American industry emerge as a paramount factor in the course which our economic affairs will pursue. It becomes necessary to inquire what those functions are, what principles underlie their op-

*An address by Mr. Berge before Washington Chapter of Society for the Advancement of Management, Washington, D. C., April 18, 1946.

(Continued on page 2248)

Joins O'Brien in Chicago

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Frederick N. Shannon has become connected with John J. O'Brien & Co., 209 South La Salle Street. In the past he was with David A. Noyes & Co.

On Staff of D. B. Peck

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — Oliver S. Stanley has joined the staff of D. B. Peck & Co., 111 West Monroe Street. He was formerly with Philip D. Stokes and Stokes, Woolf & Co.

Sees Prospect of International Monetary Stabilization

Federal Reserve Bulletin takes optimistic view of working of World Fund and Bank. Holds International Bank will be able to prevent sudden switches in international investment and that "probably no important country will permit large disturbing capital movements in the future."

The Federal Reserve Bulletin for April published by the Board of Governors of the Federal Reserve System has a leading article on the establishment of the Bretton Woods Institutions. Though the material is largely descriptive and deals with the structure and proposed operations of both the International Fund and the International Bank, the concluding portion deals with the prospects of success of the two institutions. Regarding this topic, the article states: that "the International Monetary Fund and the International Bank for Reconstruction and Development have important roles to play in the immediate transition period, but both are primarily agencies for permanent international monetary cooperation. They are expected to contribute substantially to the maintenance of orderly exchange relationships and to a balanced growth of world trade. The Bank will influence the direction and terms of international investment with a view to assuring productive use of the funds borowed and reasonable prospects of repayment and to avoiding sudden changes in the flow of international investment. The Fund will help to maintain reasonable stability of exchange rates while making possible orderly changes in rates when necesary to correct fundamental maladjustments, and will help to eliminate harmful exchange restrictions on current transactions. In addition, the resources of the Fund will help members to meet temporary over-

(Continued on page 2232)

Public Utility Securities

The New North American Company Plan

North American Company on April 18 filed a new integration plan with the SEC, following the Supreme Court decision rejecting the appeal against "the death sentence." The company had submitted a previous plan on Aug. 4, 1943, which provided for setting up four regional holding companies and a liquidating company. Under this old plan stockholders would have been permitted within 60 days following approval of the plan, to turn in their North American stock and exercise subscription rights to the new stocks, the cash to be used to retire North American's debt and preferred stocks. While hearings were held immediately by the SEC no further action was taken and the plan accordingly became obsolete, presumably because the commission saw no good reason for setting up regional holding companies—since these would be only a temporary device to lodge eventual ownership of the operating companies' stocks in the hands of North American Company's stockholders. In other words the plan was probably "unduly complicated."

The new plan uses a somewhat more direct method. Stockholders would receive (for each share) a transferable warrant for purchase of a "Divestment Unit" which would consist of fractional shares of certain subsidiaries—Cleveland Electric Illuminating Company, Wisconsin Electric Power Company, Washington Railway & Electric Company and St. Louis County Gas Company. Each share would also receive (in exchange) one share of common stock of a sub-holding company termed the "Missouri-Illinois Company" (which would own the entire common stocks of Union Electric Company of Missouri and Illinois Power Company) plus a share of a new Delaware Company which would take over the remaining (non-utility) assets.

The purchase price of the "Divestment Unit" would not exceed $6 per unit and it would consist of one-fifth of one share of common stock of the Cleveland Electric Illuminating Company; one-fourth of one share of common stock of Wisconsin Electric Power Company; one-fifth of one participating unit of common stock of Washington Railway & Electric Company and one-tenth of one share of capital stock of the St. Louis County Gas Company when recapitalized. The proceeds of the sale of the divestment units would be used to pay off the Company's bank loans, which now amount to $50,750,000 (proceeds of which were used to redeem the preferred stocks).

North American Company itself would become the Missouri-Illinois Company (under the previous plan it would have become the North American Regional Company, holding Washington Railway & Electric Company and some Pacific Gas & Electric stock). North American Light & Power Company, an intermediate holding company with holdings of Illinois Power and other utilities would be dissolved. Another intermediate but inactive holding company, Illinois Traction Company, is already being dissolved under SEC and court orders. Assuming that Illinois Power Preferred stock is converted into common stock (conversion being forced through a redemption proposal) and the warrants exercised by Traction Company are exercised, the three companies (North American, North American Light & Power, and Traction) would together own 32% of the Illinois Power common stock. It is also proposed that Illinois Power also issue $16,000,000 new non-convertible preferred to be used with other cash to pay off the $13,381,601 dividend arrears certificates, and to reduce bonded debt by $9,320,500 (with a general bond refunding). Illinois Power integrates with Union Electric, hence the plan proposes to retain these properties under the new holding company. Stock of the holding company would then be exchanged for public holdings of Illinois so as to give complete control to the holding company.

North American's plan, as detailed in a pamphlet of some 42 pages, is divided into three sections (A, B, C) dealing respectively with the major plan, a plan for the small non-utility holdings, and the plan for dealing with Illinois Power and the two intermediate holding companies. Plan B is naturally the most complicated and accounts for over half of the pamphlet. It apparently makes no exact provision for settlement of the litigation pending between the two North American

(Continued on page 2249)

Subsidizing the British Empire

By JESSE H. JONES*
Former Secretary of Commerce

Former Cabinet officer opposes loan to Britain because (1) it is most unbusinesslike; and (2) Britain can get along without it. Recommends RFC increase its credit to Britain by $1 billion and that additional credits be given on pledge of new security and that cotton and other U. S. raw materials be exchanged for British products. Sees inflationary force in extending foreign loans and says that we should "take stock of our resources and our earning capacity before we undertake to play Santa Claus to rest of world."

I do not think the proposed British loan of $3,750,000,000, now before Congress, should be made and do not believe that any good will come to the American people, or, for that matter, to the economy of the world, from making it in its present form.


Jesse H. Jones

If we make this loan to Britain and refuse loans on similar terms to other countries, it would be so much in the nature of an alliance with Great Britain as to cause other countries to feel that we are less friendly to them than to Britain.

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Furthermore, the proposed loan is most unbusinesslike.

1. Five to 55 years, or practically two generations, is much too long a time to lend money to a a foreign government without security.

2. No loan of any kind should be made until all considerations incident to it are determined in advance of the loan. Nothing should be left for future negotiations. In the present loan agreement **empire tariff preference** and the proposal for the expansion of world trade, in which the United States is so vitally concerned, are left for furture consideration. The time for these agreements is before the loan is made.

3. No money should be loaned to Britain for expenditure in other countries without proper security, particularly since the British have substantial profitable investments and operations in the United States which could be used as collateral for a loan.

Prominent among these is **insurance** from which they make a very substantial profit out of the American people. According to a recent report of the United States Treasury, British-owned assets in this country aggregate more than $3,000,000,000, and include $587,000,000 United States Government securities, more than $40,000,000 in corporate bonds, and 623 controlled branches of corporations having a value of $611,000,000. These and other assets are owned by the British in this country, the profits and income on which are going to them. These assets and the profits of British insurance companies from business written in this country should be used by the British Government as security for any loan of dollars to be spent outside

*An editorial by Mr. Jones in the "Houston Chronicle," April 16, 1946.

(Continued on page 2236)

Lord Keynes' Death and World Fund and Bank

Important position occupied by British economist in these institutions not easily filled. His successor not yet determined. Lewis Douglas not to be President of World Bank but Camille Gutt of Belgium likely to be General Manager of Fund. Opposition to Chinese loan voiced.

WASHINGTON, D. C., April 24—The passing of Lord Keynes leaves a vacancy in the boards of governors of the Fund and Bank. Keynes was Britain's governor on both bodies. The alternate governor for the United Kingdom, R. H. Brand, head of the British Treasury delegation in Washington, has long been expecting to retire this year and therefore is not expected to take the place of Keynes, unless temporarily. The next meetings of the boards of governors of Fund and Bank do not occur until September.

There has been nothing official as yet from London as to the British executive directors and alternates on the Fund and Bank. The directors meet early in May. Temporarily, Mr. Brand may serve as his country's executive director of the Bank.

* * *

The reported unavailability of Lewis Douglas for the presidency of the World Bank means that some other American will have to be found. There is no reason for supposing that the Administration has altered the decision, disclosed at Savannah, to seek that post for an American, and leave the general managership of the Fund to some other national. One hears that the Canadians have decided against taking that post in the Fund. According to one foreign source, this is due to Canadian dissatisfaction with the large voice which the 12 executive directors will have in the Fund. Others here express disbelief that this is Canada's reason.

Still prominent as a likely choice for the Fund's general managership is M. Camille Gutt of Belgium, at present an executive director-elect of both the Fund and the Bank.

* * *

The Indian Government has now decided that Mr. Joshi will be its executive director of the Fund and Mr. Sundaresan, of the Bank. The latter, who has been Joint Secretary of the Finance Ministry of the Indian Government, is now in this country, where in addition to his Bank post he will serve as financial advisor to the Indian Agent General. Sundaresan is very democratic in nature and likes his associates to call him "Sandy."

James Day President of Chicago Stock Exch.

CHICAGO, ILL.—James E. Day has been elected president of the Chicago Stock Exchange to succeed Kenneth L. Smith, who announced his resignation last December. Mr. Day, who has been vice-president of the Exchange, prior to his association with it was president of Ryan-Nichols & Co., now the First Securities Company of Chicago. Mr. Smith's resignation and Mr. Day's election become effective on April 30th and May 1st, respectively.

Factors Favoring British Loan

By HON. ARTHUR H. VANDENBERG*
U. S. Senator from Michigan

Veteran Republican Senator, in weighing the "pros and cons" of the Anglo-American financial agreement, strikes a balance by deciding that loan should be approved. Bases decision on (1) general public approval of loan, particularly by business interests; (2) without loan Bretton Woods would be nullified; (3) we need not fear added imports; (4) loan will not encourage Socialism in England; (5) there is likelihood that loan will be repaid; (6) no precedent is set for other loans; (7) both labor and agriculture will benefit; and (8) world peace will be favored by the agreement. Favors stabilizing dollar-pound exchange.

This British loan has perplexed me more than any other problem in all my 18 Senate years. I have refrained from taking my position on it until I could exhaust every available source of information and advice. It is a subject which defies any certainty of conclusion. To pass the joint resolution is a gigantic speculation; not to pass the joint resolution may be an even greater speculation. The latter is no surer than the former in its promise of vindicated wisdom. It is probably less sure. It is a question which chance is the better one for the United States to take for the sake of American welfare in a peaceful, stabilized world.


A. H. Vandenberg

I find no comfort, unfortunately, in the usual rule of prudence which says, "When in doubt don't." Don't what? Make the loan or deny the loan? The trouble is that the "doubts" and the "don'ts" are interchangeable. I can understand how men of conscience can, as they have, come to widely differing conclusions because there are so many imponderables involved. This is not a problem in exact mathematics where two and two make four. There are no standard blueprints

*An address of Senator Vandenberg in the United States Senate, April 22, 1946.

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Officials of Fund And World Bank

First of a series of biographical captions of persons connected with the International Monetary Fund and the Bank for Reconstruction and Development.

ROMAN L. HORNE,
Temporary Secretary of the International Monetary Fund

A native of North Carolina, Mr. Horne, Assistant to Secretary of the Treasury Vinson, at Savannah served as temporary Secretary of the Fund and by resolution of the Board of Governors there, has since continued to serve the fund in that capacity. In Washington, where Mr. Horne's services have been lent to the fund by the Treasury Department on reimbursable basis, he has been busy arranging temporary quarters for the Fund and making preparations for the convening of the executive directors on May 6. Mr. Horne has been in the Government service since 1934, having worked for the Federal Reserve Board, TVA, WPB and Treasury. For a while he was Secretary of the WPB and later Secretary of the NAC, in which capacity he made the arrangements for the recent Savannah meeting of Fund and Bank. Mr. Horne, now 45, obtained a Ph.D. in monetary theory at Ohio State University in 1936.


Roman L. Horne

Drackett Co. Stock Offer'g Oversubscribed

An underwriting group headed by Van Alstyne, Noel & Co. and Field, Richards & Co. on April 22 offered a new issue of 108,000 shares of 4% cumulative convertible preferred stock, series A, of the Drackett Co. of Cincinnati, Ohio. The stock, priced at $25 a share and convertible into one share of common stock, has been oversubscribed.

Proceeds from the sale will be used to redeem on or about June 1, 1946, at 106½% $1,467,000 of 5% 15-year debentures, and to redeem at the same time 37,500 shares of 5% preferred stock at $21.50 a share, with accrued dividends from April 1, 1946. The balance will be applied to general corporate purposes.

Arthur W. McCain Pres. Of Chase Nat'l Bank; Joins Aldrich, Campbell In Top Management

An important change in senior executive positions in the Chase National Bank was announced by Winthrop W. Aldich, Chairman of the board, after the regular meeting of the Board of Directors, Wednesday, April 24. H. Donald Campbell, President of the bank since 1934, has been elected Vice-Chairman of the board, and Arthur W. McCain, a Vice-President since 1929, was elected President and a director.

Mr. Aldrich, Mr. Campbell and Mr. McCain will now constitute the top management group in the bank and will have as their asssociates a number of Vice-Presidents who have held positions of senior responsibility as heads of major departments during recent years.

Dealer-Broker Investment Recommendations and Literature

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

Directory of Stocks Traded on Pacific Coast Exchanges—Revised—Kaiser & Co., Russ Building, San Francisco 4, Calif.

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

Insurance Stock Analyzer — Geyer & Co., Inc., 67 Wall Street, New York 5, N. Y.

"Investment Guide"—April issue contains discussion of current outlook for securities market and data on several interesting issues—First California Co., 300 Montgomery Street, San Francisco 20, Calif.

Legal Investments for Savings Banks in Massachusetts—Annual booklet released by R. L. Day & Co., 111 Devonshire Street, Boston 9, Mass.

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.

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.

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

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

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

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

Also available are memoranda on **Reda Pump Co.** and **Merchants Distilling.**

American Safety Razor Corp. — Current memorandum — Hayden, Stone & Co., 25 Broad Street, New York 4, N. Y.

Aspinook Corporation—Analysis—Ward & Co., 120 Broadway, New York 5, N. Y.

Bank of America — Current memorandum—Butler-Huff & Co. of California, 210 West Seventh Street, Los Angeles 14, Calif.

Also available is a tabulated list of insurance and bank stock quotations for dealers only.

Boston & Maine—Suggestion of interest to holders of the common stock—Amos Treat & Co., 40 Wall Street, New York 5, N. Y.

Canadian Western Lumber Co. Ltd.—Special circular—Ask for C-1—Maher & Hulsebosch, 62 William Street, New York 5, N. Y.

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.

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

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

L. A. Darling Co.—One company in four growth fields — Analysis for dealers only—Moreland & Co., Penobscot Building, Detroit 26, Mich.

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

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.**

Federal Water & Gas Corp. — Memorandum—J. G. White & Co. Inc., 37 Wall Street, New York 5, 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.; Shatterproof Glass; Doyle Manufacturing.**

Grinnell Corp. — Memorandum —Boenning & Co., 1606 Walnut Street, Philadelphia 3, Pa.

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

Haskelite Manufacturing Corp. —Study firm pioneering in development of plywood and its uses—Amott, Baker & Co., Inc., 150 Broadway, New York 7, N. Y.

Industrial Brownhoist — New circular—Gottron-Russell & Co., Union Commerce Building, Cleveland 14, Ohio.

International Detrola Corp. — Discussion of outlook and postwar position—J. F. Reilly & Co., Inc., 40 Exchange Place, New York 5, N. Y.

Also available is a memorandum on **Bowser, Inc.**

Kinney-Coastal Oil Company—Analysis—James M. Toolan & Co., 67 Wall Street, New York 5, N. Y.

Kold-Hold — Circular — Pulis, Dowling & Co., 25 Broad Street, New York 4, N. Y.

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

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

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

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

Also available are memoranda on **Gruen Watch Co.** and **Metal & Thermit.**

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

Missouri-Kansas-Texas—Analytical study—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

Also available is the fortnightly investment letter containing a discussion of **Public Utility Holding Company Preferreds.**

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.

New England Public Service Co. —Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Northern Pacific vs. New York Central — Analysis — Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

Nu-Enamel Corporation — Colored brochure on growth, merchandising methods, management, and potentials in paint and oil industries—Available to dealers through Floyd D. Cerf Co., Inc., 120 South La Salle Street, Chicago 3, Ill.

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

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.

Simplex Paper Co.—Descriptive analysis discussion potential postwar 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.

Sports Products, Inc.—Circular —Hardy & Hardy, 11 Broadway, New York 4, N. Y.

Steel Products Engineering Co. —Survey on manufacturers of "Combustioneer," an automatic stoker—J. Roy Prosser & Co., 52 William Street, New York 5, N. Y.

Sterling Motor Truck Company — Circular — Adams & Co., 231 South La Salle Street, Chicago 4, Ill.

Sterling Motor Truck Co. Inc. —Circular—Pulis, Dowling & Co., 25 Broad Street, New York 4, N. Y.

Thermatomic Carbon Co. —Circular—Hoit, Rose & Troster, 74 Trinity Place, New York 6, N. Y.

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

West Virginia Coal & Coke Corp.—Analytical circular—Graham, Parsons & Co., 14 Wall Street, New York 5, N. Y.

Wm. Harding Resumes At Smith, Barney Co.

Wm. Barclay Harding, a partner of the investment banking firm of Smith, Barney & Co., 14 Wall Street, New York City, members of the New York Stock Exchange has returned to active participation in the firm after an absence of 5½ years in Government service. Mr. Harding, a great grandson of Jay Cooke, Civil War financier, rose to the rank of Colonel in the Army of the United States, serving with the Air Transport Command. His other Government activities during the war period included: Director, Transportation Division, Office of Coordinator of Inter-American Affairs; Vice-President, Defense Supplies Corporation, the Reconstruction Finance Corporation subsidiary; Deputy Administrator, Aviation, in the Surplus Property Administration. Mr. Harding, who was active before the war in financing aeronautical enterprises, will direct the activities of Smith, Barney & Co. in the field of raising venture capital.

Barclay Harding

Rosenfeld With Blyth Co.

PORTLAND, OREG.—William Rosenfeld has become associated with Blyth & Co., Inc., Pacific Building. Mr. Rosenfeld served in the Navy from 1942 to December, 1945, holding the rank of Lieutenant at the time of his release to inactive duty.

NSTA Notes

BOND CLUB OF LOUISVILLE

The Bond Club of Louisville announces a Spring Frolic on Friday, May 17, at the Kentucky Hotel for members, their wives, and guests, cocktails, dinner, etc. will be the order of the evening and arrangements are being made to entertain the out-of-town guests at Churchill Downs for the final day of the spring racing on Saturday, May 18. All members of the NSTA are cordially invited. Hotel accommodations will be available to a limited number if reservations are made promptly. First come, first served.

Tickets for the party on Friday night will be $7.50 each, payable in advance. It is hoped that a number of our out-of-town friends will come as it is in honor of Thomas Graham, Bankers Bond Co., as President of the NSTA. From present indications, the Officers and Executive Council will be well represented.

Write Ora M. Ferguson, c/o Merrill Lynch, Pierce, Fenner and Beane, 231 South Fifth Street, Louisville, 2, for reservations and information.

ACTION ON BOREN BILL

J. W. Kingsbury, Kingsbury & Alvis, New Orleans, La., Chairman of the Municipal Bond Committee of the NSTA, reports that at the invitation of the Chairman of the Subcommittee of the Interstate and


Russell M. Dotts


Thomas Graham


J. W. Kingsbury

Foreign Commerce Committee of the House of Representatives, a meeting was held in Washington, D. C., before that committee, Wednesday, March 27, to discuss the Boren Bill. Those in attendance, in addition to Members of the Subcommittee, Mr. Kingsbury states in a letter to the Association, were:

Representatives of the Investment Bankers Association, The American Bar Association, Municipal Finance Officers' Association, Director of Finance of the City of Dayton, Ohio, American Municipal Association, David M. Wood representing various states and municipalities. The Municipal Bond Club of New York, The Securities and Exchange Commission, and the NSTA.

Thomas Graham, Bankers Bond Co., Louisville, Ky., President, Russell Dotts, Boren & Co., Philadelphia, Vice Chairman of the Municipal Committee, and Mr. Kingsbury, represented the NSTA. The Securities and Exchange Commission was represented by Ganson Purcell and others, but Mr. Purcell was the only one to speak for that body.

"The purpose of the meeting," Mr. Kingsbury reported, "was for the Subcommittee to obtain the views of all persons interested in the Boren Bill, and with those views to bring the matter up for a vote before the whole commitee. We feel that favorable progress was made despite the fact that two of the three known opponents to the Boren Bill are members of the Subcommittee. Mr. Brownell was emphatic in his belief that the SEC had the power, under existing laws, to regulate trading in municipal bonds in the secondary market.

"Now is the time for every member of our association to increase his efforts in having municipalities, counties and districts, public bodies and public officials write endorsements for the Boren Bill and see that copies of such endorsements are forwarded to all members of the Interstate and Foreign Commerce Committee, particularly to Mr. Clarence F. Lea, Chairman. We have previously furnished you with a list of members of the commitee and a list was published in the March 30 (page 43) issue of The Bond Buyer (Weekly Edition).

"As a practical suggestion as to how to work, here is what we are doing in Louisiana: At each bond sale we are asking the governing board to pass a resolution. We have obtained two recently and hope to have a number of additional ones within the next two weeks. When the Boren Bill is explained to the boards, we have found no trouble in getting a resolution, and have found that all of the members of the board are very definitely against any control of the issuance or trading in municipal bonds by a Federal agency.

"Please exert every effort to obtain endorsements for the Boren Bill within the next two or three weeks. Now is the time for action."

SECURITY TRADERS ASSOCIATION OF NEW YORK:

Reservations for the 10th Annual Dinner of the Security Traders Association of New York to be held at the Hotel Waldorf-Astoria on April 26th, have been closed, it was announced by John M. Mayer, Merrill Lynch, Pierce, Fenner & Beane, Chairman of the arrangements committee. A record-breaking crowd of over 1,700 security dealers from all over the country are expected to attend, Mr. Mayer stated.

Chicago Personnels

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — **Howard L. Zazove** has become affiliated with **Bache & Co.**, 135 South La Salle Street.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—**Anthony J. D'Alberti** is now with **Fred W. Fairman & Co.**, 208 South La Salle Street. He was formerly with Glore, Forgan & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—**James T. Callen** has joined the staff of **Mason, Moran & Co.**, 135 South La Salle Street.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — **Robert B. Pelton** has rejoined **F. S. Moseley & Co.**, 135 South La Salle Street, after serving in the U. S. Army.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—**Frank E. Peacock** has become associated with **F. S. Yantis & Co.**, 135 South La Salle Street.

James W. Pope to Be Glore, Forgan Partner

CHICAGO, ILL. — James W. Pope will be admitted to partnership in the New York Stock Exchange firm of Glore, Forgan & Co. as of May 2nd and will make his headquarters in the firm's office at 135 South La Salle Street. He has been associated with Glore, Forgan & Co. in charge of the trading department in Chicago.

Henry W. Meers With White, Weld & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — Henry W. Meers has become associated with White, Weld & Co., 40 Wall Street, New York City, members of the New York Stock Exchange. Prior to serving in the U. S. Navy, from which he was recently released, Mr. Meers was with the Chicago office of Harriman Ripley & Co. and with Halsey, Stuart & Co.

J. D. Peterson Member Of Chicago Stock Exch.

CHICAGO, ILL. — J. Dwight Peterson, President of City Securities Corp. of Indianapolis, Ind., was elected to membership in the Chicago Stock Exchange by the Executive Committee, it was announced today.

With the election of Mr. Peterson to membership, City Securities Corp. becomes the thirtieth member corporation of the Exchange.

Correction

In the "Financial Chronicle" of April 18, in listing members of the Security Traders Association of New York, who are currently included in the "Thumbnail Sketches" in "STANY," the organization's magazine, it was indicated that Murray L. Barysh was associated with P. F. Fox & Co. Mr. Barysh is partner of Ernst & Co., 120 Broadway, New York City, and is in charge of the trading department.

John J. O'Brien & Co. In New Location

CHICAGO, ILL.—John J. O'Brien & Co., members of the New York Stock Exchange and other principal stock and commodity exchanges, are now occupying new quarters in Suite 1100 at 209 South LaSalle Street, after several years at 231 South La Salle Street. Resident partners of the firm are John J. O'Brien III, Evans Spalding and Albert J. Payne.

Real Estate Securities

870—7th Avenue Bonds as an Example Analysis of Present Real Estate Security Prices

Hind-sight has proven that the prices at which real estate securities sold several years ago were foolish indeed. The question now naturally arises as to whether or not today's prices are justified or not.

Just three years ago, when we recommended Park Central Hotel bonds (870—7th Ave. 4½s) in this column at a price of 38, some of our friends thought we were optimistic when we said that we believed the bonds were worth par. When we further stated that we thought that the stock which accompanied the bonds free, would also have a value some day, they thought we were really over-optimistic. Today the bonds are 91 bid, the stock 18 bid and the bonds with stock 127 bid.

This 127 bid may make some people hesitate, especially after realizing that in 1942 the same securities could have been purchased at 15.

However, we still feel that there is still room for appreciation in the securities for this reason: In reorganization the bonds were cut in half and we now have a funded debt of less than one-half the original debt of the property viz.:

Present Capitalization	
First Mortgage	$ 896,619
Bond Issue	4,055,200
Total Funded Debt	$4,951,819
Original Capitalization	
First Mortgages	$ 8,500,000
Second Mortgages	2,000,000
Notes	378,103
Total Funded Debt	$10,878,103

In addition to the orginal funded debt, there was also corporate stock of 25,000 shares of preferred stock and 25,000 shares of common stock. We, therefore, assume that the property must have originally cost over $11,000,000.

Today's market places a value on the bonds with stock of $5,271,500. Add to this the first mortgage of $896,000 and we arrive at a value of $6,167,500, or still only 55% of the estimated original cost of the property.

Now the question arises of whether the property is still worth its original cost. Along these lines, we would recommend reading a very interesting copyrighted booklet entitled "The Future Outlook of The Hotel Industry" issued by the American Hotel Association of 221 West 57th Street, New York.

In this booklet, using the Hotel New Yorker as an example, the Association points out that a new hotel exactly similar to the New Yorker would cost $21,934,030 instead of that hotel's cost of $17,737,330. This figures about 32% higher. They further state that because of this extra cost, the new hotel would have to charge higher rates.

In 1945, the Park Central Hotel, with a gross income of $3,649,000, earned about 15.91% on its bonds. From an earning standpoint it would appear that an $11,000,000 valuation on the hotel is not excessive. However, from an intrinsic standpoint, the property is probably not worth this much. (Property is assessed at $6,725,000.) Yet, by combining earning power plus reproduction costs, it would seem reasonable to expect a further appreciation in the value of its securities.

Decedent's E Bonds May Be Held by a Trust

A considerable segment of the professional and lay public is under a misapprehension in believing that Series E Savings Bonds must be redeemed in the case of a decedent willing his assets in trust. Such redemption before maturity would, of course, involve considerable penalty in a deprivation of part of the accrued full interest.

The fact, according to an opinion received from the Federal Reserve Bank of New York, is that in the case of E Bonds left to a trust the bonds need not be redeemed before maturity. At maturity the trustees are merely required to present the bonds for payment, with a certified copy of the final accounting of the executors and make written request for payment.

Oppose Loan to China

WASHINGTON, April 24—Representative Sabath today announces opposition to any loan to China until a firm coalition government has been established. Objection to the use to which surplus American arms and equipment in China have been put and criticism of transportation of nationalist troops by American forces coupled with a strong plea for peace and unity were contained in a long telegram from leaders of the moderate Chinese Democratic League addressed to Congressman A. J. Sabath and other leaders of the Congressional Committee to Win the Peace.

The cablegram was addressed jointly to Congressman Sabath and ten other liberal Congressmen.

New Issue for David Jones of Mackubin, Legg & Co.

David Jones of the trading department of Mackubin, Legg & Co., 22 Light Street, Baltimore, Md. is the happy father of a second son, David Bradley Jones, born last week. R. Emmet Bradley will be the baby's godfather.

Brown Rejoins Doremus

Henry L. Brown, recently returned from Okinawa where he served as a First Lieutenant in the Army Air Forces Photo Interpretation, has rejoined Doremus & Co., 120 Broadway, New York City, advertising agency, as an assistant account executive in the New York office.

Inflation Control or Price Control?

By EMERSON P. SCHMIDT*

Director, Department of Economic Research, Chamber of Commerce of the United States

Stating that "we do not appear to be progressing toward decontrol" under present Government policies, Chamber of Commerce economist contends OPA both retards and distorts production. Lays much of inflationary pressure to high wage policy under continued price control, and contends Administration has taken too narrow a view of price-and-cost-making process. Criticizes fiscal policy as also inflationary and says it will continue so as long as Government chooses to deal with symptoms instead of causes. Recommends an immediate investigation for a coordinated decontrol program.

The 2,200 business organizations in the membership of the United States Chamber of Commerce are a cross section of all business—retailing, wholesaling, manufacturing, finance, insurance, construction, agriculture, foreign trade, transportation and communication. The Chamber, therefore, approaches all national problems from the viewpoint of their bearing upon business as a whole. In addition, it is always our intent to study subjects of great concern to the whole country from the viewpoint of their bearing on the national economy as a whole. It is a well established slogan of the National Chamber that what is in the public interest is in the interest of business.

Dr. E. P. Schmidt

Many witnesses from various lines of business have already appeared before Congressional Committees to present their experience and recommendation with respect to price control. Others will appear before this Committee. They have presented or will present numerous examples of the hardships and difficulties imposed on them by those responsible for administering our price control laws. You have that record and there would be little gained by adding to it.

Rather, what I would like to do is to give you briefly the thinking of the Board of Directors of the

*A statement by Dr. Schmidt before the Senate Banking and Currency Committee, April 24, 1946.

(Continued on page 2252)

The OPA's Control Policy

By GEOFFREY BAKER*

Deputy Administrator for Price, OPA

Asserting the OPA is approaching decontrol aggressively and with the purpose of getting out as fast as is consistent with stabilization, Mr. Baker denies price control is stifling production and not preventing inflationary pressures. Maintains OPA prepared before V-J Day and has since executed new price stanadards and techniques designed to implement reconversion, and that its present decontrol actions are based on following tests: (1) commodity does not enter significantly into cost-of-living or business costs; (2) continued control would involve disproportionate administrative difficulties; (3) decontrol does not divert materials and manpower so that it would impair retained price controls.

It's a dog's life these days in OPA. One of the difficulties in being a public servant, even though a temporary one, is the fact that we have to be courteous and try to be helpful to everyone at all times, when we would like to do nothing better than beat our heads on the wall. But, after four years of that kind of thing, we've learned to grin and bear it.

Geoffrey Baker

Never before in our short but hectic history has it been as important to explain what we're doing and why. The recent House Banking and Currency Committee hearings on extension of the Emergency Price Control Act have afforded a field day to our opponents—and we're facing another similar situation beginning today before the Senate Banking and Currency Committee. As for you, if you're inclined to be tolerant; to agree that we're doing all that is humanly possible, within our legal restrictions, to do a good job on a task that is innately unpopular, in the face of constant pressures from all sides, we're grateful and we'd like your active support. If you're inclined to be intolerant; to think we're a bunch of bureaucrats, just making jobs for ourselves, that we're hindering a return to normal, peacetime opera-

*An address by Mr. Baker before the Controllers Institute of America, New York City, April 15, 1946.

(Continued on page 2254)

Ohio Municipal Comment

By J. AUSTIN WHITE

From country banks all over Ohio come reports of an increased demand for local loans. Seemingly this demand for loans has been steady since winter and, from reports we pick up, it appears to be growing more general.

This lending activity has admittedly not reached such proportions that the country bankers are bragging about the amount of their loans.

J. Austin White

The loan portfolios of most banks have dwindled in recent years to such small proportions that they could increase even a few fold in many cases before the banker could point with pride to the ratio of loans to total resources.

Nevertheless many bankers in practically every section of the state are obviously quite encouraged over the fact that the totals are climbing upward instead of continuing to decline. Some are expecting that the low point in bank lending has been reached and that the demand from customers for loans will broaden and even become more persistant.

As yet, we have noticed no desire on the part of any bankers to sell bonds, at least not municipal bonds, as the result of this loan demand. However, this ability to lend money again has quite naturally caused some bankers to be less anxious to buy municipals at present low yields. No one knows whether this demand for loans will continue to grow, nor whether it will reach aggressive and sizable proportions, and, of course, no one knows if the demand will become sufficiently important actually to affect the market for bonds. Yet we know of a few bankers who are not so keen for buying municipals at present, and who are definitely shortening their ideas of maturity, because of this lending activity.

Everybody knows, of course, that the war loan accounts of all banks are being cut down in the Treasury's program of paying off several billions of dollars of the Government debt with these war loan deposits. But it has been surprising to us to note how few of the country banks around Ohio seem to have owned the issues which the Treasury is paying off. Some of such country bankers have actually been squeezed for cash because the Government has been taking worthwhile amounts out of the banks to pay off issues which such banks have not owned in their portfolios. Naturally, in such cases, the banks have actually had to give up as much in cash as the Government was calling upon from the war loan account.

Under such circumstances it is only to be expected that a banker would not be an avid buyer of municipals. It has been interesting to note, however, that at least we have noticed no desire to sell municipals even in such conditions. It seems to be a foregone conclusion these days that if a banker needs money he sells Governments without even a thought of selling municipals. However, of course, a banker who is selling Governments to obtain needed cash is not a good prospect to buy municipals.

While these developments will naturally have a dampening effect on the municipal market, by taking out of the market some bankers who have been buyers, yet the effect may not be too important or lasting. In the first place, the cash which one bank loses will, at least largely, be another bank's gain. Some other bank will own the securities that are being paid and will thus have more cash, or else the customer of some other bank will have such securities and will deposit the cash received.

It must be admitted, however, that to the extent that the Federal Reserve Banks own securities paid in cash, to that extent will the commercial banks generally have to give up cash. Moreover, if bank customers receive the cash and deposit it to their accounts, then the commercial banks, although they do as a group keep all such cash, will have to put up more cash as increased reserves against their increased private deposits, whereas they are not required to maintain cash reserves for war loan deposits of the Government.

Some of the securities already paid have of course been owned by the Federal Reserve Banks and we understand that $400,000,000 of the May 1st maturity of Certificates, which are all to be paid in cash, are similarly owned. To that extent the commerical banks have

(Continued on page 2251)

Ohio Municipal Price Index

Date—	*	†	‡	§
Apr. 17, 1946	1.12	1.25	.98	.27
Apr. 10	1.12	1.25	.98	.27
Apr. 3	1.13	1.26	.99	.27
Mar. 27	1.13	1.26	.99	.27
Mar. 20	1.13	1.26	.99	.27
Feb. 20	1.16	1.30	1.02	.28
Jan. 16	1.24	1.39	1.09	.30
Dec. 19, 1945	1.29	1.45	1.13	.32
Nov. 14	1.32	1.50	1.15	.35
Oct. 17	1.36	1.54	1.18	.36
Sep. 19	1.38	1.58	1.18	.40
Aug. 17	1.40	1.62	1.17	.45
July 18	1.22	1.42	1.02	.40
June 13	1.21	1.39	1.02	.37
May 16	1.19	1.35	1.02	.33
Apr. 18	1.19	1.34	1.03	.31
Mar. 14	1.27	1.43	1.11	.32
Feb. 14	1.30	1.47	1.14	.33
Jan. 17	1.33	1.49	1.17	.32
Jan. 1, 1945	1.34	1.50	1.18	.32
Jan. 1, 1944	1.41	1.58	1.23	.35
Jan. 1, 1943	1.83	2.01	1.65	.36
Jan. 1, 1942	1.92	2.13	1.70	.43
Jan. 1, 1941	1.88	2.14	1.62	.52
Jan. 1, 1940	2.30	2.58	2.01	.57
Jan. 1, 1939	2.78	3.33	2.24	1.09
Jan. 1, 1938	2.98	3.42	2.55	.87

*Composite index for 20 bonds. †10 lower grade bonds. ‡10 higher grade bonds. §Spread between high grade and lower grade bonds.

Foregoing data compiled by J. A. White & Co., Cincinnati.

Gus B. Walton Forms Own Investment Firm

LITTLE ROCK, ARK.—Gus B. Walton, formerly of Walton, Sullivan & Co., has announced the formation of his own company to conduct an investment securities business as Walton & Co., Inc., with offices at 509 Louisiana Street.

Herbert Dittus With Edw. G. Taylor & Co.

CINCINNATI, OHIO — Herbert R. Dittus has become associated with Edw. G. Taylor & Co., St. Paul Building, as manager of the sales department. Mr. Dittus was formerly with the Weil, Roth & Irving Co. Prior thereto he was associated with Mr. Taylor for 10 years.

Mr. Taylor has been in the municipal bond business for 31 years.

Thos. Throm Opens Office

Thomas Throm, member of the New York Curb Exchange, announces the opening of offices at 14 Wall Street, New York City.

Howard Allen Dir. of Albert Frank Agency

Howard C. Allen, a Vice-President and Account Executive of Albert Frank-Guenther Law, Inc.,

Howard C. Allen

in the New York office at 131 Cedar Street, has been elected a member of the board of directors of the advertising agency, it was announced April 22.

William Morton Forms Own Investment Firm

W. H. Morton & Co., Incorporated is being formed with offices at 15 Broad Street, New York City, to act as underwriters and distributors, and dealers in municipal and U. S. Government bonds. Officers are William H. Morton, President and Treasurer; Anthony J. Miller, Assistant Treasurer, and Ethel A. Couper, Secretary. All were formerly with the Chase National Bank of New York, of which Mr. Morton was 2nd Vice-President in the Bond Department. Mr. Miller was in the trading department.

Congressman Burgin Dies

The House of Representatives adjourned at 11:30 a.m. on April 11, out of respect to the memory of William O. Burgin, Representative from North Carolina since 1939. He was 67 years old.

The United Press in reporting this said:

"Mr. Burgin, a Democrat, had announced earlier this year that he would retire at the end of the present session.

"He entered public life in 1910 when he was elected Mayor of Thomasville, N. C. He was elected to the North Carolina House of Representatives for a single term in 1930 and to the State Senate in 1932. He was engaged in the banking and mercantile business in Lexington. He was a native of Marion, N. C.

His death reduces the Democratic majority in the House to forty-seven seats. There are now 238 Democrats, 191 Republicans, two minor party members and four vacancies.

Correction

In the "Financial Chronicle" of April 18 it was reported that Roger S. Palmer had opened offices at 43 Cedar Street, New York City, to engage in the investment business. Mr. Palmer, who is associated with Clinton Gilbert & Co., will not open his firm for business until after May 1.

Ohio Brevities

An Ohio group composed of Fahey, Clark & Co. of Cleveland, Braun, Bosworth & Co. of Toledo and the Ohio Co. of Columbus, offered a total of $720,000 of 1¼% bonds of the Painesville (O.) School District at prices to yield from 0.50% on shorter maturities to 1.10% on the longer term bonds.

The group, headed by Braun, Bosworth, was awarded the bonds on a net interest cost bid of 1.072%. The second high bid, made by First National Bank of Chicago, figured a net cost of 1.075%.

Proceeds from the bonds, which mature serially from 1947 to 1966, will be used for additions and remodeling to the Painesville high school and four grade schools.

* * *

President J. K. Thompson of the Union Bank of Commerce of Cleveland, announced that bank stockholders at the annual meeting on May 22 will vote on a proposal to change the 35,300 shares of $100 par value capital stock of the bank into 353,000 shares of $10 par value.

Thompson said the 10-for-1 exchange would tend to give the shares the benefit of a broader market. The stock currently is quoted over $500 a share.

The bank also is proposing to change the date of the annual meeting from the fourth Wednesday in May to the second Wednesday in January each year, in order to conform to general banking custom, and to remove the existing limitation on the bank's use of its trust powers, in order to permit it to conduct trust company business.

He stated the latter proposal is being presented so that the Union Commerce, primarily a commercial bank, can round out its service to corporations and organizations by serving them in various trust capacities.

* * *

Richard C. Muckerman, President and owner of the St. Louis Browns, American League ball club, was elected executive Vice-President of the City Ice & Fuel Co. at the annual meeting in Cleveland last week.

William J. Sinek of Chicago, was reelected to his fourth term as President.

Sinek announced plans to produce the company's Regal brand of beer, starting in Cleveland the middle of May. It has been manufactured in New Orleans for 57 years and other Southern and Western plants. The company will continue to produce its P. O. C. brand.

The company brewery facilities are to be expanded in Cleveland, New Orleans and Miami and adidtional breweries will be sought, and eventually distributing Regal on a national scale.

Other officers elected were Henry F. Adams, Vice-President in charge of southern Ohio and the Cincinnati area; and Vice-Presidents Walter B. Muckerman of St. Louis, William A. Schmid and F. F. Rhode, both of Chicago.

* * *

Gray Drug Stores, Inc., of Cleveland, formerly known as Weinberger's has elected Mort Jacobs Vice-President.

Jacobs, in charge of sales promotion for the 80-store chain, has been with the company for 17 years. Prior to heading sales promotion, he served for a number of years as supervisor of the Cleveland stores of the chain. He also has been a director for several years.

A Clevelander, Clarence W. Custer of American Stamping Co., has been chosen President of the Pressed Metal Institute.

Other new officers include: Carter C. Higgins, Vice-President of Worcester Pressed Steel Co., Vice-President; J. J. Boehm, President of Boehm Pressed Steel Co., Secretary-Treasurer, and Tom J. Smith Jr., Executive Vice-President.

* * *

Otis & Co., Cleveland, heads the underwriters that will offer soon 130,000 shares of $1 par value common stock of L'Aiglon Apparel Inc., Philadelphia. The

(Continued on page 2258)

Ball, Burge & Kraus Add Ussher & Shorsher

CLEVELAND, OHIO—Two former Air Corps officers have become associated with Ball, Burge & Kraus, Union Commerce Building.

They are David M. Ussher, Jr., who served as a Major with the Eighth Air Force in England, and Fred A. Shorsher, who was a bomber pilot with the rank of Captain. Mr. Ussher was an underwriter with Travelers Insurance Co. before entering the service and Mr. Shorsher formerly was connected with Jones & Laughlin Steel Corp. at Pittsburgh.

Bank and Insurance Stocks

By E. A. VAN DEUSEN

This Week — Insurance Stocks

It is always pleasant to be able to compliment someone for a job well done. This column takes pleasure, therefore, in complimenting a *stock exchange house in Baltimore on an excellent study, recently released, of the comparative market performance of 57 fire insurance stocks and 21 casualty stocks, between the dates of Dec. 31, 1941, and Dec. 31, 1945.

In the "foreword" to the study the author states: The companies we selected both for the fire index and casualty index represent, in our opinion, a cross-section of the industry. We selected both the large companies and the small companies; the companies showing substantial underwriting profits and those showing substantial underwriting losses; the companies selling above liquidating values and those selling below liquidating values; also companies paying dividends in excess of interest earnings and those more conservative in their dividend policy and other factors, all of which have a pronounced effect upon the market value of insurance companies."

The results of the entire study are depicted in a series of charts, starting with a chart showing the composite index of the 57 fire stocks compared with that of the 21 casualty stocks. It is pertinent to quote from the "foreword" how the index is computed, as follows: "The index is computed on market bid prices. As of December 31, 1941 the bid prices of each of the 57 fire companies comprising our fire index, multiplied by the then outstanding shares of each of the companies, amounted to $1,030,174,032, which we consider to be our base and is represented by 100." In a similar manner the casualty index was computed, and also the index of each individual stock. These indices were computed at the close of each month for the entire four year period, and a graph made for each individual stock compared with its respective composite index, either fire or casualty.

The fire index, starting with 100 on December 31, 1941 dropped to 83.5 in April 1942, and finished at 129.0 on December 31, 1945. Thus, the fire index appreciated 29% from 12/31/41 and 54.5% from the 1942 low. The casualty index, starting with 100, dropped 91.0 in April 1942, and closed the year 1945 at 183.0. Casualty stocks, therefore, appreciated 83% from 12/31/41 and 101% from the 1942 low.

In considering the relative market action of the fire insurance stocks, the charts show that the following lagged rather consistently and substantially behind the composite index of the 57 fire stocks during the entire four year period:—

Aetna Insurance
Agricultural Ins.
Bankers & Shippers
City of New York
Federal
Gibralter F. & M.
Homestead
Jersey
National Fire
New Brunswick
New Hampshire
New York
North River
Northern
Pacific Fire
Paul Revere
Phoenix
Reinsurance Corp.
Republic
Universal Ins.
Westchester

Eleven fire stocks, which performed better than the index, during the early part of the period but have lagged behind in the latter part, are as follows:—

American Alliance, since May, 1943.
Automobile, since Dec., 1943.
Baltimore American, since Dec., 1943.
Franklin, since Dec., 1943.
Home, since Dec., 1943.
National Liberty, since Dec., 1943.
National Union, since June, 1944.
Northwestern Nat'l., since April, 1944.
Springfield F. & M., since June, 1944.
U. S. Fire, since Nov., 1943.

The following twelve fire stocks, quite consistently, kept ahead of the index throughout the period:

American Insurance
American Reserve
Continental Fire
Fid. & Gty. Fire
Fidelity Phenix
Fireman's Fund
Firemen's Ins.
Great American
Hanover
Hartford Fire
Insurance of N. A.
St. Paul F. & M.

In the case of Ins. of N. A. and St. Paul, their better-than-average performance dates from February 1944.

Three stocks, viz.: Glens Falls, Merchants Fire and Providence-Washington, conformed rather closely with the index through most of the period, though Merchants had quite a spurt in the latter half of 1945. Very erratic performance was made by American Equitable, Fire Association, Globe & Republic, Globe & Rutgers, Merchants & Manufacturers, Northeastern (former Rossia) and Security Insurance.

In the case of the casualty stocks, their performance has been generally more erratic than the fire stocks, and somewhat more difficult to classify. However, the following ten have rather consistently lagged behind the index throughout the four years:

Aetna Casualty
Am. Reinsurance
Am. Surety
Fidelity & Deposit
General Reinsurance
Hartford S. B.
Mass. Bonding
Preferred Accident
Seaboard Surety
U. S. Guarantee

Stocks which have kept well ahead of the index are: Continental Casualty (since Oct. 1944); National Casualty (since July 1945); New Amsterdam and U. S. Fidelity & Guaranty. Pacific Indemnity and Standard Accident followed the index fairly closely, especially the former. Very erratic performances were made by American Casualty (capital increase), Employers Reinsurance, Excess Insurance, Fireman's Fund Indemnity and Maryland Casualty.

All in all, this study is most interesting and should prove of inestimable help to the careful student of insurance stocks.

*Mackubin, Legg and Company.

Allen & Co. Offers Graham-Paige Debs.

Allen & Co., as sole underwriter, on April 22 offered to the public a new issue of $11,500,000 Graham-Paige Motors Corp. 4% convertible debentures due April 1, 1956, at 100% and accrued interest. The debentures are convertible into common stock of the company at $13 per share. The debentures are secured by an indenture pursuant to which the company pledged with Bank of America National Trust & Savings Association, as trustee, 250,000 shares of Kaiser-Frazer stock and the company's Warren Avenue property consisting of 46.5 acres of land in Dearborn, Mich., together with the buildings and improvements thereon consisting of administration, general office and engineering buildings, factories and railroad spurs and sidings.

The sinking fund begins April 1, 1947, and provides for the payment by the corporation of 25% of net earnings of the preceding year to be applied to the retirement of the debentures. They are redeemable, including for sinking fund purposes, at 102½%.

Net proceeds from the sale of debentures will be used by the company to the extent of $2,500,000 to pay in full an outstanding bank note. Of the remainder, the company estimates that approximately $8,000,000 will be expended in connection with the production of the Frazer automobile at the Willow Run plant. The balance will be added to working capital.

First Boston Wins P. S. Of New Hampshire Pfd.

An underwriting group headed by The First Boston Corp. on Apr. 22 was awarded at competitive bidding 102,000 shares of 3.35% cumulative preferred stock ($100 par) of Public Service Co. of New Hampshire on a bid which set a price of $100 per share for the offering to stockholders, less an aggregate compensation for the underwriters of $173,400. Present holders of the $6 and $5 preferred are given an opportunity up to May 6 to exchange their shares for the new preferred on a share-for-share basis, with cash adjustments in each case. Subject to the prior rights of the preferred stockholders The First Boston Corp. and associates offered the issue publicly April 24 at $100 per share. Proceeds of this financing will be used, together with the proceeds of a proposed new issue of common stock, to retire the 117,404 shares of old preferred stock as well as serial notes outstanding in the amount of $2,000,000 and to provide funds for construction and extension of the company's plant, property and facilities.

Muffing the Ball

(Continued from page 2215)

these practices in the category of "fraudulent, deceptive and manipulative acts."

The Commission claims that these acts are misleading, and the practices are contrary to accepted business ethics and against the public interest because they contribute to the disorderly marketing of new securities and deceive and mislead the investing public.

Now, then, as Sir Roger de Coverly says: "There is much to be said on both sides."

However, our present thesis does not require that we pass upon the instant practices which the Commission condemns and seeks to remedy by the proposed rule.

The merits or demerits of such practices can form the subject of a distinct editorial.

However, in the controversy which has been precipitated, both in written and oral argument, we have been forced to the conclusion that the most vital point at issue has been fully missed.

Underwriting and distributing practices have been of such long standing that they are integrated with the trade customs and usages prevailing in the securities field.

Now there may be certain trade customs and usages which require modification. There may be instances where the public interest demands this.

However, to work a complete transformation from what we regard as the ordinary practices of underwriters and distributors so that some of them may be thereafter classified as "fraudulent, deceptive and manipulative acts," when such change is brought into being by an administrative body under its rule-making power, is to us absolutely unthinkable.

We believe it to be wrong.

We believe it contravenes the law.

If these activities which the Commission seeks to taboo are in fact so objectionable, and the Commission is armed with the power to remedy them, as it claims, why this Rip Van Winkle sleep for so long a time.

We reaffirm now as we have contended heretofore, that in the absence of legislative enactment to the contrary, trade customs and usages are a fundamental part of the law.

The revision of them requires more than any attempt on the part of regulatory administrative bodies to effect changes through rule-making activities.

The change of that part of the law which is trade custom and usage can be modified only by positive legislative enactment.

We, therefore, say that in this controversy the ball has been muffed, and that the place for the Commission to go if it seeks revision of underwriting practices, is to the Congress.

Chain Store Investment Com. Publicly Offered

An underwriting group headed by the First Colony Corp. on Apr. 23 offered to the public 89,619 shares of common stock of Chain Store Investment Corp. at $8.20 a share. The offering represents the unsubscribed portion of an issue of 100,000 shares of additional comon stock offered to common stockholders of record April 12, 1946, at $7.70 a share at the rate of one new share for each share held. The rights expired on April 20.

"Our Reporter on Governments"

By JOHN T. CHIPPENDALE, JR.

The first official announcement by the Treasury on Feb. 15 that the March maturities would be paid off in whole or in part in cash, set in motion a program of debt retirement, which has had far-reaching effects upon the Government securities markets. . . . These price changes have taken place on light volume due to the poor technical condition of the market. . . . The first effect of this changed policy was felt in the short-term obligations, particularly the certificates of indebtedness, which registered a minor increase in yields. . . . The next group to be influenced by the new developments were the obligations maturing through 1950, especially the bank eligible obligations. . . . These securities moved down in price to meet the better competitive position of the shorter-term obligations. . . .

The eligible issues due through 1952 were also under pressure as non-bank investors liquidated these securities to get funds to put to work in the longer-term restricted obligations. . . . After the initial weakness in the short-term and intermediate maturities, these issues rallied and several of them went to new all-time highs. . . .

For instance the 1¾% due June 15, 1948, the 2% due 1949/51, the 2% due 1950/52, the 1½% due 1950, the 2% due from 1951/53 through 1952/54, all made new tops after the Treasury's first announcement of the cash debt repayment. . . . These securities advanced on the belief that the continued retirement of bank eligible obligations would result in a further scarcity of securities that could be bought by the commercial banks. . . .

MOMENTUM LOST

What was not counted on was the fact that reserve balances of the deposit institutions would be decreased by the debt retirement and these banks would not have the funds to buy the intermediate- and long-term obligations. . . . As a result the momentum that carried these securities to new all-time highs was lost and these obligations moved down on somewhat increased volume. . . . Most of this decline took place last week. . . . The following table shows the recent market action of certain of the so-called trading favorites in the short and intermediate maturities of the eligible issues:

Issue—	Closing Bid Price Feb. 15, '46	All-Time High and Date	Closing Bid Price, Apr. 24, '46
1¾% due June 15, 1948	101.31	102.4 (3-1-46)	101.16
2% due December 15, 1949-51	103.28	104.0 (3-1-46)	102.27
2% due September 15, 1950-52	104.0	104.7 (3-7-46)	103
1½% due December 15, 1950	102.5	102.16 (3-8-46)	101.13
2% due September 15, 1951-53	104.14	104.18 (3-11-46)	103.7
2% due December 15, 1952-54	104.29	105.1 (3-11-46)	103.19

The longer-term bank eligible bonds were led by the 2½s due Sept. 15, 1967/72, which issue finally moved through to a new high early this month after some hesitation and lower prices, following the first notice of the debt retirement program in February. . . . The 2½s due March 15, 1956/58 showed very little change at first, but later went down with the rest of the bank issues. . . . The price changes of the two longest bank eligible bonds have been as follows:

Issue—	Closing Bid Price Feb. 15, '46	All-Time High and Date	Closing Bid Price, Apr. 24, '46
2½% due March 15, 1956-58	110.13	110.22 (2-8-46)	108.14
2½% due September 15, 1967-72	109.15	109.19 (4-6-46)	107.22

FORCED TO GIVE GROUND

Neither of the long-term bank eligible bonds were able to hold the price at which they were selling when the debt retirement was first announced. . . . The longest eligible bond has gone off almost two points from the all-time top that was made on April 6th. . . . This decline brought the 2½s due Dec. 15, 1967/72 down to a yield of 2.05%, so that it is again possible for the deposit banks to buy a Government obligation yielding more than 2.00%. . . . It seems as though the bank eligible bonds are now in a buying area. . . .

RESTRICTEDS MOST VOLATILE

The restricted obligations have been the most active and most widely moving issues (in both directions) in the whole list since the 15th of February statement was made by the Treasury. . . . There are many reasons why these bonds should have sought higher levels, the most potent being the fact that there is very little likelihood of these bonds being increased in the near future. . . .

This did not take into consideration that there could be an increase in the floating supply due to liquidation by non-institutional holders after May 15, when the most recently issued bonds first become long-term holdings. . . . While these sales may be sizable, they can and will be absorbed at a price which could be at these levels or just slightly lower. . . .

The ineligible obligations' market movements since the debt retirement was first announced is as follows:

Issue—	Closing Bid Price Feb. 15, '46	Per Cent. Yield	All-Time High and Date	Per Cent. Yield	Closing Bid Price Apr. 24,'46	Per Cent. Yield
2¼% due 9-15-56-59	107.5	1.50	107.18 (4-6-46)	1.46	105.15	1.65
2¼% due 6-15-59-62	103.22	1.93	104.21 (4-6-46)	1.85	102.6	2.03
2¼% due 12-15-59-62	103.22	1.94	104.22 (4-6-46)	1.85	102.6	2.04
2½% due 6-15-62-67	107.2	1.99	108.14 (4-6-46)	1.89	106.2	2.04
2½% due 12-15-63-68	106.20	2.05	108.4 (4-6-46)	1.95	105.24	2.09
2½% due 6-15-64-69	106.8	2.08	107.25 (4-6-46)	1.99	105.15	2.12
2½% due 12-15-64-69	106.6	2.09	107.24 (4-6-46)	2.00	105.14	2.13
2½% due 3-15-65-70	106.2	2.11	107.23 (4-6-46)	2.01	105.11	2.14
2½% due 3-15-66-71	106.1	2.12	107.23 (4-6-46)	2.02	105.11	2.15
2½% due 6-15-67-72	105.1	2.19	106.17 (4-6-46)	2.12	104.5	2.24
2½% due 12-15-67-72	105.1	2.20	106.19 (4-6-46)	2.12	104.5	2.25

INELIGIBLES HEAVY LOSERS

The 2¼% bonds after making new all-time highs have reacted rather sharply from their tops and in each instance are well under the prices at the time that the first notice was given of cash debt repayment. . . . The 2½% obligations also went on to all-time highs the early part of this month, then abruptly backed away from these levels, to show prices not far from those prevailing on the 15th of February. . . . The price declines in the ineligible obligations have been very sizable in the last week, with full limit declines of 8/32nds being very much the order of the day. . . .

IMPORTANT FACTOR

The return on the longest restricted obligation is back to a 2.25% yield basis, after going as low as 2.12%. . . . It does not seem likely that this ineligible bond will go to a yield basis very far away from that presently prevailing. . . . **Life insurance companies and savings banks have large sums that must be put to work and a return in the vicinity of 2.30% or better will no doubt be attractive to them.** . . . It is possible for the long-term restricted bonds to temporarily move lower under the influence of the six months or long-term tax selling, but this liquidation will be absorbed.

IN BUYING RANGE

There is one thing that must be remembered in the money markets and this is that the Treasury will not allow the debt burden to increase. . . . This would seem to indicate that the decline in the Government bond market will not carry too much farther. . . .

Therefore, it is being advised that scale orders to purchase needed obligations be entered, since it is the opinion of money market experts and shrewd traders that the market is now in a buying range. . . .

Whiting & McCarthy With P. Morgan & Co.

Peter Morgan & Co., 31 Nassau Street, New York City, announces that Edmund A. Whiting, AUS, has returned from active duty and will resume his former position as Manager of their Trading Department, and that Justin V. McCarthy, Major, AUS, has become associated with them in their Sales Department.

William Fanning Joins Coburn & Middlebrook

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, CONN.—William H. Fanning has joined the staff of Coburn & Middlebrook, 37 Lewis Street. Mr. Fanning in the past was with E. R. Davenport & Co. in Providence.

Walter Herzfeld Dead

Walter J. Herzfeld of Bedford Village, N. Y., a member of the New York Stock Exchange since 1912, died Tuesday at the North Westchester Hospital, Mount Kisco, after a brief illness. His age was 59. For many years he had been the senior partner of Herzfeld & Stern, a Stock Exchange firm founded in 1880 by his father, Felix Herzfeld.

Mr. Herzfeld attended Williams College and during the World War I served in the United States Navy.

Surviving are his widow, Ethel Fitzhenry Herzfeld, and two sisters, Mrs. Elsa H. Naumburg and Mrs. Max Reichenbach.

Services will be held at Campbell's Funeral Parlor, Madison Avenue at Eighty-first Street, on Thursday. Burial will be private.

Samuel Magid Director

Samuel E. Magid, Vice-President of Hill, Thompson & Co., 120 Broadway, New York City, has been elected a director of General Products Corp., of New Jersey. Mr. Magid also is a director of Empire Steel Corp., Richmond Ice Co., and American Sealcone Corp.

Mutual Funds

First Quarter Sales

The National Association of Investment Companies reports that first quarter gross sales this year of the 74 member mutual funds totaled $113.8 million as compared with $92.7 million in the preceding quarter and $69.6 million in the first quarter of 1945.

Combined net assets of the 74 member funds totaled over $1.4 billion on March 31, 1946. This figure is 49% higher than total net assets one year previously and undoubtedly represents the outstanding growth record of any major section of the securities business.

Selectivity

"The important problem of keeping your investments adjusted to changing conditions" is the subject of a new booklet by **Selected Investments Co.,** sponsor of **Selected American Shares.** The booklet presents a study of individual stocks in past bull markets and reveals that "selectivity" is the secret to real investment success during a period of rising prices.

In the 1921-1929 bull market, for example, it is revealed that some prominent stocks made their highs as early as 1922, others as early as 1923 and 1924, while a large list of well-known leading stocks reached their bull market peaks in 1927, nearly 200 points from the 1929 top for the Dow-Jones Industrial Average.

This same phenomenon was true in the 1932-1937 bull market as revealed by a similar chart covering that period. In fact, the number of prominent stocks which made their highs in this bull market as early as 1933 will likely prove a distinct surprise to many close followers of the market.

A final chart in this excellent booklet compares the course of the present bull market to date with the gain in net asset value per share of Selected American Shares. The Dow-Jones Industrial Average is used as a measuring stick and, in terms of this average, the net asset value of Selected American Shares has advanced to above the 240-level as compared with about 208 for the average.

Thirteen-Year Record

North American Securities Co. has published a little folder giving the 13-year record of a $1,000 investment in **Commonwealth Shares.** Starting at the beginning of 1933 and continuing to the end of 1945, this $1,000 investment in Commonwealth Shares had a net asset value of $3,009.35 at the end of the period. Total dividends received from the investment during this period amounted to $1,461.07.

Adding these dividends to the net asset value of the investment at the end of the period, the record shows that a $1,000 investment in Commonwealth Shares at the beginning of 1933 had a total net asset value, plus dividends, of $4,470.42 as of the end of 1945. This is a truly remarkable record and another proof of the soundness of the mutual fund principle.

Interest Rates and Inflation

Lord Abbett, in a current Investment Bulletin on **American Business Shares,** quotes from a recent address by Mr. Alan H. Temple, Vice-President of the National City Bank. Mr. Temple points out that our present low interest rates have an inflationary effect on the market values of all income-producing assets.

"Price control does not, in general, touch the inflationary pressures generated by declining interest rates. To be sure, at times the opportunity for capital gains is closed in certain speculative markets where prices are at the ceiling. But other outlets exist for speculative money, and no system of control that this country would ever endure could close them all."

This week's mail also brought a completely revised set of folders on all Lord Abbett-sponsored funds, together with a "Fund Data" brochure giving dividend and offering price data as well as current portfolio holdings on each of the funds.

Knickerbocker Fund

"How Your Dollars Are Invested" is the title of a new folder on **Knickerbocker Fund** showing diversification by industries and companies as of March 31, 1946. On that date metals and mining stocks comprised the largest single investment group in the fund's portfolio, accounting for 14.5% of the total. Railroad Equipment stocks were second, amounting to 9% of the total.

Wellington Fund

The current Investment Committee Report on **Wellington Fund** reveals that prior to the February break, common stocks and other equities were reduced and senior securities were increased by about 7% of the fund. These investment changes, and the cash from the sale of fund shares, primarily accounted for the decrease in the equity portion of the fund from 60% of total net asset at the beginning of the year to about 48% by mid-February.

During March, equities were increased by an amount equal to about 5% of total assets so that as of March 31, 1946, equity securities accounted for 53.33% of the portfolio and defensive securities accounted for 46.67%.

Suggestion for Bond Buyers

"Instead of offering your customers 2¼s or 2½s in which your compensation is measured in ⅛s and your supply is subject to allotment: (1) offer them better value and over 3% return; (2) make 3% compensation for yourself; and (3) sell as much or as little as you please without allotment or commitment." Thus, writes **Distributors Group** in a new mailing on **Institutional Bond Shares.** Included in the mailing is a folder showing how corporations can increase their return on "legal" bonds by 50% net after taxes.

Machinery Industry

In a new folder entitled "Can Investors Profit From Higher Wages?" **Hugh W. Long & Co.** describes "Why We Like The Machinery Industry Series." The folder emphasizes the following points with regard to the Machinery Industry: (1) demand hinges on industrial pace; (2) underpriced by normal standards; (3) appears headed for record peacetime production.

The **Machinery Industry Series of New York Stocks** is recommended as "a single investment embracing ten representative machinery companies."

Republic Investors

The portfolio of Republic Investors, as of March 30, 1946, reveals retail trade and motion pictures as the two most favorable groups, with 8.5% of total net assets invested in each. Aircraft manufacturing and steel were next in order, accounting for 7.6% and 7.0% respectively.

Chemical Fund

The Quarterly Report of Chemical Fund shows total net assets at March 31, 1946 amounting to $18,454,777, equivalent to $14.39 per share. The report describes the great expansion in the chemical industry during the war, and cites the expansion in the production of synthetic resins from 300,000,000 pounds in 1939 to almost 800,000,000 pounds in 1944, "yet plant facilities are being expanded still further to meet increasing needs." And it has been estimated that $200,000,000 will be spent in the next three years alone on plant expansion to meet the constantly growing demand for the chemical industry's products.

Investors Selective Fund Elects New Director

J. R. Kingman, Jr., prominent in the investment business in Minneapolis, has been elected to the Board and as a member of the Investment Committee of Investors Selective Fund, one of the mutual funds under the sponsorship of Investors Syndicate.

Domestic Air Transport

Calvin Bullock, in the current issue of Perspective, analyzes the Domestic Air Transport Industry. "It must be borne in mind that the recent growth of the industry, spectacular as it has been, has been accomplished largely with aircraft of pre-war design. The backbone of the 1945 operating fleet consisted of twin-engined 21-passenger planes with a cruising speed of 180 m.p.h. More recently, twin-engined and four-engined air-conditioned and pressurized aircraft carrying anywhere from 36 to 60 passengers and having a cruising speed of 300 m.p.h. have been going into service and this trend will continue at an accelerated rate for the balance of this year and 1947. It will be appreciated that the speed factor affects turn-around operations and costs and increases ton-mile capacity. As new and converted equipment and trained personnel go into actual operating service in the Spring of this year the decline in earnings which set in last Fall should be reversed.

Mutual Fund Literature

Keystone Co.—Current issue of Keynotes describing the Formula Plan method of investing; a booklet showing Primary Lists of **Keystone Funds** as of April 1, 1946. . . **National Securities & Research Corp.**—Current issue of The National Trust Funds Survey; current National Notes discussing investment company shares. . . **Lord, Abbett**—Revised prospectus on **Affiliated Fund** and **American Business Shares,** both dated April 12, 1946; current issue of Abstracts giving figures on rising industrial production. . . **Distributors Group**—Revised printing of the booklet "Put Your Money To Work."

Dividends

American Business Shares, Inc.—A quarterly dividend of 3.3 cents per share, payable May 20, 1946 to stock of record May 6, 1946.

Lord-Abbett Engages Prof. Yntema as Consulting Economist

The Lord-Abbett investing companies have engaged as consulting economist Theodore O. Yntema, professor of business and economic policy of the School of Business, University of Chicago. Dr. Yntema has served at various times as director of the Cowles Commission for Research in Economics, special consultant with the War Shipping Administration and consulting economist to United States Steel Corporation.

Theodore O. Yntema

The Lord-Abbett investing companies are American Business Shares, Inc., Affiliated Fund, Inc. and Union Trusteed Funds, Inc. with assets aggregating $85,000,000. Headquarters are at 63 Wall Street, New York City.

British Government Holdings of American Securities

(Continued from page 2217)
had an estimated market value of approximately $500 millions.

Present Status of Loan

Of the originally authorized total of $425 millions, $390 millions has been drawn down. The balance of the loan as reported by the RFC last month was $248,-225,476. Total collections have been $196,140,638, of which $171,-575,385 was derived from income from the collateral and $24,565,253 from the sale or retirement of a relatively small part of the collateral.

The $196,140,638 has been applied: $141,774,524 on the principal of the loan; $40,743,086 as interest, and the remaining $13,623,028 is held in reserve accounts to meet succeeding interest and principal maturities.

Appreciation in Value

The accompanying table gives the number of shares of the leading stocks currently held; the price on July 21, 1941; the current price, and the appreciation in value, totaling over $180 millions.

The total present value of the listed stocks is approximately $380 millions; of the unlisted securities $215 millions, and of the British-owned American insurance companies $200 millions, indicating a total appreciated value of approximately $795 millions. Deducting the balance of the loan of $248 millions gives an approximate equity of nearly $550 millions.

Outstanding examples of the British Government ownership are:

	Shares
Shell Union Oil Co.	900,000
General Motors Corp.	434,000
Celanese Corp.	335,096
Standard Oil Co. (Ind.)	315,000
F. W. Woolworth Co.	247,000
Standard Oil Co. (N. J.)	198,002
Radio Corp.	177,000
Amerada Petroleum Corp.	133,000
American Rolling Mill Co.	133,000
Socony-Vacuum Oil Co.	130,000
American Tel. & Tel. Co.	70,000
Chrysler Corp.	36,000
U. S. Steel Corp. (pref.)	21,000

Hindsight indicates that the posting of these securities as collateral for a loan rather than their liquidation in the New York market at a time when prices were relatively low (July 21, 1941—Dow-Jones Industrial Average 129.51) was a wise move.

Investors interested in the prices of American securities may naturally raise the question as to whether these British holdings are hanging over our market and are likely to be sold in part or in full, or whether they will be held and eventually returned to the British Government.

Perhaps the logical viewpoint is that the British will act on their own judgment of the future market value of the securities. If they think that the securities may appreciate substantially from present levels, it is likely that they will be held for appreciation just as they have been held since 1941. Conversely, if the British viewpoint is that security prices are at or near the top of this cyclical move it is quite possible that, following the granting of the new British loan now pending, they may decide on disposing of either a part of the collateral to pay off the RFC loan or all of the collateral, except the British-owned insurance companies, with the excess proceeds over the loan being withdrawn.

Thin American Markets

While it is, of course, impossible to know what will happen, the following appear logical possibilities:

Although demand for American securities is great, nevertheless with thinner markets for many stocks due to the 100% margin requirement, liquidation of the bulk of these securities probably would take several months to a year to accomplish. Some private placement could be effected through financial institutions, through insurance companies and banks for trust accounts and estates, and special offerings could be made to the public through Stock Exchange firms and underwriting houses. To liquidate almost $600 millions of securities, however, would be a huge financial undertaking even in these good times, especially if it were generally known that the British holdings were being liquidated.

If these securities are held for a period of years it may be expected, as indicated by the record so far, that eventually the income together with retirement of some of the securities will pay off the loan in full, the collateral then being returned to Great Britain.

With the British Government again in possession of the securities it does not seem logical that it would offer them to the original owners, either at the price the Government paid for them at the time of acquisition or at the current market price. This supports the belief that eventually most if not all of the holdings will either be sold or used as collateral for future loans either from the United States Government or our financial institutions or in other countries. The other alternative, which is less likely, is the gradual liquidation of the securities in the next few years in advancing markets. While liquidation now has been advocated by some critics of the new loan as a condition of its being made, it seems most unlikely that this contention will prevail.

Conclusion

From the American investor's viewpoint we believe it most probable that liquidation of the large amount of American securities held here as collateral for the British loan of 1941 would be discernible in our security markets if it were attempted. However, we see no reason to be concerned at this time about such liquidation because, in our opinion, it will not be required as a condition for the making of the $3.75 billion loan now pending; the British Government will most likely continue to hold the securities to benefit from further market appreciation, and liquidation, if any, will not be undertaken for some years ahead.—*From "Investment Timing," April 18, 1946, published by the Economics and Investment Department, National Securities and Research Corporation.*

British Government Holdings of Leading Stocks

Company—	Shares	Price July 21, 1941	Current Price	Appreciation
Allis-Chalmers Mfg. Co.	19,000	31¼	56⅞	$486,875
Amerada Petroleum Corp.	133,000	62½	166⅜	13,815,375
Amer. & For. Pwr. Co., $7 1st pfd.	100,000	20	122	10,200,000
Amer. Locomotive Co., $7 pfd.	4,800	92	118	124,800
American News Co.	10,000	25	56½	315,000
American Rolling Mill Co.	133,000	15½	32⅜	2,244,375
American Smelt. & Ref. Co.	56,000	44⅝	72¼	1,547,000
American Sug. Ref. Co., $7 pfd.	4,000	90	158	272,000
American Tel. & Tel. Co.	70,000	156	191¾	2,502,500
American Tobacco Co. "B"	34,000	71½	94¾	790,500
Arkansas Pwr. & Lt. Co., $7 pfd.	3,975	90	114½	97,388
Barnsdall Oil Co.	50,000	10⅜	29¾	968,750
Briggs Manufacturing Co.	34,800	19¾	50¼	1,061,400
Celanese Corp. of Amer., 7% pfd.	45,783	121	157	1,648,188
Celanese Corp. of America	335,096	25⅜	76½	17,131,783
Chic. Pneumatic Tool Co., $3 pfd.	32,978	43	56¼	436,959
Chrysler Corp.	36,000	57	133½	2,754,000
C. I. T. Financial Corp.	59,000	32⅝	55⅞	1,371,750
Climax Molybdenum Co.	89,995	39	35¾	(292,484)
Columbia Gas & El. Co., 6% pfd.	19,000	77¾	110⅝	624,625
Com'nwealth & So. Corp., $6 pfd.	50,000	61½	125½	3,200,000
Congoleum-Nairn, Inc.	299,181	16⅛	37½	6,394,994
Cosolid. Gas El. Lt. & Pwr. Co.	11,000	58¼	86	305,250
Dividend Shares, Inc.	2,655,550	1.10	1.87	2,044,774
Eastman Kodak Co.	57,000	139½	257	6,697,500
Electric Pwr. & Lt. Corp., $6 pfd.	15,000	32¾	155½	1,841,250
First National Bank (N. Y.)	1,300	1480	1860	494,000
Flintkote Co.	27,000	15	42½	742,500
General Amer. Transport. Corp.	10,000	53½	69¼	157,500
General Motors Corp.	434,000	39¼	76	15,949,500
Gillette Safety Razor Co., $5 pfd.	30,000	42⅛	106½	1,931,250
Grant (W. T.) Co.	23,600	*17	38½	507,400
Great No. Iron Ore Prop., Ctfs.	79,132	17⅜	19⅛	138,481
Great Northern Ry. Co., $6 pfd.	44,000	28	58⅝	1,347,500
Ingersoll-Rand Co.	54,000	108	137½	1,593,000
International Paper Co., 5% pfd.	53,334	69	122	2,826,702
Loew's, Inc.	102,000	†10⅞	39⅞	2,958,000
Lorillard (P.) Co.	12,500	18⅛	29⅞	146,875
Marlin-Rockwell Corp.	7,000	57	60	21,000
McGraw Electric Co.	20,700	20	41¼	439,875
Monsanto Chemical Co.	53,000	89	155	3,498,000
Morrell (John) & Co.	51,294	40	51½	589,881
National Biscuit Co.	60,000	17½	35⅞	1,102,500
New York Air Brake Co.	8,500	41	60¾	167,875
Public Service Corp. of N. J.	24,000	22⅞	29	147,000
Pure Oil Co., 5% cum. conv. pfd.	8,693	92½	113¼	180,380
Radio Corp. of Am., $3.50 1st pfd.	8,000	54½	94	316,000
Radio Corp. of America	177,000	3⅞	17	2,323,125
St. Joseph Lead Co.	10,000	38⅞	59	201,250
Sears, Roebuck & Co.	188,000	‡18⅝	47½	5,428,500
Servel, Inc.	30,000	8⅝	21½	386,250
Shell Union Oil Corp.	900,000	15⅝	38	20,137,500
Simmons Co.	17,500	18¾	53½	608,125
Singer Manufacturing Co.	73,701	117½	334	15,956,267
Socony-Vacuum Oil Co., Inc.	130,000	10¼	17	877,500
Standard Brands, Inc.	42,500	§24	51½	1,168,750
Standard Oil Co. (Indiana)	315,000	32½	44½	3,780,000
Standard Oil Co. (N. J.)	198,002	44¾	74⅛	5,816,309
Sterling Drug (Inc.)	72,000	*30	50⅞	1,503,000
Timken Roller Bearing Co.	19,000	44¾	61	308,750
Tri-Continental Corp., $6 pfd.	30,000	67	111½	1,335,000
United Shoe Machinery Corp.	30,000	61	82⅝	648,750
U. S. & Int. Secur., $5 1st pfd.	29,488	58	91	973,104
U. S. Steel Corp., $7 cum. pfd.	21,000	120⅜	160½	842,625
Vick Chemical Co.	20,000	*21¾	44⅜	452,500
Westinghouse Air Brake Co.	40,000	24	36⅝	505,000
Wheeling Steel Corp., $5 pfd.	7,000	69	104	245,000
Woolworth (F. W.) Co.	247,000	29⅞	61	7,687,875
Youngstown Sheet & Tube Co.	75,000	38½	74	2,662,500
Total Appreciation				$187,687,451

*Adjusted for 2-1 stock split. †Adjusted for 3-1 stock split. ‡Adjusted for 4-1 stock split. §Adjusted for 1-4 stock exchange.

Dutch Cash Assets in United States To Be Sold to Netherlands Government

All Netherlanders owning assets in the United States and Great Britain have been ordered by the Government to sell them to the Netherlands Bank so that they can be utilized by the Government for the payment of goods purchased abroad. The measure was taken in view of Holland's foreign exchange position.

The order affects all debts to be collected by Netherlanders in Britain and in the U. S. as well as current account balances and other debts expressed in monetary values other than those expressed in stocks and bonds.

It was pointed out that, under the royal decrees of May 24, 1940, all assets of Netherlands nationals in Britain and the U. S. acquired prior to May 15, 1940, and after that date up to May 7, 1945, automatically reverted to the Netherlands state.

Assets acquired in those countries after Holland's liberation are, of course, automatically subject to foreign exchange regulations issued since that date (May 7, 1945) which stipulate that holders of such assets must declare them to the state. The present stipulation, therefore, concerns all those assets which up to now were not subject to any previously-issued regulations such as, for instance, non-negotiable paper.

Alex. Brown & Sons Opens Branch in Winston-Salem

WINSTON-SALEM, N.C.—Alex. Brown & Sons, members of the New York and Baltimore Stock Exchanges, have opened a branch office in the O'Hanlon Building under the management of Ben S. Willis. Mr. Willis' association with the firm was previously reported in the "Financial Chronicle" of April 11.

Year-Around Closing on Saturday of the NYSE Opposed

A resolution opposing a regular year-around Saturday closing for the New York Stock Exchange was adopted at St. Louis on April 14 by the Board of Governors, Association of Stock Exchange Firms, it is learned from the St. Louis "Globe-Democrat" of April 15, which also had the following to say:

"No action by the organization is binding on the Exchange, members explained, but the stand will serve as a recommendation. The Exchange has announced it will be closed on Saturday from June through September, and a general closing of exchanges at the same time has been discussed.

"The Board of Governors approved a first general convention of the Association for this summer and authorized appointment of an arrangements committee. Date and site will be chosen later.

"Expansion of the Association throughout the nation was discussed at yesterday's closing session, as were operating problems, particularly in regard to revenue and costs, it was announced by Wymond Cabell, Association President.

Canadian Securities

By BRUCE WILLIAMS

Speculative excesses induce their inevitable aftermath. Both here and in Canada the prospects of glittering profits in the usually safe and staid Government bond markets has attracted purchasers who customarily operate in more speculative fields. Less amendable to disciplinary suggestions from the authorities than the conventional operators in these markets, the ever-enthusiastic speculative elements have rendered inoperative the orthodox controls.

The Canadian authorities gave a significant hint in removing the registration privilege from Canadian bonds. The Federal Reserve Board has long been a voice crying in the wilderness against speculative exaggeration of the trend towards low and ever lower interest rates. Encouraged however by an apparent opposition of ideas between the Federal Reserve Board and the Treasury, the U. S. Government bond market paid little heed and discounted an early establishment of a 2% yield basis on the longest bond.

As a result of the wartime necessity of low cost financing the Government bond market has become the bell-wether which has been closely followed by all the other sections of the investment market. Even the Canadian Government bond market had commenced faithfully to follow the movement taking place south of the border, so much so that a preliminary effort has been made to insulate the Dominion market from undue external influence.

Now that the monetary authorities are no longer so dependent on a constantly decreasing scale of interest rates and moreover appear sufficiently perturbed by the inflationary implications of any exaggeration in this direction it now becomes increasingly clear that some reaction from recently established low levels might not only be unopposed but might also be welcomed. On this side a 2¼% level for the last bond would not be in the least degree at variance with the oft avowed policy of the Treasury to maintain low interest rates. The last level officially established was 2½% and the reaction from 2.10% to 2¼% could represent the elimination of exaggeration and undesirable speculation.

As far as Canada is concerned, until recently the Dominion market tempo was slower and more deliberate. Throughout the war in spite of the urge of external example there was no departure from the 3% coupon originally established. Greater emphasis was placed, and desire was successfully put into effect, in distributing the great proportion of the war issues in the hands of the public. In order to ensure the success of this anti-inflationary policy great caution has to be displayed in reducing the yield below a level which would be unattractive for investment by the public.

Consequently the recent rapid rise in the Dominion bond market which carried the recently issued Victory loan 3% bonds to a yield level of 2.55% was not induced or followed by the Bank of Canada. Just as it is logical to anticipate a 2¼% level for the longest bond in the Government market here it would similarly appear reasonable to expect a 2¾% coupon on the next Dominion long bond issue. Such a step would be in closer harmony with the customary conservative procedure of the Canadian authorities and more assured of favorable reception by the Canadian public.

It would appear that with the end of the war exigencies a natural resistance to further accentuation of the low interest trend is developing wherever undue regimentation can be opposed by the forces of true democracy. A further recent case in point is the discouraging reception given to the efforts of the British authorities to have municipal and public issues refunded on a 2¾% basis.

During the past week the market could only be described as nominal. All sections of the market were listless and the negligible activity had little effect on prices. Free funds remained firm at 9⅛% with transactions in securities playing only a small part. The outlook for the immediate future increasingly dictates caution in extending commitments, especially in the low grade sections of the market.

Carrick in Toronto

TORONTO, ONT., CANADA — J. J. Carrick, Ltd., will engage in the securities business from offices at 330 Bay Street. Officers are John James Carrick, president, and Andrew M. Harnwell, secretary and treasurer.

Factors in Anglo-American Cooperation

(Continued from page 2218)

erous and significant, that was deeply appreciated by my people. And in the year that followed you were able to judge the truth of Lord Lothian's words, and we to measure the magnitude of your response. Today, as we look back we recognize 1941 to have been the year of decision. We might later, as we did, have to meet misfortune and disappointment, but by the end of 1941, though we were under sore press from foes old and new, our feet were in fact firmly set on the road to victory. We not only knew that we would win; we began to understand how we would win. For those months had set the pattern of the future. On March 11 Congress passed lend-lease, at the time an unparalleled act of large-hearted imagination from one nation to another, and later one of the most formidable weapons in our common armory. In July, with fateful folly, Hitler launched his attack on Russia. In September President Roosevelt and Mr. Churchill met and signed the Atlantic Charter. And in December Pearl Harbor made you in form, as so many of you had long been in feeling, our full ally and partner.

U. S.-British Collaboration

The end of the year saw the beginning of a collaboration between our two countries unique in history. The Combined Chiefs of Staff set to work. The blue prints of victory were drawn. The fleets, the airplanes, the armies began to move across the world, until, in due course, first Italy, then Germany, and finally Japan, went down to defeat. And 10 months ago we saw the birth of the United Nations Organization in San Francisco, and started in all earnest on the quest of peace.

Never before between any two countries in war had there been so complete a unity of military, industrial, and political effort. I might almost be said that we fought as one people. British troops used American tanks, planes and guns. Americans were carried across the Atlantic in British ships; American planes flew from British airfields. Our scientists pooled their knowledge, our industrialists and farmers their production, our strategists their ideas. Britons fought under the command of Americans, Americans fought under the command of Britons.

During all this time, as I watched the working of this tremendous machine, gathering impetus with the months, two questions were constantly in my mind. Had we had a like cooperation during the years between 1918 and 1939, would the world have suffered this tragedy of a second war? And with this experience behind us, would we be able to maintain our cooperation in the coming years of peace?

To the first question I have never had any doubt of the right answer. If from 1931 onwards the world had known with complete certainty that between the aggressor and his intended victim lay the concerted will and combined strength of the United States and the British Commonwealth, does anybody suppose that the Japanese, or Hitler, or Mussolini would have dared to do what they did? That first question belongs to history; it holds the tragedy of 20 years; and the secret of the future lies in whether or not, with the shadow of that failure behind us, we can avoid the same mistake again.

I never felt that I would find the answer to that riddle by simply sitting all the time in Washington. There the perspective of any Ambassador is liable to become partial and distorted. Sooner or later every dispute, national or international, crosses his threshold; and by the nature of things he will always hear more about the points on which people differ than about those on which they agree; more about what is going wrong than about what is going right. So, whenever the opportunity came my way, I left Washington and moved around the country. During the five years that I have been Ambassador I have visited every State in the Union; which, as British Ambassadors go, I think constitutes a record. Such an idea would have seemed strange to an earlier generation in our foreign and consular service. It is recorded that there was once a British Consul who, after discharging his duties for many years in this city, was heard to remark that he had never set foot on the mainland of America. Nor had he; for he lived on Staten Island, worked on Manhattan Island, and took his holidays on Long Island. No doubt he had his reasons, as I had mine though this would hardly find favor in these days.

The Traveling Ambassador

I made my journeys because every one of the states, and the people of every one of the states, are different. Yet of all the achievements standing to the credit of the United States, one has always seemed to me preeminent. It is something not easily translated into words; but though difficult of analysis it can readily be measured by its strength in operation. And it must always be impressive to the outside observer. From Maine to New Mexico and from Virginia to California, the term "American" is more than a title of common citizenship for 140,000,000 people. By what it is instinctively held to approve and to condemn, the term proclaims a certain common standard of conduct, powerful to affect the approach of men and women everywhere to issues both domestic and international. And I felt that I could not pretend to any knowledge of this vast and varied country, unless I had seen as much of all of it as was compatible with the claims of my work in Washington. I must add, too, that with all their differences I found the states alike in one respect, in the ungrudging kindness they have always shown to a visiting Ambassador.

Sometimes, I must admit, the kindness was not without embarrassment. On the desk and in the heart of every British Ambassador is a warning, graven as it were in letters of gold, against any attempt on his part to interfere in the internal politics of this country. Once, long ago, an Ambassador ignored this warning, with melancholy results, and since then the rule has been scrupulously observed. But one day I happened to have been a guest at a conference of Governors in the South. I was on my way back to Washington, and was sitting in my bedroom on the train when a boy came along the corridor with a bunch of magazines he was selling. He offered me one, and I told him that while I was sure his magazines were most interesting, I had very little time for reading and was anxious to finish a book I had with me. He then asked me if I was the British Ambassador, and when I said I was, he came in and sat with me for half an hour and we had quite a talk about books and reading generally. At the end of our conversation he told me that he had much enjoyed his talk with me, and would like to give me something that he greatly valued. Whereupon he unpinned a badge he was wearing, which carried the words "MacArthur for President," and pinned it on the lapel of my coat. I had an uncomfortable memory of those warning letters of gold; but how could I refuse the boys' gift without gravely hurting his feelings? So, for the rest of my journey, I found myself compelled to practice a certain measure of duplicity. When the boy passed my room, I proudly displayed the badge; when anyone else came along, I took evasive action with my pocket handkerchief. And so, I am glad to say, I returned to Washington in safety and no diplomatic incident resulted.

Such journeys as I was able to make gave me of course the opportunity of seeing something of the vast resources and natural wonders of this country. It was a heartening experience in those war years to observe at close quarters the industrial might of America, hammering out the doom of the Axis powers; to watch young America on parade at your universities and colleges; and there could surely have been no better antidote to any transient feeling of depression about the progress of the war. And I have no doubt that by travel I acquired a truer sense of proportion about Anglo-American relations, about my work, and even about myself. The adjustment was sometimes a little unexpected. I recall an excellent dinner I was once given by a club in a city of the Middle West. Afterwards the members asked me questions, and I tried, to the best of my ability, to answer them. As we came out of the club, my secretary overheard a snatch of conversation between two of the elder members. One said, "It has been fine having the British Ambassador here, and I wish he'd come more often." That sounded good, and my loyal secretary pricked up his ears, expecting to hear something equally flattering in reply. But the reply was, "Yes, we haven't seen a steak like that in the club for two years!" To that slightly deflating experience, which was of course reported to me with unbecoming relish, I might add the memory of the man who wrote to my son, after a similar informal gathering, "I always thought the British were apt to outsmart us until I listened to Lord Halifax. Now I know it is not true!"

Question of Peacetime Cooperation

But these were minor incidents; and above all and before all, I was always trying to find an answer to my second question: Can you and we retain during the years of peace the cooperation we learned and practiced during the years of war? To my mind the future course of history for your people and mine, and perhaps for the world, depends upon the answer. And I do not doubt that this problem above all others has occupied the mind of your Ambassador in London, Mr. Winant, who has won for himself so notable a place in the confidence of the British people.

A year ago in San Francisco we framed the United Nations Organization. It is in truth the last best hope of the world. But if that charter of world peace is to be worth more than the ink with which it was written, it must carry the endorsement of the purpose, friendship, and understanding of the peoples who signed it. With that, all we hoped for was possible; without it, nothing.

It must take time for the new mould to set, but let our two nations, who already have so much in common, lead the way to this larger understanding. For if we can first win when the ground is so plainly with us, we shall be that much better placed to win, where the difficulties are greater and the initial advantages not so apparent. Such friendship between our two countries is inspired by no selfish motive; it is directed against nobody; it is not an end, but a beginning; it has no other object than to strengthen and reinforce the will and work of the organization to which our loyalty is pledged. But it can, and should be, the rock upon which our house of peace is built.

So for a few minutes tonight, perhaps you will allow one who has tried to serve his own country faithfully, and has come to have a deep affection for what for over five years has been the land of his adoption, to speak frankly on this vital matter of our future relations. May I put it in the familiar form of a balance sheet? Some of the items appear on both sides of the account. There is, for example, our language, so like and yet so different. It is easy for Americans and British to talk together; but it is equally easy for them to misunderstand each other. You think you have improved the language; we aren't always quite so sure. Or there is history, which has had its happy and its unhappy occasions. There was your tea party at Boston and nearly two years ago there was our joint breakfast party on the beaches of Normandy. There is a difference of temperament—not altogether a liability, for it would be a dull world if we were all alike. I have often thought this difference was not so great or so deep as many people have supposed. It is sometimes said, for instance, that the British are hidebound by tradition, and yet recent events have shown them very ready to make experiments—both political and economic. On the other hand, we are often told that Americans dislike tradition; yet this alleged repugnance is hardly compatible with a reverent regard, which is certainly very American, for the various survivals and landmarks of the past. Nor could any cause be better commended in this country than by association with the thought of some of the great men in your history; which is also of course essentially an appeal to tradition. And I must confess that I have frequently deplored the extent to which the attitude of many of your people towards the British Commonwealth and Empire was affected by tradition, which leads them to be unaware of the changes of 150 years, and obscures the fact that the Commonwealth and Empire of King George VI is something very different from the colonial empire of King George III.

So we could go on, putting an item now on this side of our balance sheet and now on that. But sooner or later we come to one fact of such overwhelming import that nothing else by comparison matters very much. As we look back on history we discern the emergence at different times of many issues vital to both our countries; and I can recall hardly an occasion of this sort when we have returned a different answer. That was no happy accident. We think the same way because our thought has been shaped by the same invisible forces. The headwaters of the rivers that nourish our national life are the same. We know the spring of freedom from which they rise, plotted as it is in history, law, and literature, and in the thought and lives of famous men; some of yours, some of ours, but everyone of them the heritage of us all. So are our separate rivers fed, and hence comes their tonic quality.

Is it then remarkable that on the things that really matter we should think and act alike? It would be much more remarkable were it otherwise. And I am convinced that in the last resort it is this community of thought that counts. Do not seek to rely on language, which creates nearly as many misunderstandings as it removes; nor on appeal to an identity of race, which does not exist for about half the people of this country; nor on emotion, for that is a transient and unstable force; but on this priceless inheritance of a common thought.

I know well, of course, that even when this has been recognized, the way of cooperation and understanding is not always easy. However complete our agreement may be on the large issues, on minor questions we shall often differ. We have these differences also among ourselves in our separate countries; and they do not greatly matter so long as there is an underlying unity. There indeed is one of the great contrasts between the way in which a dictator looks at his people and the way in which you or I look at ours. He dreams of a parade of perfectly drilled subjects, thinking alike, acting alike, all moving to his single word of command. But that is never our thought or our hope. We look, in the words of St. Paul, to "a diversity of gifts, but the same spirit." We believe that this diversity is an infinite enrichment of life, that freedom avails more than regimentation, and that all history, from the Battle of Marathon to the Battle of Britain proclaims that the free man will end by mastering the slave.

So, in this pattern of Anglo-American relations, we shall welcome variety, so long as the pattern remains, and we shall not fear differences, so long as behind them there is this common and compelling purpose. For in a torn and disrupted world there is so much that humanity claims imperiously from us both; so much that you and we can do together, and that neither of us can do separately.

Many here will be familiar with St. Paul's Cathedral, that central shrine of Christianity in the heart of London, which as if by a strange miracle still stands almost unscathed amid the surrounding desolation. A few weeks ago it was decided to dedicate a chapel in that great church to Americans, who died after service in Great Britain. During those weeks and months of service they breathed the air of Britain, and shared as members of our family the life of the British people. We are proud to pay tribute to brave kinsmen and comrades, and in all humility I like to think of this act as symbolic of everything that I have felt here during these five years, and of something that I have tried to say tonight.

Let us then go forward into the years of peace in that same comradeship which it was our salvation to find in war. Let us go forward in the spirit of those words, so familiar to every school child, but withal so perfect for all generations that they can hardly be too often on our lips and in our hearts: "With malice toward none; with charity for all; with firmness in the right as God gives us to see the right, let us strive on to finish the work we are in."

Daylight Saving Time in NY Sunday April 28

Allan Sproul, President of the Federal Reserve Bank issued on April 23 the following notice to the banking institutions in the local Reserve District:

"Daylight saving time" will be effective in the cities of New York and Buffalo, New York, during the period from 2 a.m. on Sunday, April 28, 1946, to 2 a.m. on Sunday, Sept. 29, 1946. During this period local time in the cities of New York and Buffalo, New York, will be one hour in advance of Eastern Standard time, and this bank will operate on such local time.

Put & Call Brokers Re-Elect Officers

At the annual meeting of the Put and Call Dealers Association, S. D. Harnden was re-elected President. B. M. Balson of Balson & Durham and A. A. Feder of Daniel Filer, Inc. were again chosen directors.

Inconsistencies in Our Trade Policy

(Continued from page 2216)

discriminations are justified and even helpful in view of the fact that the world is not, in fact, a multilateral world. Precisely so; that is exactly the case that the "Economist" has often argued. It is reasonable to propose that both Britain and America should retain their respective discriminations, though perhaps submitting them to some impartial examination to avoid abuse. Or it might be reasonable to propose, as an act of faith in the restoration of free trading conditions, that both countries should simultaneously abandon their discriminative practices. What is unfair is that the present state of the world should be held to justify a continuance of American discriminations without the same benefit being extended to Britain. And if one country rather than another should give a lead in dismantling its discriminatory defences, should it not be the country that can best afford it? It is simply not true, as the Export-Import Bank affirms, that all countries can supply credit to finance their own exports, America, emphatically, can afford to do so, and much more besides.

"Viewed against the background of America's trade opportunities and the size of its surplus, the Export-Import Bank's final argument is even more curious. America's credit structure, it is said, is not adapted to the needs of US exporters and importers, because overseas trade forms an unusually small proportion of total US trade. It is the job of the bank to make good the deficiency—in effect, to prevent US traders from being at a disadvantage compared with exporters from other countries. Hence the bank 'will be chargeable with diverting trade unfairly [after the US ceases to be the main source of physically available supplies] only if it can be demonstrated that the terms it offers are substantially out of line with the credit conditions prevailing in the American financial market as a whole.' Is it really believable that US exporters would be hampered by lack of financial facilities if the bank lent free dollars, instead of tied dollars?"

The Philippine Trade Act of 1946 passed by Congress and at this writing awaiting presidential approval provides for 8 years of reciprocal free trade beginning with enactment of the Act and ending July 3, 1954, and for reciprocally declining preferences for 20 years thereafter. During the latter period Philippine products entering the United States will pay a gradually increasing duty, beginning at 5% of the lowest U. S. duty assessed on like products of any foreign country, and increasing by 5% annually, while United States products entering the Philippines will pay corresponding percentages of the lowest Philippine duty assessed on like products of any foreign country.

During the 28 years absolute quotas are established for the amounts of certain Philippine products — sugar, cordage and rice—which may enter the United States in any calendar year, while both absolute and declining duty-free quotas are imposed on cigars, scrap and filler tobacco, cocoanut oil and pearl buttons.

Duty-free quotas begin in 1955 and decline by 5% annually. Amounts in excess of the duty-free quotas shall be subject to 100% of U. S. duties, but in no year can the absolute quota be exceeded.

During the first 8 years, a product of either country, in order to enjoy free entry into the other, cannot contain foreign materials amounting to more than 20% of its total value, and most-favored nation treatment is provided for products containing more than 20% foreign materials. With regard to all special import duties —such as taxes, fees, charges and other exactions—most-favored nation treatment is required of each country, throughout the 28-year period.

Although this policy is now apparently about to become law, it is interesting to note that the Department of Commerce in the executive committee meetings which sat on the formulation of the policy, took a contrary position. The Department, adverting to the American efforts to reduce tariffs and trade barriers, suggested that the Philippine Islands after independence be left unhampered in its right to employ the most favored nation principle in its international trade arrangements.

Henry Benson With Pollock

Henry Benson, Warrant Officer, AUS, has been released from duty and is now associated with Wm. E. Pollock & Co., Inc., 20 Pine Street, New York City.

Securities Salesman's Corner

By JOHN DUTTON

Intelligent speculation is based upon a scientific appraisal of numerous factors that have been verified as to their accuracy. Gambling is nothing more than guesswork, hunch playing, or some action that is based upon pure gossip. Incidentally "gossip" is more prevalent among stock buyers today than it has been for many years past.

Intelligent speculation has a specific place in the normal functioning of our economy. It also can be justified as part of any investment broker's or dealer's personal operations, and those of his customers as well. Properly undertaken, such purchases of speculative securities should lead to successful capital appreciation. In order to achieve worthwhile results from these ventures, certain planned steps of operation along the following lines must be carried out:

(1) Find a company that is in a position to exploit some new product that has exceptional profit possibilities;

(2) Or, an older company that is in the process of rehabilitation.

(3) Appraise the present market value of the company's outstanding capitalization. If such a stock appears to be an attractive purchase marketwise, CHECK UP.

(4) Get to management DIRECT whenever possible. Meet the men who run the business. Tell them that you are interested in the longer term future of their company. Explain clearly that you are not interested in market operations, jiggles, or gossip, but tell them the real function that you as a dealer are prepared to accomplish. That job is to broaden the market in their stock, increase the investor interest in their company, and meanwhile introduce your clients to a situation that you believe represents a meritorious speculation (or possibly an investment) at this time.

(5) If management checks up A-1; if product, merchandising, and financial position are also favorable, then you've got something worthwhile. Once you know all this about a company you can really do a selling job on its securities.

Possibly there are some few salesmen who can sell almost any security, whether they believe in the future of the company behind it or not. But these fellows are rare birds. Most of the time, the rest of us have to believe in something before we can convince others. Sincerity cannot be synthetic—and no sincere presentation of any situation can be based upon guesswork.

Incidentally, it is often possible to make some excellent business contacts while meeting the management of companies which you are checking, on the basis outlined here. The directors of companies are often security buyers. They buy or sell the stocks of their own companies, AND OTHERS AS WELL. The very same motive that prompts you to call upon them in order to make a firsthand investigation of what lies behind the stock in their company, is the strongest argument you could possibly advance as a reason why they too might benefit from doing business with you. Every time you ask another man to tell you about HIS BUSINESS you've interested him in you. This method of checking up on the other fellow's business is scientifically right from the standpoint of an intelligent investigation of any situation—it is also psychologically right as a means of increasing your clientele.

Knapp & Co. Admits

CEDAR RAPIDS, IOWA — Lowell M. Taylor and Sam S. Johnson will be admitted to partnership in Knapp & Co., Merchants National Bank Building. Mr. Taylor was formerly a partner in the firm, in which Mr. Johnson was a limited partner prior to his serving in the U. S. Army.

James Taylor in Waco

WACO, TEX.—James G. Taylor will engage in the securities business from offices at 321 Franklin Street. Mr. Taylor became a member of the New Orleans Cotton Exchange in 1941. Prior thereto he was Waco manager for James E. Bennett & Co. of Chicago and was with Norman Mayer & Co. and Weil & Gatlin.

Sees Prospect of International Monetary Stability

(Continued from page 2220)

all balance of payments deficits without resorting to restrictive measures.

"The prospects of achieving international monetary stability depend partly on the magnitude and nature of the problems which the Fund and the Bank will be called on to meet. The succesful carrying out of the lending programs of the United States and Canada will enable the Fund and the Bank to avoid being overwhelmed by the unusual demands of the transition period. They will be able to conserve their resources to meet the needs which develop from year to year and to exert a continuing influence toward international financial stability.

"Several other factors may help to achieve stability in international monetary relationships. Probably no important country will permit large disturbing capital movements in the future. Many countries suffered serious disturbances in their international exchange relationships during the thirties resulting from large and erratic international short-term capital movements. Several countries developed the technique of controlling such movements and during the war almost every important country was forced to control capital flows. The experience thus gained is likely to be applied in varying degrees in the postwar period. While the Fund Agreement does not obligate members to control capital movements, it recognizes each member's right to do so and any member drawing on the Fund may be required to prevent large or sustained capital outflows as a condition of further use of the Fund's resources.

"Most countries will have substantial gold and dollar reserves on which they will be able to draw to meet balance of payments deficits. Official gold and dollar reserves of countries other than the United States are estimated at 20 bilion dollars at the end of 1945 as compared to 7 or 8 billion at the end of the twenties. Although large drafts on these reserves may be necessary during the immediate transition period, in the aggregate they will undoubtedly continue at a much higher level than in prewar years. Annual gold production abroad reached a peak of 1,300 million dollars in 1940 and 1941 and will continue to supplement available foreign reserves. Although total gold and dollar reserves are not distributed among individual countries in proportion to need, the ability to draw on reserves, supplemented by the privilege of using the resources of the Fund, should enable most countries to meet temporary foreign trade deficits without resorting to harmful restrictive measures. In certain cases, however, the imposition of restrictions on payments for current international transactions may be approved by the Fnud as the most appropriate means of meeting a temporary deficit.

"Whenever it appears that a balance of payments deficit may become chronic and is due to fundamental maladjustments, corrective measures will be necessary. Changes in exchange rates, long-term borrowing abroad for productive purposes, reorganization or rationalization of productive methods, appropriate domestic monetary policies or other measures may be discussed by the Fund with the member country concerned as steps to aid in eliminating a deficit in a country's international transactions. The Fund will also aim to correct a chronic tendency toward a surplus in the balance of payments of any member country and may discuss with the member possible measures to reduce or eliminate the surplus.

"The adoption of measures designed to eliminate a chronic balance of payments surplus, including the elimination of barriers to international trade, will be greatly facilitated by the maintenance of a high level of employment in 'surplus' countries such as the United States. Only if there is confidence in such countries that increased imports will raise the domestic standard of living and not contribute to unemployment at home will a greater inflow of foreign goods be welcomed. Attainment of a high level of employment with its accompaniment of increased consumption will permit a substantial increase in the volume of imports without any decrease in domestic production of the same types of commodities; and in those cases in which imports force some shift away from types of production in which the surplus country is relatively less efficient, the shifts can readily be effected if business is active and employment high throughout the economy.

"In addition to the contribution that it would make toward a larger volume of imports, the steady maintenance of high employment in the surplus countries would help to relieve the world of the international crisis and pressures that characterized the 1930's. Great fluctuations in the purchasing power of the countries which are predominant in world markets lead to booms and depressions in those markets that distort whole national economies and render orderly international relationships impossible. Avoidance of such flucuations is essential to the full and successful functioning of the Bretton Woods Institutions. The attainment of national and international stability, however, must be attacked as a common problem; both must be achieved together. The international measures of which the Fund and the Bank constitute a part are as essential to orderly national developments as they are dependent upon them."

Politics and Steel in Britain

(Continued from page 2218)

by the Prime Minister and the Minister of Supply to an ensuing barrage of questions by Conservative Members, to indicate whether these or any other principles have been adopted. On the contrary, these answers seemed to confirm the impression that the situation is left essentially fluid, and that it will be the body of experts included in the Control Board, which is to be established, who will determine the limits of the nationalization of the iron and steel industry.

As a result of this attitude, the Government has been subject to sharp attacks on two grounds: first, because it has failed to remove the feeling of uncertainty that has been handicapping the capital development schemes of the iron and steel industry; and second, because it has taken a grave decision affecting Britain's most important industry, without having worked out even the broadest outlines of a plan. Since it may take years before the Control Board completes its task, a large number of firms will be left in uncertainty for years whether or not they are meant to be nationalized. Even graver is the charge that, while rejecting the plan submitted by the Iron and Steel Federation for reconstruction under private ownership, the Government has not elaborated an alternative plan.

The truth of the matter is, however, that the Government does possess a plan, at any rate in its broad outlines. It has decided on the major principles of its policy of nationalization, and the experts will merely be called upon to elaborate the details based on those principles. And yet, the Government prefers to face a storm of criticism rather than disclose its scheme, or even admit that it has a scheme.

The explanation of this strange attitude is to be sought in the political field. Throughout the discussions political considerations overshadow economic considerations. A number of Ministers, headed by Mr. Herbert Morrison, Lord President of the Council, was against nationalization at this stage, on the ground that the Government is not yet ready to nationalize the iron and steel industry. They were afraid that the inevitable complications arising from a sudden change of ownership might disorganize the industry during a very critical period. The majority of Ministers, headed by Mr. Ernest Bevin were, however, of the opinion that apart altogether from economic considerations, a decision to nationalize the industry was a political necessity. The Prime Minister came down on their side, and those favoring nationalization had their way.

What were the political considerations that induced statesmen such as Mr. Attlee and Mr. Bevin to take a political decision on a vital economic question? That the nationalization of the iron and steel industry formed part of the program on which the Labor Party fought and won the election last year would not in itself be of decisive importance. But a number of powerful Trades Unions came down strongly in favor of nationalization and brought the utmost pressure to bear on the Government. And the Government could ill afford to disregard their wish on the eve of the Labor Party Conference which is to be held at Whitsun in Bournemouth. That conference will have to decide on the application of the Communist Party for affiliation with the Labor Party. Most Ministers are strongly against admitting the Trojan horse of the Communist Party within the walls of the Labor Party, and several big Trades Unions made it plain that their vote would depend on the Government's decision about the nationalization of iron and steel.

This explains the decision to announce the nationalization of the industry. It also explains the vagueness of the announcement. There is reason to believe that the Government has no desire to go beyond nationalizing the works engaged in the production of raw materials—at any rate not in the life of the present Parliament. On the other hand, there is also reason to believe that some of the Unions would like the Government to go much further. This is the case in particular with the powerful Amalgamated Engineers Union. The Government may rightly fear that if it disclosed its true intentions some of the unions would not be satisfied and would vote in favor of the affiliation of the Communist Party. On the other hand, it does not want to complicate matters by extending unduly the scope of the nationalization of the iron and steel industry. It is therefore trying to get the best of both worlds by remaining non-committal, even at the cost of exposing itself to attacks on the grounds of lack of plans.

Bradford Installs Teletype

J. C. Bradford & Co., members of the New York Stock Exchange, announce the installation of a Bell System Teletype—NY 1-2253—in their New York office, 40 Wall Street.

THE PERE MARQUETTE RAILWAY IN 1945

Highlights from the annual report to stockholders

Q. What was the Pere Marquette's war record?

A. Like other American railroads, the Pere Marquette met the war emergency by performing the greatest amount of transportation service in its history. For this, the company received a letter of commendation from the President of the United States, endorsed by the Director of the Office of Defense Transportation.

Q. Why did revenues decline in 1945?

A. Railroad revenues generally have been declining at an increasingly rapid rate since V-J Day. In the case of the Pere Marquette, operating revenues for 1945 were $51,500,687, down 8.53 per cent from the peak year of 1944. A little over 73 per cent of the year's total operating revenues were earned in the first eight months. This shows the direct effect of the war's end.

Q. Did operating expenses also decline?

A. On the contrary, operating expenses increased to $45,558,794—5.41 per cent over 1944. Of course this does include $5,004,927 for amortization of defense projects which is $3,654,869 in excess of similar charges in 1944. The end result is a decrease of 28.98 per cent in net income for 1945 bringing this figure down to $2,139,120.

Q. Do current freight rates reflect these conditions?

A. No. Although prices and wages continue their sharp upward trend, the 1945 freight revenue per unit was the lowest in twenty-seven years. The management of the Pere Marquette firmly believes that the Interstate Commerce Commission should permit the railroads to raise freight rates generally to such extent as is necessary to compensate for higher labor and material costs.

Q. Has Pere Marquette credit been restored?

A. Yes. Early in 1945, the entire bonded debt was refinanced. This successfully completed the program launched in 1942 to rehabilitate the credit of the company. In 1942, the Pere Marquette's bonded debt was $64,535,000. By February 1945, it had been cut to $50,000,000 and refunded at 3⅜ per cent. The new bonds mature March 1, 1980 and provision has been made for a fixed sinking fund of $250,000 semi-annually with additional payments contingent on earnings beginning in 1948. If all fixed and contingent payments are made, at least $30,000,000 of the bonds will be retired in advance of maturity. $251,000 of the bonds were delivered to the sinking fund and cancelled in 1945. An additional $300,000 were acquired in 1945 and will be tendered in 1946. Therefore, the net bonded debt stood at $49,449,000 at the end of 1945.

Q. What about the proposed C&O merger?

A. Since 1929, the Chesapeake and Ohio Railway Company has owned about 70 per cent of the common stock and nearly one half of the capital stock of the Pere Marquette.

During these sixteen years, close operating and traffic relations have been maintained with the C&O and that road has also rendered needed financial assistance from time to time. After thorough consideration of the unification proposal submitted by the C&O—including careful study of past earnings and future prospects of the Pere Marquette, advantages of unified operation, and the value of securities offered to Pere Marquette stockholders—the Board of Directors of the Pere Marquette unanimously approved the proposal and recommended it for acceptance by all stockholders. The agreement will be submitted to stockholders at a meeting on May 7, 1946. Application has been filed with the Interstate Commerce Commission for approval and authorization of the merger.

Q. What are prospects for the future?

A. The upward trend in wages and prices continues with freight rates, so far, remaining static. Future earnings, therefore, will depend largely upon improvement in operating efficiency and greater productivity from man power and dollar investments. Research in the field and in the laboratory must be relied upon for the accomplishments of gains in both fields.

With the return to peacetime economy, the railroads will find a way to hold the public good will which is now being expressed in every quarter. This opportunity, together with a marked improvement in railroad credit, stimulates the urge to keep abreast of developments and requirements by providing modern equipment and facilities to meet the transportation demands of a growing and prosperous nation.

The Pere Marquette's faith in the future is demonstrated by its decision to budget about $10,000,000 for improvements and new equipment designed to increase efficiency and safety in operation.

SOURCES AND DISPOSITION OF INCOME

	1945	*1944*	*Increase or Decrease*
Our income came from the following sources:			
Revenues from hauling freight other than coal and coke	$39,729,620.90	$43,552,621.47	$3,823,000.57-D
Revenues from hauling coal and coke	5,553,433.54	6,219,211.10	665,777.56-D
Revenues from hauling passengers	3,469,545.76	3,920,674.57	451,128.81-D
Other transportation revenues	2,748,086.50	2,610,269.46	137,817.04-I
Dividends from stocks owned	232,125.92	99,274.73	132,851.19-I
Other income from nonrailroad operations	783,239.02	786,444.43	3,205.41-D
Total	$52,516,051.64	$57,188,495.76	$4,672,444.12-D
We disposed of our income as follows:			
Wages	$20,369,516.95	$20,638,656.91	$ 269,139.96-D
Materials, supplies, and fuel	9,151,906.33	9,081,134.61	70,771.72-I
Railway tax accruals, other than Federal and Canadian tax on income	2,667,405.60	2,660,194.30	7,211.30-I
Payments to contractors, associations, other companies, and individuals for services and expenses	5,385,084.91	5,808,863.34	423,778.43-D
Rent for equipment of others used by us, less amounts received from others	110,981.19	142,351.09	31,369.90-D
Rentals and expenses paid for facilities used jointly with others, less amounts received from others	3,756,941.93	3,893,266.40	136,324.47-D
Interest on funded debt	2,397,994.51	2,721,065.39	323,070.88-D
Other Interest	2,770.95	1,755.57	1,015.38-I
Depreciation, amortization, and retirements	7,999,926.07	4,724,527.47	3,275,398.60-I
Total	$51,842,528.44	$49,671,815.08	$2,170,713.36-I
Net Income before Federal and Canadian income and excess-profits taxes	$ 673,523.20	$ 7,516,680.68	$6,843,157.48-D
Federal and Canadian income and excess-profits taxes	1,465,597.64	4,504,605.00	5,970,202.64-D
Net Income	$ 2,139,120.84	$ 3,012,075.68	$ 872,954.84-D
Disposition of the net income was as follows:			
Appropriations for Sinking and Other Reserve Funds	$ 416,666.67		$ 416,666.67-I
Balance remaining for other corporate purposes	$ 1,722,454.17	$ 3,012,075.68	$1,289,621.51-D

PERE MARQUETTE RAILWAY, General Motors Bldg., Detroit 2, Mich.

Railroad Securities

Of course it is impossible as yet to state exactly just what form railroad reorganization legislation will take, but at least by now it is feasible to assume that some change in reorganization procedure is inevitable and imminent. For some time the House has been impatient with the results of Section 77 proceedings, as evidenced by its overwhelming approval of the earlier Hobbs bill. The Senate, and particularly Senator Wheeler, opposed the House measure and it was never enacted. Now, a substitute bill sponsored by Senator Wheeler has been unanimously approved by the Senate Interstate Commerce Committee. There may be some minor changes in the bill in either the House or the Senate but by and large new legislation will presumably follow the Wheeler bill fairly closely.

Theoretically the new legislation is designed to expedite reorganizations and to protect the interests of junior security holders through recognition of industry changes and changes in the status of the individual roads since the Interstate Commerce Commission reorganization plans were originally promulgated. It may be possible to realize the latter aim in some degree. On the other hand, new legislation will be calculated further to delay rather than to expedite consummation of reorganizations.

The bill would provide that a voutary plan of reorganization be worked out within six months, or such longer time as the I.C.C. may permit. The first part of this provision would appear to assure speedy action but this is nulified by the power of the Commission to extend the time limit. It may be recalled that Section 77 also provided a time limit for submission of plans, but with the alternative that the time limit might be extended. As a result, a number of roads have been in reorganization for many years without making any progress towards formulating any plan.

Another factor of delay is that presumably all of the provisions of the new bill will be subject to judicial test as to constitutionality. It seems almost certain that even though the Wheeler bill is changed in some aspects any new legislation will encourage, if not actually suggest, the use of cash for the reduction of claims. Where there is a simple capitalization with no question as to priority of different bonds on income derived from specific mortgaged mileage this consideration will probably not be too troublesome.

Where there are a number of divisional liens there is a little question but that any attempt to distribute cash will bring with it litigation to determine exactly which bond the cash belongs to. This can not be determined by the earnings contributions of the individual divisions alone, but will also have to take into account the amount of cash that has been spent on additions and betterments to the division out of that divisions earnings. Division A and B may each have shown net earnings, determined by formula, of $5,000,000 since trusteeship. However, if it has been necessary to spend $3,000,000 on additions and betterments to division A and only $1,500,000 on division B it can hardly be claimed that each has a claim on an equal amount of the cash remaining in the company's treasury. Moreover, the formula whereby the earnings contributions of the individual divisions has been determined will presumably be subject to litigation.

Even where there is no conflict between divisional liens (a simple capitalization with a blanket mortgage) the use of cash will present a difficult problem. It may sound all right to say that the cash may equitably be used to request tenders of the bonds issued under the blanket mortgage. There are many rail men who feel that legally it will not be so simple so long as there is any back interest due on the bonds. Each bond holder is certainly morally entitled to a proportionate share of this excess cash. If he does not wish to have his share used for the retirement of equally secured debt, even though that debt is to be acquired and retired at a discount from the face amount of the claim, it is difficult to see how he can be required to relinquish his claim to the cash which normally should be utilized for payment of interest on his bonds.

Apparently there is also some idea that it might be feasible to reduce interest charges retroactively on bonds now outstanding, to reflect the interim change in interest rates. This would hardly be accepted without a fight by holders of the bonds. All in all, then it may be taken for granted that any reorganization affected by the new legislation will be further delayed for an extended period. Meanwhile, earnings will retreat from peak war levels, aggravated in their decline by recent wage increases, which will make even more difficult the formulation of a voluntary plan which will be realistic and acceptable at the same time.

Phila. Bond Club to Resume Field Day

PHILADELPHIA, PA.—Suspended since 1942 as a war time measure the annual Field Day outing of the Bond Club of Philadelphia will be revived this year, on May 17, by a colorful gathering, at the Philmont Country Club.

Announcement to this effect is being made by Spencer D. Wright, of Wright, Wood & Co., President of the club.

Golf, tennis, soft ball, and the traditional Bond Club Stock Exchange, together with other special events to be announced later, will provide a full program for the daylight hours. As in pre-war days trading in the Stock Exchange will be for valuable prizes.

Dinner will be accompanied and followed by a "whooping old time Bond Club show" according to the broadside announcement, provided by member talent, with some outside help.

Wallace M. McCurdy, of Thayer, Baker & Co. is Chairman of the Field Day General Committee.

Members of the sub-committees are: Arrangements—Samuel K. Phillips, of Samuel K. Phillips & Co., Chairman, Clyde L. Paul, of Paul & Co., Inc.; Golf—Walter A. Schmidt, of Schmidt, Poole & Co., Chairman, Bertram M. Wilde, of Janney & Co., Kurt J. Huttlinger, of F. P. Ristine & Co., Frederick T. Seving, of Burcher & Sherrerd; Stock Exchange—R. Victor Mosley, of Stroud & Co., Inc., Chairman, Albert W. Tryder, of W. H. Newbold's Son & Co.

Soft Ball—John C. Bogan, Jr., of Sheridan, Bogan Co., Chairman, John E. Fricke, of Thayer, Baker & Co., Richard Clayton, of Lazard Freres & Co.; Tennis—Paul Denckla, of Stone & Webster Securities Corp., Chairman, S. Howard Rippey, Jr., of Reynolds & Co.; Races—George J. Ourbacker, of F. J. Young & Co., Inc., Chairman.

Bond Club Show—Edward M. Fitch, Jr., of E. M. Fitch & Co., Inc., Chairman, Loring Dam, of Eastman, Dillon & Co., William K. Barclay, Jr., of Stein Bros & Boyce, E. W. Miller, of E. W. & R. C. Miller & Co., Edward Boyd Jr., of Harriman, Ripley & Co., Samuel Evans, Jr., of C. C. Collings & Co., Inc.; Registration & Finance—Raymund J. Kerner, of Rambo, Keen, Close & Kerner, Inc., Chairman; Transportation—Harry D. Brown, Jr., of Stroud & Co., Inc., Chairman; Publicity—R. Conover Miller, of E. W. &

Herrmann Resumes as V.-P. of C. J. Devine

C. J. Devine & Co., Inc., 48 Wall Street, New York City, announces that Vincent H. Herrmann, Lieutenant Colonel, A. U. S., has been released from active duty and has resumed his activities as a Vice-President and director of the firm. Mr. Herrmann was one of the organizers of the company in 1933. He entered the service shortly after Pearl Harbor and served for some time in the Southwest Pacific with the Far East Air Forces.

Vincent H. Herrmann

Shepard to Expand Mexican Pub. Serv. Co.

Theodore E. Shepard, New York investment banker who has become sole owner of the Mexican State Public Service Co., announced plans for the expansion of operations by the Mexican utility.

Following word that the Securities and Exchange Commission had formally approved sale of the utility, Mr. Shepard revealed that plans for private placement of securities are being formulated in order "to supply additional electric capacity with the help of American capital and engineering."

Mr. Shepard, who is a partner in the investment firm of Shepard, Scott and Co., 44 Wall Street, New York City, purchased all of the stock and debt of Empresa De Servicios Publicos de los Estados Mexicanos S. A. as the company officially is known, from the Standard Gas and Electric Co. The sale by Standard of its investment in the Mexican property was ordered by the SEC in 1941.

"The states of Sonora and Northern Sinaloa served by the company, which are immediately south of Tucson, Arizona, on the line of the Southern Pacific Railway, are experiencing a sharp growth in population and prosperity resulting from the opening up of vast areas of newly irrigated tracts of rich agricultural land," Mr. Shepard said.

"The Federal Government has constructed and is completing large irrigation dams, which together with the introduction of new and important industries, form part of a development project conceived and sponsored by the Governor of Sonora, General Abelarde Rodriguez, for the opening up and development of this rich territory."

Tricario in New York

Rocco Tricario is engaging in the securities business from offices at 226 East Eighty-seventh Street, New York City.

Fact Board Recommends 16-Cent Hourly Wage Increase for 200,000 in Two Rail Unions

Wage increases of 16 cents an hour and certain changes in working rules for more than 200,000 railroad engineers and trainmen were recommended by the fact-finding emergency board composed of Leif Erickson, of Montana, Chairman; Frank M. Swacker, of New York City, and Gordon S. Watkins, of Los Angeles, in a report made to the President on April 18, according to an Associated Press dispatch, which further goes on to say:

In recommending the 16-cent increase, the board stated that the evidence clearly showed that the engineers and trainmen were entitled to that amount to compensate for higher living costs. This increase—amounting to 18% of January, 1941, rates of pay — represents the maximum amount allowable under the government's wage stabilization cost of living formula. The board also pointed out that similar increases had been awarded April 3 by two arbitration boards for about 85% of the country's rail workers. Included in the report was a certificate that its recommendations were in conformity with the stabilization program.

Among the 44 changes in rules submited by the two brotherhoods and the 29 presented by the carriers were many which the board found has some basic merit. Others were characterized as "extreme" which, if adopted, would abolish rights the unions had acquired over half a century or would unreasonably boost railroads' costs.

Due to time limitations, a large number of proposals were remanded to the parties with the pointed observation that a reasonable revision of working rules by an impartial agency could be expected "only by cooperative assistance of the parties" and, further, that the subject matter was extremely technical and a "slight inadvertance" might afford grounds for claims running into hundreds of thousands of dollars or the destruction of vital rights of employees.

The board recommended among other rule changes, overtime pay at time and one-half for extra men in yard service, an increase from 52 cents to 85 cents a day in the differential between yard conductors and yard brakesmen and payment to engineers operating multiple-unit motor or electric cars in accordance with the power and productivity of the combined power units operated. It also recommended that carriers provide watches at cost where inspection is required and that the railroad and employee share equally the expense of purchasing and maintaining required uniforms.

Although no specific recommendation was made on revising the controversial so-called "eight-within-ten" hour rule prevailing in short turnaround passenger service, the board declared that the current excessive spread of hours was not in harmony with the generally accepted eight-hour day and that the situation should be remedied "without delay" by direct bargaining.

Commenting on the rather widespread publicity that the so-called dual basis of pay of mileage or hours for road train and engine service employees is a form of "featherbedding" resulting in excessive payments to the men, the board observed that neither party proposed to abolish this system of payment. It pointed out that in recent years railroad management had been stressing what it described as "eight hours" work for "eight hours" pay and the brotherhoods had been advancing claims for excessive pay rules when optimum operating conditions were not realized. Both of the approaches, the board asserted, were fallacious. It urged, as a constructive measure, that both parties change their attitudes and recognize each other's fundamental rights. Such a course of action, the board continued, would provide "a wide area of bargaining" to the mutual advantage of both the carriers and the employees.

Under the provisions of the railway labor act a Presidential emergency board is given thirty days to hear the parties and submit its recommendations, and for thirty days thereafter the law provides that no change may be made in the conditions giving rise to the dispute. In the present case, following agreement of the parties, the President granted an extension of time to enable the board to prepare its report. Public hearings on the wage and rules case were held in Chicago from March 12 to April 8 before the three-man board, former Justice Erickson, of the Montana Supreme Court; Mr. Swacker, attorney, of New York City, and Mr. Watkins, who is dean of the College of Letters and Science, University of California, Los Angeles.

Pay Rise in Pacts of Two Other Unions

The 16-cents an hour pay increase awarded to members of the switchmen's union and the Brotherhood of Firemen and Enginemen, April 3, was written into the contracts between the unions and the carriers on April 19, the "New York Times" states in a Chicago news dispatch. The increase amounts to $1.28 a day and is retroactive to Jan. 1. The dispatch added:

The formal action ends a protracted controversy lasting several months, but also brings on the possibility of a new request for higher wages. Although both the carriers and the unions were dissatisfied with the raise, which was awarded by an arbitration board, these unions have not yet said whether a further increase would be asked.

Such action was taken on April 15 by representatives of 15 nonoperating unions representing 1,050,000 employees, who also received an award of a 16-cent raise. They filed notices seeking an additional increase of 14 cents an hour, the difference between the award and the original demand of 30 cents.

Subsidizing the British Empire

(Continued from page 2221)

the United States, the British Government accounting to her investors in British money or securities.

* * *

II.

The British are by no means strapped. It has been estimated that their assets in other countries than ours total some $8,000,000,000, their unmined gold reserves have been estimated to be worth at least $15,000,000,000, and their diamond reserves as much as $8,000,000,000. Britain also has several billion dollars in cash.

In July, 1941, the RFC authorized a loan of $425 million to the United Kingdom of Great Britain and Northern Ireland under authority granted it by Congress June 10, 1941, to enable RFC to make loans to governments that had defaulted on their loans from us after World War I, provided such loans were secured by investments in this country. The RFC loan is payable over a period of 15 years, with interest at 3%. The loan agreement provides that any sales by the British of the collateral and all income after taxes, from all the security would be applied, first, to the interest on the loan, and then on the principal. The security includes the net profits, after taxes, made in this country by 41 British insurance companies operating here, and the capital stock of 40 additional British owned American insurance companies. The RFC made no requirement that any of the collateral be sold.

Only $390,000,000 of the loan was taken down by the British. Payments from the sale of pledged collateral have been $24,565,000 and from the net income, after taxes, $171,575,000, leaving a balance due as of Feb. 28 of $194,000,000. The current income after taxes from the presently pledged security is about $37,000,000 a year. This is approximately the average over the past 10 or 12 years.

III.

In order to be helpful to the British and still protect our own Federal Treasury in substantial part, I suggest that the RFC increase its loan to Britain by an additional $1,000,000,000 on the present security, with no restriction as to where the money is to be spent, and that the interest rate on the balance of the present loan and the $1,000,000,000 additional be 2%, with all net earnings to be applied, first, to the interest on the loan and the balance on the principal. If these earnings hold up as they have over the past dozen years, and in all probability they will increase, the loan would be entirely repaid in about 40 years, and the British would still own their profitable investments in this country.

This would give Britain $1,000,000,000 cash immediately, if she wants it, and without any Congressional action. A request to the RFC by the Federal loan administrator approved by the President, is all that is necessary.

I suggest that the RFC make further loans to the United Kingdom on British investments and operations in this country, up to the earning value of the security, upon the same terms and conditions—that is, 2% interest, with all additional earnings applied to the loan, and that the proceeds of such loans be available to Britain with no restrictions as to where the money shall be spent. This can also be done without Congressional action.

She might, in a pinch, put up a few hundred million dollars of her gold now in this country.

* * *

IV.

The President has recommended to Congress that we buy critical materials for stockpile purposes and put them away for future use. This should be done. The British can sell us many of these and pay for them in sterling. We can pay them in dollars. If necessary, we might consider making Britain an advance payment of, say, $500,000,000 to enable her to get the materials out. RFC employed this method to help China and Russia before lend-lease was applied to those countries. The loans are being paid according to agreement.

* * *

V.

I further suggest that Congress consider authorizing the sale of cotton, tobacco, fruits and other farm products, durable goods and manufactured articles to the United Kingdom for the next few years on credit, in amounts equal approximately to her normal imports of such items from us.

In this connection I should like to remind the Congress that lending Britain dollars as is proposed in the present loan agreement does not insure that she will spend those dollars with our farmers, manufacturers and exporters. She will be free to spend them in competition with us in world markets, and will.

Through Sir Stafford Cripps, President of the British Board of Trade, and Lord President of the Council Herbert S. Morrison, the British Government already has announced its intention to discard its 100-year-old free cotton market, and, instead, the Government will buy its cotton wherever it can buy it to its best advantage. The measure was heavily debated in the House of Commons only a few days ago, and carried by a vote of two to one. This means that less and less of Britain's cotton requirements will be purchased in the United States.

The sale of farm commodities could be made through Commodity Credit Corporation or some other Government agency, or by our exporters with provision for cashing their drafts at the Treasury. Manufactured products and durable goods could be handled by a Government agency or by our exporters and their drafts cashed in the same manner. This procedure would not interfere with our regular export trade as it is now carried on.

* * *

VI.

If these suggestions are followed, Britain would get substantially what she needs from us during the next few years, and, in my opinion, on a basis that would be much more acceptable to the American people than the proposed loan now before Congress.

I do not believe that our failure to give Britain $3,750,000,000 on her terms will cause her to impose or continue trade restrictions or other sanctions that will seriously affect our own economy. That is a two-way street.

I have never been much interested in threats, and for the British to say to us that unless we give or lend her X billions of dollars on her terms, they will be forced to impose trade restrictions, dollar blocs, etc., is not my idea of a "fraternal association" between the United States and Great Britain so eloquently advocated by Mr. Churchill, nor does it square with the kind of friendship that we have shown the British in two world wars, without which friendship the British Empire would have been destroyed.

It has been testified by Administration spokesmen that the case of Britain is different from other countries. It certainly is different from other countries that want money from us. Britain is the only country that has asked us to **give** her money. At least, no other country, to my knowledge, has been brazen enough to ask for a money gift.

It will be recalled that when Lord Keynes and his associates first came over to get the money, they said they were in "no mood" to consider a loan. They were insisting that we give them some $5,000,000,000 or so. True, after long weeks of haggling negotiations they reluctantly agreed to borrow the money on a nebulous promise to pay in five to 55 years, at a very low interest rate, and that payable only when Britain's trade balances were favorable.

* * *

VII

We seem to have lost sight of the fact that Britain through Lord Keynes, took a prominent part in promoting the Bretton Woods agreements for a world bank and a world stabilization fund, and agreed that Britain would subscribe $2,600,000,000 to these funds.

The question arises now: Where did Britain expect to get that $2,600,000,000 which she readily agreed to put up? It would look to a suspicious person as if she expected the United States Government to furnish it, since she now states that unless we let her have the money she will not be able to participate in the world bank and stabilization fund.

* * *

VIII.

Another point worth considering is that our executive departments have already sold Britain the more than $6,000,000,000 of our unused materials now in Britain or on the way there for about 10 cents on the dollar, payable over a period of five to 55 years, at an interest rate of a little over 1½%, and that payable only where her trade balances justify. The sale of these materials has been severely criticized by the Mead Committee (formerly the Truman Committee) but nothing can be done about it since it does not require the approval of Congress. These executives have also agreed to cancel for all time any obligation on the part of the British to ever return to us, or in any way compensate us for, any part of the many billions furnished her on lend-lease.

* * *

IX.

We cannot afford to continue printing and spending money indiscriminately, however admirable the cause. Every time we spend another billion we are reducing the value of our dollars, and if we go on spending and lending and giving and losing, without regard to how we are going to pay back the money that we borrow, it will not be long until the dollar will go as the currency of other countries that overspent.

Britain only owes about $80,000,000,000, while our present debt is approximately $272,000,000,000—or $2,000 for every man, woman and child in the United States — and figures cited by President Truman in his budget message revealed that we have already authorized and proposed to invest $17,000,000,000 in foreign loans and international financing. In a more recent message he proposed further increasing the lending authority of the Export-Import Bank.

It is time that we stop and think where we are going, that we take stock of our resources, of our earning capacity, of how we are to service our own present heavy debt before we undertake to play Santa Claus to the rest of the world.

* * *

X.

The United States with 5.8% of the world's land area and 6.1% of the world's population cannot single-handedly finance and rebuild a war-torn, confused world. The time to recognize this is now.

We should stop issuing Government bonds and pay every dollar we can spare on our debt; now and as fast as we can. We have sold our Government bonds to the American people, upon the basis and representation that they constituted the soundest investment that anyone can have. They can only be sound if we make them sound by cutting down on our own expenditures and stop lending money to countries that have no reasonable assurance of being able to repay it.

Another very important point that I do not think has been given proper consideration is that it is entirely too early after the war for anyone to get a clear picture of the future. Britain knows that and hurried over here as soon as the shooting stopped "to get hers." She is smart, has always been smart, and, incidentally, very selfish.

* * *

XI.

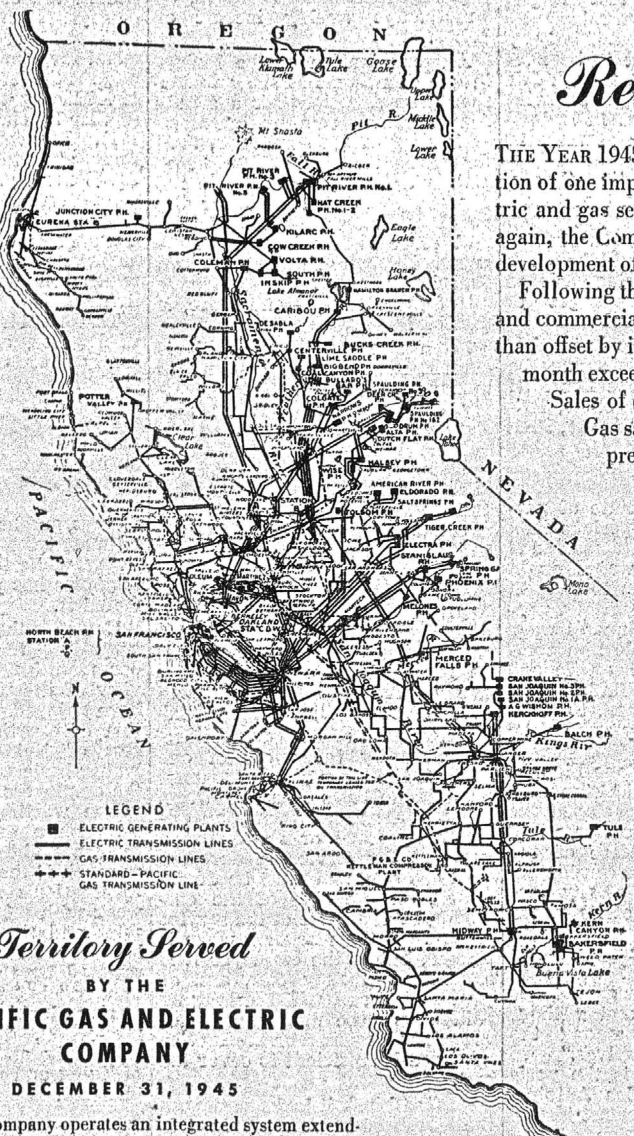
To sum up—I have suggested an additional RFC loan to Britain of $1,000,000,000 on the security we already hold; that further RFC loans to Britain be made on British investments and operations in this country, including such gold as she is willing to pledge; that we sell Britain cotton, tobacco, fruit and other farm commodities and manufactured goods on credit, and that we follow the President's recommendation and buy critical materials for stock-pile purposes.

If the British are unwilling to continue the pledge of the security behind their present loan from the RFC for new money, I would give no further consideration to a loan to them of any kind. We owe it to ourselves, as well as to the rest of the world, to approach this whole matter in a completely realistic manner — which is the only forthright and sound approach.

Approval of the proposed loan now before Congress would start the United States down a financial road that is likely to lead to disaster. Too much spending and lending and losing is a sure road to ruin. The Congress should not ignore the dangers that lie ahead.

PACIFIC GAS AND ELECTRIC COMPANY

SAN FRANCISCO, CALIFORNIA



Territory Served BY THE PACIFIC GAS AND ELECTRIC COMPANY

DECEMBER 31, 1945

The Company operates an integrated system extending into 46 California counties with a population estimated to exceed 4,000,000.

Electricity is distributed in 142 incorporated cities and towns, 225 unincorporated communities, and an extensive rural area. Gas is distributed in 103 incorporated cities and towns and 70 unincorporated communities. The combination of electric and gas service in the large majority of communities served permits of substantial economies in operation.

The Company owns and operates 53 hydro-electric generating plants with an installed capacity of 1,458,364 horsepower, and 13 steam-electric generating plants with an installed capacity of 853,384 horsepower. In addition, approximately 460,000 horsepower is available under purchase contracts.

The Company also owns and operates extensive electric and gas transmission and distribution systems, with 43,338 miles of electric lines and 9,720 miles of gas mains. More than 99% of the gas distributed is natural gas purchased from various producers.

Review of 1945 Annual Report

THE YEAR 1945 marked for this Company, as for American industry in general, the successful completion of one important task and the beginning of another. During the war, all demands for essential electric and gas service in its field of operations were met promptly and fully. Now that peace has come again, the Company is devoting its efforts and resources to promoting and providing for the continued development of Northern and Central California.

Following the end of hostilities there was some recession in our industrial load, but sales to domestic and commercial customers continued to increase. The decline in revenues from war industries was more than offset by increases in other classes of service carrying higher average rates, and total revenues each month exceeded those of the corresponding months of 1944.

Sales of electricity for the year totaled 7½ billion kilowatt-hours, within 1% of the 1944 record. Gas sales reached a new peak of approximately 136 billion cubic feet, more than 8% above the preceding year. There were uninterrupted monthly gains in the number of customers served.

In 1946 the Company will benefit substantially from lower Federal taxes on income, and from reduced interest charges due to recent bond refunding operations. These annual savings, while partially offset by higher operating costs, are sufficient to enable the resumption of rate reductions, temporarily halted by the war. Throughout our history, such reductions have been made whenever possible. Accordingly, rates for gas and electric service, already among the lowest in the country, were further reduced early in 1946.

The downward trend of the Company's rates is in sharp contrast with increasing living costs. Under our new rates a typical residential customer in San Francisco will pay 16.8% less for 100 kilowatt-hours of electricity and 38.4% less for 40.6 therms of natural gas than the average prices for these consumptions in the period 1935-1939. Meanwhile, adjustments in wages to employees have kept pace with increased living costs.

Few corporations in the country enjoy a wider distribution of stock ownership. At the close of the year stockholders numbered 133,642, a gain of 12,567 within the year. Approximately 82,000, or almost two-thirds of the total, reside in California. About 114,000, or 85.6% of all stockholders, own lots of from one to one hundred shares each, indicating wide distribution among small investors.

SOURCES OF GROSS REVENUES

1945

Electric Department	$112,676,586
Gas Department	46,662,136
Water Department	570,720
Steam Sales Department	360,005
Total	$160,269,447

CUSTOMERS RECEIVING SERVICE

DECEMBER 31, 1945

Electric customers	1,072,324
Gas customers	783,989
Water customers	13,817
Steam customers	743
Total	1,870,873

DISTRIBUTION OF STOCK OWNERSHIP

DECEMBER 31, 1945

Women	57,672
Men	39,931
Joint Tenants	26,294
Trust Estates	6,228
Corporations, Partnerships, etc.	2,412
Religious Institutions	344
Insurance Companies	243
Educational Institutions	234
Banks, Investment Companies, etc.	196
Charitable Institutions	88
Total	133,642

SUMMARY OF CONSOLIDATED EARNINGS STATEMENT

	Year Ended December 31 1945	1944
Gross Operating Revenues	$160,269,447	$151,773,236
Maintenance and Operating Expenses (except Federal taxes on income) and Provisions for Depreciation and Other Reserves	93,260,086	87,441,842
Provision for Federal Taxes on Income	*33,847,495	*30,149,179
Total Operating Revenue Deductions	127,107,581	117,591,021
Net Operating Revenues	33,161,866	34,182,215
Miscellaneous Income	319,083	318,056
Gross Income	33,480,949	34,500,271
Bond and Other Interest, Discount and Other Income Deductions	11,528,935	12,462,932
Net Income to Surplus	21,952,014	22,037,339
Dividends on Preferred Stock	8,427,353	8,409,851
Balance	13,524,661	13,627,488
Dividends on Common Stock	12,523,898	12,523,898
Balance	$ 1,000,763	$ 1,103,590
Earnings Per Share of Common Stock	$2.16	$2.18
Dividends Paid Per Share Common Stock	$2.00	$2.00

*Stated on the basis of current operations, without giving effect to non-recurring tax reductions such as those resulting from bond refunding operations

Looking Ahead....

California, long one of the fastest growing states in the nation, now ranks third in population. The war served to accelerate an already significant westward movement of population and industry. It is apparent that the industrial, agricultural and commercial development of this area will continue greatly above pre-war levels.

We are of the opinion that under normal conditions stability can best be achieved by striving for expanding markets and increased production, with unit selling prices at the lowest levels consistent with the maintenance of satisfactory service, fair wages, financial soundness and a reasonable return to investors. To this end, we look forward with confidence to the continued progress of our business, with increasing opportunities for rendering a high standard of service at low cost to the public.

PRESIDENT

COPIES OF THE COMPANY'S 1945 ANNUAL REPORT MAY BE SECURED ON APPLICATION TO E. J. BECKETT, TREASURER, 245 MARKET ST., SAN FRANCISCO 6, CALIFORNIA

What Are Fair Wages?

(Continued from page 2214)

which is the power that holds the state together. When reduced to its lowest terms it is a proportion or equality of ratio between two persons and two things. If the persons are equal they will have equal shares, but if they are unequal the shares will be unequal. For example, Aristotle says: "As a builder is to a cobbler so must as many shoes be to a house." This is not very illuminating, as we are not told how much more worthy a builder was than a cobbler, nor what the value of a house was in terms of shoes.

The Bible, even, does not tell us what fair wages were and are, though the Prophet Malachi fiercely denounces those who "oppress the hireling in his wages," and the Apostle Paul, writing to the Colossians, said: "Masters, give unto your servants what is just and equal."

But the scholastic philosophers of the Middle Ages, including the Angelic Doctor, Saint Thomas Aquinas, did give much attention to the question of just prices and, incidentally, to the related question of just wages, following, apparently, the opinion of Henry of Langenstein, who said that "a few discrete elders should compute, after a careful examination, what each man actually wants according to his status." In other words, a just wage was a customary wage and, as in ancient times, laborers were expected to live as their fathers had lived, and the upper classes, "the discrete elders," were only too glad to keep them in their proper station.

After the Black Death, which destroyed a large part of the population of Europe, the effort to keep wages down took the form in England of the Ordinance of Labour of 1349, in the reign of Edward III, which required that workmen and servants "shall receive only the wages, liveries, hire or salaries which used to be offered in the places where he should serve in the 20th year of our reign of England, or in the five or six common years last preceding." However, the same Ordinance required craftsmen and merchants to sell their labor and wares at reasonable prices—reminding one of the work of the OPA in our own day.

Such efforts to keep wages down were repeated from time to time, but in a few cases the laws provided for the fixing of minimum wages. Thus, in the year 1630, the weavers and spinners of Wiltshire complained that they "were not able by their diligent labours to get their living by reason that the clothiers at their will have made their work extreme hard and abated wages when they please." In response to this petition the Privy Council appointed a commission to investigate and the clothiers were compelled to pay higher wages.

Wages Determined by Contract

This and similar episodes, like straws that show how the wind blows, make it clear that the workers were no longer satisfied with customary pay and that wages were being determined more and more by free contract. This was especially true in the colonies, where labor was relatively scarce and wages were high. Governor Winthrop of Massachusetts tells in his journal of a master who, in the year 1645, was forced to sell a pair of oxen to pay a servant's wages. "He told the man he could keep him no longer, not knowing how to pay him next year. The servant answered he would serve him for more of his cattle. 'But how shall I do,' saith the master, 'when all my cattle are gone?' The servant replied, 'You shall then serve me and have your cattle again.'"

The determination of wages by contract had, of course, existed for ages side by side with custom or status and, as the wage-earners gained in independence, came to be the rule rather than the exception. The results of such voluntary agreements were considered to be fair, regardless of the terms, and an employer might say, as in the ancient parable of laborers in the vineyard: "Friend, I did thee no wrong: 'didst thou not agree with me for a penny?"

The Subsistence Theory

In support of this opinion the economists of France and England developed the notorious subsistence theory, often called the iron law of wages, according to which the wages of common labor could not permanently remain above the level necessary to enable the workers to live and reproduce their class. Thus the Irish banker and economist, Richard Cantillon, wrote 200 years ago: "Men multiply like mice in a barn if they have unlimited means of subsistence."

Subsistence wages, therefore, being natural and inevitable, were regarded as just and, unless the growth of population could be checked, it was thought that nothing could be done about it. No wonder that, in view of such pessimism, the Scottish cynic, Thomas Carlyle, stigmatized political economy as "the dismal science."

Standard of Living Theory

But presently a much less doleful theory was developed as it was found that, in regions where the standard of living was high, most of the workers would not marry and multiply unless they could see their way clear to support a family at the customary standard of living. Actual contract wages, therefore, being determined by supply and demand, but chiefly by supply, were thought to be necessary and fair, even though fair wages in England might be twice as high as fair wages in Ireland and 10 times as high as those in India.

From this realistic theory, which seemed to hold that whatever is, is right, it was but a step to the idealistic opinion that something should and could be done by way of raising standards of living and thereby wages to higher and higher levels.

Among the efforts to define fair wages along these lines may be mentioned that of Pope Leo XIII in the celebrated encyclical, RERUM NOVARUM, of May 15, 1891, where it is stated: "Let the workingman and the employer make free agreements; nevertheless there underlies a dictate of natural justice more imperious than any bargain between man and man, namely, that wages ought not to be insufficient to support a frugal and well-behaved wage-earner. . . . If a workman's wage be sufficient to enable him comfortably to support his wife and his children, he will find it easy, if he be a sensible man, to practise thrift and put by some little savings."

Forty years later Pope Pius XI issued another encyclical in which he vindicated and developed the teaching of his predecessor, while noting that the welfare of the employer also must be considered, thus: "The condition of any particular business and of its owner must also come into question in settling the scale of wages, for it is unjust to demand wages so high that an employer cannot pay them without ruin and without consequent distress among the working people themselves."

Somewhat similar is the position of Father Charles Antoine, S.J., who says that perfect justice requires the recognition of two factors: the minimum cost of a decent living for a workman and his family, and the economic value of his labor.

More specific is the dictum of Mr. Justice Higgins, President of the Australian Commonwealth Arbitration Court, who, in the famous Harvester judgment of 1907, took as his standard "the normal needs of the average employee regarded as a human being in a civilized community," and estimated that a weekly wage of 42 shillings—about $10—was needed to maintain a family of five.

For the year 1929, when the cost of living in the United States was slightly lower than in 1945, Professor Paul Nystrom made a study of various standards of living under urban conditions and concluded that a family of five required a yearly income of $1,800 for bare subsistence, $2,100 for a minimum of health and efficiency, and $2,400 for a level of comfort and decency.

More recent budgets prepared by the Division of Social Research of the Works Progress Administration give estimates of goods and services needed on June 15, 1943, in our larger cities by a four-person family living at a "maintenance level." Such a family would require a yearly income of $1,641 in Atlanta, $1,598 in Detroit, $1,816 in New York, $1,807 in San Francisco, and $1,809 in Washington, D. C. The report adds that, because of the later increase in the cost of living, the figures should be raised by 5% to make them applicable to October, 1945.

Another investigation based on the spending habits of economic groups in San Francisco has been made by the Heller Committee of the University of California. The Committee found that a wage-earner's family consisting of man, wife, boy of 13 and girl of 8, would require to meet the generally accepted standard of "health and decency" as of March, 1945, a yearly income of $3,075.72, or an average weekly income of $59.13.

An examination of the budget in question seems to show that it should be sufficient for a standard of relative comfort, inasmuch as it allowed $978 for food, $179 for medical care, $137 for automobile upkeep, $113 for life insurance premiums, $350 for the purchase of war bonds, and several other rather liberal allowances. But who shall say that an American family should not have all of these things—and more, if possible?

From figures like these it is evident that there is no limit to human wants, and that, if the supply of goods and services also were unlimited, justice in distribution might well be expressed in the slogan of utopian socialism: "From every one according to his ability; to every one according to his needs." But even in the United States, the most prosperous country in the world, the national product is not large enough to give every one all that he could desire. Wherefore, as in Soviet Russia, the utopian slogan must be modified thus: "From every one according to his ability; to every one according to his work."

A standard of living, therefore, measured by the needs of one party to the labor contract, cannot be the sole basis of a fair wage. A wage is not a gift, nor an exaction by force or fraud, but a payment for service rendered, a *quid pro quo*, and must be determined, on the side of the employer, by the value of the service to him. To the worker a wage is income, but to the employer it is expense or money cost, and as such cannot and will not long be paid unless the money value of the product created or the service rendered is sufficient to cover the cost.

At first blush it looks as though the question of fairness in this connection were merely a question of justice between two parties—the payer and the payee, the employer and the employee—as when a housekeeper employs a cook or a patient consults a physician. But in ordinary business, where the employer has something to sell, as in farming, manufacturing, merchandising, mining, transportation, and what not, at least three parties are concerned: the employer, the employee, and the buyers of the goods produced or services rendered who, in the last analysis, are the actual employers of labor. Fair wages, therefore, must be such as will be fair to all concerned, will permit of fair profits and fair prices, and, as Professor Pigou puts it, will "maximize the national dividend."

Cause of Wave of Strikes

The present wave of serious strikes illustrates well the complexity of economic relations, the difficulty of harmonizing the conflicting interests, and the elusive concept of justice in distribution. One cannot but sympathize with Philip Murray, President of the Congress of Industrial Organizations, as he tells how the workers in our manufacturing industries, whose average weekly wages had increased by 79%, from $26.64 in January, 1941, to $47.12 in April, 1945, and chiefly because of overtime pay, are about to be put back to the 40-hour week which at 1945 wage rates, would reduce their average weekly take-home pay to $36.29—a beggarly wage as compared with the income of $59.13 found necessary by the Heller Committee for a family of four living at a standard of "health and decency."

True, workers receiving $36.29 would be getting an increase of 36% over their pay of January, 1941, as compared with the increase of about 33% in the cost of living estimated by the Bureau of Labor Statistics. But Mr. Murray sharply criticizes the Bureau for grossly underestimating the rise in the cost of living which, he says, has increased by at least 45%. This figure makes the demand for a mere 30% increase in wage rates look rather small, but Mr. Murray makes it look still smaller by claiming that, in July, 1945, the average manufacturing worker was turning out each hour 22.9% more product, measured in physical units, than in January, 1941, from which he infers that a wage increase of 54% would be necessary to restore the prewar relationship of wages to cost of living and labor productivity.

This final figure looks like a wild guess, and Mr. Murray is surely overstating his case, especially in view of the recent statement by Henry Ford II that "on the whole productivity in our plants declined more than 34% during the war period." He is in error also in stating that the Heller budget made no allowance for savings, and he has probably overestimated the rise in the cost of living, while the Bureau of Labor Statistics has probably underestimated it.

However that may be, it is not surprising that the workers in our manufacturing industries, in view of the wartime wages they have enjoyed, the partial elimination of overtime, and the rising cost of living, are asking for higher basic wage rates. And yet, the employees of General Motors, whose wartime weekly earnings were on a par with the Heller budget, could have earned almost as much if they had accepted the corporation's offer of a 45-hour week with a 6% increase in basic rates and the usual time-and-a-half for overtime. The offer was rejected by the Union as "reactionary," but it had considerable merit as looking toward increased production, the only source of prosperity and higher standards of living and the best antidote to inflation.

Wages as Antidote to Deflation?

Mr. Murray's second line of argument, however, assumes that higher wages should be paid as an antidote to deflation to make up for reduction in Federal expenditure of something like $25,000,000,000 during the fiscal year ending June 30, 1946. Here he invokes the popular and notorious purchasing power theory which holds that prosperity comes from spending and that, at the slightest sign of deflation, the Government, as Stuart Chase has said, should "spray additional purchasing power into the system."

Oddly enough, the same weird theory is popular among farmers, who often say that if they get high prices for their crops they will buy much machinery, lumber, clothing, and what not, thereby making the urban workers prosperous and happy. For all of that, the more intelligent farmers scoff at the argument that higher urban wages will make them prosperous. The chief effect, as they see it, will be to increase the cost and prices of manufactures, already too high, and thus reduce the farmers' buying power and that of millions of white-collar workers as well. They say, in effect: "Let the urban workers be satisfied with their present or slightly higher wages, work longer hours, as we do, cooperate with us to create the largest possible output of goods and services, and they will presently find that prices will fall, markets will expand, the cost of living will go down, real incomes will rise, and everybody will be happy."

At present, moreover, there seems to be no shortage of buying power, witness the swelling sales of retail stores, the active demand for producers' goods of every kind, and the frantic efforts of the Government to keep prices down for fear of runaway inflation. It looks, therefore, as though the case for higher wages had not been strengthened by the demand for more buying power.

Mr. Murray's third argument, which he presents first, is an effort to prove that the manufacturing industries as a whole are well able to pay an increase in basic wage rates of 30% because of their wartime profits and their prospects for postwar prosperity. In support of his contention he cites an array of figures from governmental sources, including the following:

Total profits before taxes of our manufacturing corporations from 1941 to 1944, inclusive, amounted in round numbers to $51,900,000,000, and in the year 1944 they were $15,000,000,000, having increased from 1939 by no less than 370%. Even after taxes the corporations had net profits for these four years of $22,000,000,000, and $5,800,000,00 in the year 1944—an increase of 123% over the profits of 1939. The following table gives a comparison of prewar and wartime profits.

Manufacturing Corporation Profits After Taxes (1936 to 1945)

(In Billions of Dollars)

Prewar Years		War Years	
1936	2.5	1940	3.5
1937	2.5	1941	5.3
1938	0.9	1942	4.9
1939	2.6	1943	5.6
Prewar avg.	2.1	1944	5.8
		War avg.	5.0

Mr. Murray cites also a recent analysis by the staff of the Office of War Mobilization and Reconstruction, from which the authors inferred that three "measurable" factors would permit of an increase in wages of 24% for the year 1946 without increasing prices or reducing profit margins. These factors and the corresponding increases in wages were as follows: reduction of overtime, 4.5%; elimination of wartime upgrading and similar wage increases, 9.5%; repeal of excess profits tax, 10%.

The report, however, according to Mr. Murray, was far too conservative. After examining the several items and forecasting a "spectacular increase in productivity" in 1946, he arrived at the conclusion that the manufacturing industries could pay a total wage increase of 38% "without price increases and with profits after taxes at twice the prewar level."

In these contentions Mr. Murray has been vigorously supported by Walter P. Reuther, President-elect of the International Union of Automobile Workers, CIO, who, on the basis of numerous figures, arrived at the conclusion that if General Motors should produce at only 80% of capacity during the year 1946, it would have net profits after taxes of no less than $327,000,000, which would be "20% greater than the highest net income in its history." Mr. Reuther also said that in the year 1941 the company earned for its stockholders $1.09 for every $1.07 paid to the wage-earners, and that, therefore, "the rate of labor exploitation" in that year was about 100%.

Ability to Pay Higher Wages

As to the ability of our manufacturing industries to pay much higher wages, the case of the CIO looks strong on the face of it, because of the magnitude of the figures cited, but when those figures are examined and deflated they do not look so formidable. True, the gross profits of all the manufacturing corporations from 1941 to 1944 amounted to the enormous sum of $51,900,000,000, **before taxes**, but in the single year 1944 their net profits **after taxes** were only $5,800,000,000, showing that the gross figure has no significance in this connection.

For the same reason the fact that profits before taxes increased by 370% from 1939 to 1944 is quite irrelevant. If Mr. Murray had compared the profits after taxes of 1944 with those of 1938, which were abnormally low, he would have been still more shocked to find that they had increased by more than 500%. Or, to make such comparisons still more absurd, if he had compared the profits of 1944 with those of 1932, when there was a deficit, he would have been appalled to see that the percentage of increase was incalculable, being greater than infinity.

Strange that one so well informed as Mr. Reuther should have said that the ratio of profits to wages in the General Motors Corp. is unusually high, "fluctuating around 100%," as in the year 1941. However, according to the annual report of that corporation for 1944, the net income in the year 1941 was $201,652,503 and the payrolls amounted to $669,744,870, showing a ratio of profits to payrolls of about 1 to 3. Mr. Reuther, it appears, based his extraordinary statement on profits before taxes and left salaries out of the calculation, although one-fourth of the corporation's employees are white-collar people.

As to Mr. Reuther's forecast of the probable profits of General Motors in the year 1946, H. W. Anderson, Vice-President, in "General Motors Reply," goes over the figures point by point and concludes that the payment of a 30% increase in wage rates would result in a loss of $150,000,000.

A few facts culled from corporation and Governmental reports may serve to correct exaggerated notions as to the size of the profits of successful concerns, not to mention the losses of the unsuccessful. The following figures have been taken from several annual reports accessible to the present writer.

NET INCOME AND PAYROLLS OF 10 MANUFACTURING CORPORATIONS, 1944

Corporation—	Net Income	Payrolls	Sum of Net Income & Payrolls	Percentage Going to Owners	Percentage Going to Employees
General Motors	$170,995,865	$1,380,030,467	$1,551,026,332	12	88
U. S. Steel	60,791,281	914,341,158	975,132,439	7	93
Bethlehem Steel	42,500,000	847,000,000	889,500,000	5	95
General Electric	50,800,000	464,000,000	514,800,000	10	90
American Tel. & Tel. Co.	163,165,614	1,073,928,000	1,237,093,614	14	86
Swift & Co. (to Oct., 1945)	12,303,807	161,359,601	173,663,408	8	92
Nation'l Dairy Products Co.	13,318,000	94,648,000	107,956,000	13	87
American Rollings Mills Co.	5,067,991	64,786,517	69,854,508	8	92
Fairmont Creamery	1,070,280	8,502,633	9,572,913	11	89
West Va. Pulp & Paper Co.	2,142,672	15,439,766	17,685,838	13	87

That these figures represent fairly well the normal ratios of profits to payrolls may be seen in the Survey of Current Business of January, 1946, which gives the distributive shares of corporate production for the year 1944 and estimates the profits after taxes at 9% and the compensation of employees at 61%, making a total of 70% of total production as the combined share of owners and employees, of which the owners had 13% and the employees 87%. Moreover, the owners received only a part of that 13% in dividends, the rest being left as surplus earnings for security and future development.

From these figures it looks as though even relatively successful concerns, such as General Motors and General Electric, could not afford to make any substantial increase in wages without compensating increase in prices unless the optimistic guesses of the OWMR and the CIO should be realized. But there can be no assurance of that, and for the following reasons:

Predictions of Future Earnings

First, the corporations will not have the assured market in 1946 that they enjoyed during the war. Second, there may or may not be much overtime, and if there be little or none the gain will be partially offset by loss due to plant idleness. Third, there may not be much down-grading of employees, but even if it should occur the saving would be slight unless wage rates were cut. Fourth, the elimination of excess profits taxes will save something if excess profits are earned, but before long competition is likely to eliminate them. Fifth, the spectacular increase in productivity envisioned by Mr. Murray may not materialize. Sixth, the claim that ability to pay higher wages is measured by profits **before taxes** is a demand that wages be increased at the expense of Government and taxpayers. Seventh, wage rates based on the ability to pay of the most prosperous concerns might be ruinous to the less prosperous unless protected by higher prices.

When all's said and done, the question as to what are fair, just, reasonable, or right wages seems as elusive as ever. Even in Australia and New Zealand, where they have compulsory arbitration, no definite legal principles have been established beyond the doctrine of the minimum wage. Apart from that the wage boards, councils of conciliation, and arbitration courts seem to be guided chiefly by their wish to make a workable decision by giving as much as possible to the workers without imposing on the employers greater burdens than they can bear, and by the principle of compromise commonly called splitting the difference. Which calls to mind a story told by the late Sir Robert Stout, Chief Justice of New Zealand, about a man who left the Arbitration Court in high dudgeon, muttering with maledictions: "Call that arbitration—they gave it against me."

For all that, a step toward the discovery of justice in distribution is taken when it is realized and admitted that the prime objective of economic effort should be the greatest possible output of goods and services — balanced abundance—and that the sharing of the product, important though it be, is of secondary moment.

Another step in the same direction is taken when it is seen that in any dispute about wages at least three parties are concerned: the employer, the employee, and the general public as consumers, and that fair wages cannot be determined without a simultaneous determination of fair profits and fair prices.

The Equilibrium Theory

From this it surely follows that if the business machine is to operate smoothly and effectively, so that we may have maximum productivity and high, if not full, employment of our resources, material and human, there must be balance or equilibrium among the parties participating in production and the shares going to them, which are their incentive and reward.

"An equilibrium price," as T. N. Carver has well said, "is a price which which will induce producers to supply as much of a commodity in question as buyers are willing to buy. At the equilibrium price the market clears itself: exactly as much is offered for sale as is bought, leaving neither would-be buyers ready to pay the price but unable to get the commodity, nor would-be sellers willing to sell for the price but unable to find buyers." In other words, equilibrium price is a price determined by competition among many buyers and many sellers, where there is no monopoly; and such price, as most unbiased buyers and sellers will admit, is not far from fair.

By the same token, equilibrium profits are such as will induce investors to supply as much venture capital as business enterprisers are willing to use. At the equilibrium point the market tends to clear itself, leaving neither idle capital awaiting sufficient incentive to invest nor business enterprisers unable to obtain the funds they need for starting new enterprises or expanding those already begun. The supply price of venture capital, of course, varies with the estimated risk, but who shall say that competitive profits, whether in farming, manufacturing, merchandising, mining, or what not, are not as fair as can be in our present economic order?

If, then, we may find fair prices and profits at their respective points of equilibrium, why may we not look for fair wages at or near a similar point of equilibrium or balance, where employers and employees come together in a free market? One may hesitate to use a mechanical equation for determining the value of human service, but all of these factors and forces act and react upon one another and all are intimately related to private and public welfare. That prices of things, for example, cannot be divorced from human toil and needs is finely shown in Lady Nairn's touching song, "Caller Herrin," which the fishwife sings:

"Wha'll buy my caller herrin'?
They're no brought here without brave darin';
Buy my caller herrin,' hauled thro' wind and rain.
O ye may ca' them vulgar fairin';
Wives and mithers maist despairin',
Ca' them lives o' men."

Inasmuch, then, as there is in any given occupation at a given place and time a labor market in which wages are determined by supply and demand, there must be an equilibrium wage at which the market clear itself, leaving neither employers willing to pay that wage unable to find employees, nor employees willing to accept it unable to find employers.

Actual wages, of course, are never exactly at the imaginary point of equilibrium, but either above or below it, so there is always room for bargaining. If, as is often the case, the employer, in a buyers' market, has the greater bargaining power, he may keep wages down below the point of equilibrium, and thus injure his employees by paying them less than they are worth and injure himself by failing to get the needed competent workers. If, on the other hand, the employees have the advantage, by virtue of being strongly unionized, they may force wages above the point of equilibrium, sacrifice the high-cost of marginal employers, and throw more or fewer of their fellow workers into the limbo of the unemployed. And yet the late Samuel Gompers did not shrink from those consequences when he advised: "Whenever you have to accept defeat in your negotiations with your employers, accept it in the form of unemployment, not in the form of reduced wage rates."

To be sure, these bad effects may be avoided and a new equilibrium established by raising prices of the product, as in the recent settlement of the steel strike and the qualified promise of other upward price adjustments; but that is a sort of conspiracy of labor and capital, with the connivance of the Government, against the general public, by making millions of consumers

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What Are Fair Wages?

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whose incomes remain low pay the increase in wages of those whose incomes are already fairly high. In this connection, Dr. Edwin G. Nourse of the Brookings Institution has well said: "The union officials, by exploiting war pressures to push wage rates up whenever and as far as they can and by insisting on maintaining emergency rates when we are trying to get back on a peace basis, may create maladjustments that prevent effective operation at various points in the system and may throw the whole into confusion."

However, it must not be thought that the balance or equilibrium of the labor market is something fixed and changeless, and that, therefore, there is no hope of higher real wages and rising standards of living except by the power of monopolistic minorities bargaining for themselves alone. On the contrary, anything that makes for increased productivity and balanced abundance of goods and services also brings lower prices, expanding markets, increased demand for labor, and new and higher points of equilibrium all along the line. Higher money wages might not come from this, but higher real wages surely would. To quote Dr. Nourse again: "Prosperity is spelled by more goods for the same money, not more money for the same goods."

Such considerations, though economically and ethically sound, do not appeal strongly to our belligerent labor leaders, who are more interested in getting as much as they can for their followers here and now rather than in any academic discussion of general welfare or labor's long-time interests. At a meeting of the American Economic Association in January, 1946, Prof. C. R. Daugherty offered them excellent advice by way of suggesting moderation in demands for increasing pay, peaceful cooperation with employers for enlarged production at decreasing cost, concern for the welfare of potential members, planning in terms of the common good, a long-range point of view, and a broad statesmanship commensurate with their power, which has almost created an *imperium in imperio*. But in discussing this admirable paper, Prof. David Kaplan wittily and wisely said: "I fear that once the labor leader became an economist he would soon cease to be a labor leader."

If this be true and remain true, the question of fair wages as part of the broader question of justice in distribution will be decided, not by academic discussion nor amiable collective bargaining, but by the power of pressure groups engaged in fierce and, possibly, violent conflict. In that case the labor unions, finding themselves in the minority, may be glad to appeal again to some ideal of justice to protect them from the tyranny of a majority, arrayed against them.

Feldman Named to Post In NY State Banking Dept.

The New York State Banking Department announced on April 5 the appointment as Special Deputy Superintendent of Banks of Edward Feldman, of New York. He was appointed to the post on March 30, 1946 to assist in the liquidation and distribution of the business and property of any and all banking organizations and the business and property in New York of any and all foreign banking corporations (including the New York agencies thereof), possession of which has been heretofore taken by the Superintendent of Banks of the State of New York pursuant to the Banking Law.

More on "Purchasing Power" Fallacy

(Continued from page 2214)

inflationary emissions of currency and credit, and, as a consequence, prices rise alarmingly, the Government contrives laws and regulations to prevent the individual from spending his money in such manner as meets his desire or necessity. But despite this abridgement of the normal rights of the *American* people it proposes enormous new emissions as grants-in-aid to foreign states with the avowed purpose of enabling *foreign* peoples to enter our markets at home and compete with our merchants and producers abroad.

That in such critical condition does the Government deem its fiscal affairs to stand that it soberly justifies price regulations by operation of which a great segment of the population is denied butter for its table, and items of clothing essential to comfort and convenience. Yet it continues to practice fiscal follies of a most extraordinary and inexcusable nature. As example of this it has recently been stated by a responsible official that the Government's bill for food subsidies is running at the current rate of $2,600,000,000 per annum. These vast emissions of inflationary currency and credit are justified by the pretense that they tend to prevent inflation. Human pretense could scarcely have less foundation. These emissions do not prevent inflation. They are inflation. Their design is not to prevent inflation but to prevent the people from becoming aware, through startling price increases, of the true condition of the Government's fiscal affairs. By these subsidies the Treasury is currently adding new inflation in the hope of temporarily concealing that of the past. I cite this as one flagrant example of our inflationary practices. It is but one of many. Others even more inexcusable are in prospect.

I further pointed out to him that inflation of the circulating medium of a country through the issuance of irredeemable paper currency and even more intangible bank credit is the certain road to ruin, though the people themselves do not always understand it, and will bring economic and political disaster to any Government which follows it. *No consideration of hoped for gain through foreign trade can justify its practice.*

The Situation in the States Applying for Grants

It is impossible for me to attempt an analysis of the fiscal affairs of the many foreign states now upon the agenda for grants-in-aid. A large staff would be required to assemble and examine statistical data and supplementary information respecting present and possible future political trends. *But in respect to each of the states it is well known that their financial difficulties do not have their origin in the late war.* While the war aggravated and brought these difficulties to a climax they were observable in every state before the war began. Without a single exception these governments were engaged in unsound fiscal practices which if persisted in must have brought them to ruin. In short they were spending more than their revenues and making good the deficits by some form of currency or credit inflation. It can also be said that none of them has exhibited an observable inclination to turn away from such practices. True, we are in poor position to criticize them for their lack of fiscal prudence and rectitude. But it does not follow that we are under moral or ethical obligation to hasten our own downfall in an effort to temporarily moderate the speed with which they are approaching theirs.

The Alternative

When a ship or a business or a government is headed for the rocks the proper course of action is to turn about and head for safer waters. Can this be doubted?

So I suggest that, as an alternative to a policy of American grants-in-aid, disguised or undisguised, which, while hastening our own ruin, can no more than temporarily delay the inevitable ruin of others, we make common cause with the states of the world now in financial distress in securing a return to fiscal honesty and sobriety. *In this manner and in no other can we insure the stability of governments; secure the tranquility of peoples and place production and international trade upon a sure foundation.* And in no other manner can we save the great middle classes of the earth from financial ruin and disaster. If unsound practices are to be pursued on the part of governments; if deficit financing is to be continued; if irredeemable paper currency is to be floated in ever increasing amounts; if bank credits are to be manufactured without limit; if men in high office are to continue the making of expenditures to be met by inflationary emissions *which by indirection take from the people that which they dare not take by direction*, it is useless to hope for world rehabilitation. And whether such destructive policies are the result of ignorance, venality or inattention upon the part of lawmakers, and by whatever motive they may be prompted, or by whatever person or persons urged, the result will be the same. If one group demands and secures inflationary issues in support of favored measures, however worthy they may deem them, it should occasion no surprise if others demand and secure even greater issues in support of measures which excite their particular interest. Only when the governments of the principal nations of the world return to the practice of that common honesty which is required of the individual and enforced by the courts will international commerce revive and stand permanently upon a stable basis.

Then there will be need no longer for disguised market supporting operations in foreign currencies which, despite their euphonious and alluring titles and complicated apparatus, are doomed from the beginning to failure, since it is beyond the power of law to create value where value does not exist; and those who, in the open markets, offer to buy for more than a thing is worth must be prepared to accept and pay for all that exists and all that can be produced.

But, you say, what of the current obligations of these countries and what of the impact upon our own foreign trade should Great Britain continue its blocked Sterling practices; its Empire preferences; or resort to international barter? But slight consideration is required to reveal the hollowness of the argument that our foreign trade will be taken over by Great Britain through these practices, unless the British grant is made. To their credit the British make no such claim.

In opening the argument on behalf of these grants their American proponents suggested that unless made Great Britain would be forced to continue her purchases abroad on the basis of blocked Sterling and would thus in effect force to herself the near exclusive purchases of the Empire and many other countries, to our great and irreparable commercial damage. This argument has force only upon the supposition that the Empire and others would be both able and willing to indefinitely produce and sell things of value to Great Britain for a consideration no more tangible than blocked currency and credit, a wholly untenable supposition. A second suggestion even less persuasive is that unless sustained by this grant the British will resort to barter and thus drive us from the world's markets. This argument could find support only in the supposition that the British have on hand or can currently produce sufficient exportable things of value to barter and exchange for necessary imports. The truth is quite the contrary. It is because they do not have on hand and cannot currently produce exportable items in sufficient volume to exchange for essential imports that they seek $4,000,000,000 worth of things of value from us. For that is what the grant in essence involves.

The meaning of the blocked Sterling is this: Great Britain has issued currency and credits which it cannot permit to be honored in its own markets since it would disclose to the world and to the British people the great inflation that exists in its circulating medium and perhaps precipitate a national crisis. *The purpose of the American grant is to lift from the British circulation a portion of its inflation and add it to our own.*

The holders of blocked Sterling though not legally creditors of Great Britain are in effect its creditors. They have sold it supplies and materials. In payment they have accepted an unspendable medium. Naturally they desire spendable money and nothing could be more agreeable to them than to secure American dollars in exchange. If American dollars cannot be secured this blocked Sterling must either be released and the inflationary effects openly accepted or it must be treated as a debt of Great Britain and either be paid in full, settled by compromise, or repudiated. There are no other alternatives. Is there fairness in the suggestion that Americans be compelled by legislative act of their own Government to meet these obligations to the extent of $4,000,000,000; this sum to be secured by adding the total amount to our already seriously inflated circulating medium; and later be compelled to meet similar obligations of other foreign states? I for one do not think so nor do I think, as I have pointed out, that such action would bring more than temporary relief to the embarrassed governments.

The commercial usage of mankind, reflecting the wisdom and experience of ages, is to permit losses occasioned by the default of debtors to fall upon their creditors. This is a sound and just rule. As between the creditor, who dealt with the debtor as a means of gaining a profit, and a bystander it is just that the creditor should stand the loss. But even more important is the fact that knowledge that the loss if any must fall upon him prompts caution and prudence upon the part of a country. As between the foreign seller of supplies to Great Britain, engaged in business for profit, and an American taxpayer or citizen, the usages of trade would leave the loss occasioned by British default on the seller. And should the American taxpayer assume the payment of the bill, thus permitting the foreign creditor to emerge from the transaction with full payment of his bill including profit, why should he not continue to sell to Great Britain and to others recklessly and in disregard of those sound rules which tend to force both individuals and governments to follow sound and prudent courses?

Therefore, as preliminary to a determination of what aid if any may be extended to foreign states now in financial difficulty I suggest a complete and businesslike examination of their affairs by competent and experienced men; where necessary a reorganization of their affairs and a just compromise of their obligations; to be followed by discontinuance of their inflationary practices and such guaranties as are humanely possible that they will not be resumed. And as an example, I would have our own Government announce its determination to desist from further inflationary emissions. This is the road along which all nations must proceed in any real and enduring rehabilitation of the world's fiscal and financial ills. There is no other solution. *If the applicants for grants-in-aid are unwilling to meet such conditions the proof is clear that they are not yet in such a frame of mind as to make their fiscal rehabilitation possible.*

It will be said that this is a harsh and unfeeling attitude. That the situation is hard I do not dispute. Time has never been when the lots of the defaulting debtor and of his injured or ruined creditor have not been hard. It was not so long ago that the debtors' prisons of England were filled with unhappy human beings, and the sorrows of the bankrupt merchants of that country are feelingly portrayed in the great novels of that tough period. But the condition admits of no solution which does not mean hardship for some one. The question is not one of avoiding hardship but rather that of determining upon whom the burden shall rest. It is folly to pretend that we can shoulder these debts of foreign states, *and relieve them of substantial portions of their inflations by adding them to our own*, with no hardship to our own people. The country is filled with persons struggling to meet the present advancing cost of living, who anticipate future increases with deep anxiety. Their savings have been reduced; their incomes shrunken; the value of their annuities and life insurance policies sharply depreciated. *Their tax burdens alone have been increased.* All salaried and white collar workers face the future with apprehension. It is an apprehension that is well founded. These are the hapless victims of our monetary inflation. I am not unaware of nor unsympathetic toward the peoples of foreign states, the victims of like practices on the part of their own governments. I merely feel that both justice and sound reason demand that the peoples of each country work out their own financial problems. These problems have arisen almost universally from policies carried out by national leaders. In no other way can the people of the world be brought to a realization of the need of selecting wise and competent rulers, and of insisting upon wise and moderate conduct by those in power. As hard as is the lot of the defaulting debtor or of the creditor ruined by his default, still harder is that of persons who, after a life of sobriety and industry, and the practice of daily self-denial endured in the hope of an independent old age, find their savings reduced to little or naught by willful act of their own government; or those who, having saved for the building of homes or the education of children or some other cherished project, now find their hopes impossible of realization. The middle classes of the United States and of all countries abound in such persons who are being crushed and pauperized by the rapidly advancing inflations deliberately planned and carried out by their own rulers.

II

My letter to Congressman Anderson was in effect a brief against proposed grants-in-aid disguised as loans to foreign states then reported to be contemplated in an aggregate sum of $20,000,000,000. I was not unaware at the time of its preparation that in respect to some of the countries political as well as economic considerations were involved. Some of these considerations adverse to our own interests were discussed.

But since the proponents of the grants had predicated their case solely upon the claim that they were commercially advantageous to us, I confined my discussion to that field. Since the date of the letter important developments have occurred in the swiftly moving international scene. The attitude of our State Department in respect to the bold aggressions of the Russian Empire has been altered. The Russian threat to the British Empire, inherent in the unconditional surrender policy, and apparent in its terms, is now openly acknowledged and universally understood. Without our help Great Britain is incapable of sustaining her Empire against Russian pressure. That Russia proposes to exercise her power to the utmost, in doing which she is no more than following the practice of empires in seizing opportunities made ready for them, is now clear. We must now determine our own course.

For three centuries it was the cardinal principle of British foreign policy that she must always act to prevent the establishment of one dominant military power in Continental Europe or upon the Continent of Asia. She fought many wars in the implementation of this policy. These were wars of coalitions and it was through her success in the organization of powerful coalitions that she brought them to successful conclusions and thus not only preserved but enlarged the area of her domain. From this correct position she receded when she yielded to the American demand for the total political annihilation of the German State and of her European allies, as well as that of the Japanese Empire. The annihilation of these states left Russia the military master of Europe and Asia. Because of their annihilation British organization of resisting coalitions was no longer possible. Great Britain now stands faced in both Europe and Asia by a dominant land power vastly superior to her in manpower, in natural resources, and war potential, and with interests sharply conflicting with her own. This is now a fact accomplished and from it there is no recession. It was not without reason that Mr. Churchill recently embraced the opportunity to address the American people.

I do not profess to possess the factual or military knowledge requisite to a determination of our correct policy respecting aid to the British Empire as a possible ally. I entertain no doubt that the Government knows much that in its anxiety to preserve world peace it has withheld from the public. But if it is the considered judgment of our Government that this grant should be made to Great Britain to preserve her as an aid to our own defense, and in protection of our own position, it seems clear that it should be made as an acknowledged and open gift and not in the guise of a loan. The informed leaders of Great Britain do not believe that country capable of meeting the terms of this loan. They have not hesitated to say so. Few if any informed Americans believe the terms can be met. Then why should we place the government of a people whose friendship we desire and whose aid we may require in a mortal struggle in a position from which it must emerge for the second time a defaulter upon its obligations. This will neither help us nor Great Britain. We shall have parted with our money without reaping the full return anticipated, since British default upon a second loan will breed bitterness and discontent among both peoples.

As consideration for this loan we are demanding of the British abandonment of trade practices deemed by their leaders essential to their recovery. They are practices to which Great Britain was forced in sustaining her foreign trade even before the second World War. Her position is far worse today. A large portion of her former profitable European trade is now lost. It is a popular belief that great prosperity must follow the war because of the need to replace that which was destroyed. Only by the most superficial reasoning can such a viewpoint be sustained. The destroyed wealth of Europe represented the crystalized labor of generations of men performed through centuries of time. Trade with pauperized peoples yields little profit. Many years must pass before British trade with the Germans, Austrians, Hungarians, Italians, and the peoples of the Japanese Empire will reach prewar levels. Generations may pass before free or profitable trade relations are restored with the portion of Eastern Europe now under Russian rule. The peoples of the fallen countries will be forced to the greatest economies as well as to the greatest exertion of which they are capable in the restoration of habitations and provision of food: and they have before them the task of accumulating capital for industrial rehabilitation. It is a delusion to suppose that large and profitable trade is to be found in this quarter. Those who, upon either side, exulted in the destruction of the wealth of their former customers will not be long in discovering that they were at the same time destroying their own wealth as represented by established trade and the prospect of trade to come.

Shorn of much of her former profitable trade with Axis countries and with countries now under Russian hegemony, Great Britain will more than ever be in need of the trade of her colonies and dominions. Having vast restorations of her own to perform she will be cruelly handicapped in meeting competition of American mass production.

If a strong Britain is essential to our national safety let us not offset the grants we bestow to make her strong by imposing conditions which make her weak. And above all let us refrain from making offsetting grants to her adversaries and potential enemies. By so doing we will reveal both lack of intelligence and lack of character.

I have lived too long to suppose that the suggestions made, sensible and sound though they may be, will be followed either at home or abroad. Nevertheless, they should be made even if presently unpopular in some quarters, since it is important that as the tragedy unfolds people may know that the leaders and lawmakers responsible were not following a blind path but an illuminated one, and that the precipice was clearly visible to any capable person intent upon seeing even a little way ahead.

Jewell College to Give Truman Honorary Degree

President Truman has indicated his intention of going to Liberty, Mo. on May 20 to receive in person the Honorary Doctor of Laws degree to be conferred on him by William Jewell College at its ninety-seventh commencement, Associated Press Washington advices of April 7 stated. According to Charles G. Ross, White House press secretary, Mr. Truman will make no formal address for the occasion, but will merely speak informally after receiving the degree.

France Ends War June 1

The war will end officially for France on June 1, the Government decreed on April 16, it is learned from Associated Press advices from Paris April 16, which added that the decision affects the status of various governmental wartime powers.

When Is There Enough Money? Can Its Excess Be Eliminated?

(Continued from page 2215)

ume within a year or so, as it had done after the panics of 1907 and 1920-21. As several years passed with little, if any, improvement, I commenced to wonder what was fundamentally wrong with our economy. Although I had had no especial training as an economist, it looked to me as though we must have done, or left undone, something vitally important, so I determined to find out what was wrong.

As a result of that effort, I have an answer to the above questions, although it was distorted wage rates rather than easy money that attracted my attention to the muddle in our economy. The following quotation from the Father of modern Political Economy will serve as a basis for an analysis of the operation of our current economics:

"An invisible hand guides industry in such a way that it turns out those particular products which consumers desire more than any others. This invisible hand reaches, indeed, far beyond our national boundaries and sets to work rubber growers in Malaya, ivory hunters in Africa and tea gatherers in China, who perhaps have never heard of our nation. Under free competition this process of adjusting production to fit the demands of the consumers is purely automatic, calls for no complicated system of administration, and works so smoothly and with so little friction that we are scarcely aware of the fact that the tremendous machine is in operation."

In this quotation from Adam Smith's "Wealth of Nations," which has been in the limelight for several centuries, the emphasis is on automatic control. It is not the King's hand nor the bankers' hands, but an invisible hand, which sets men to work ten thousand miles away, who never even heard of our nation. Evidently we are doing with difficulty, or not doing at all, with our managed money, that which those of earlier generations were able to do easily with the sort of a setup that they had. Our task then, is to point to where we departed from methods that succeed and to show what we should do to get our economic legs back on the solid earth.

David Ricardo, who is given no small share of credit for getting Britain financially back on terra firma after the Napoleonic Wars, about 1815 handed down the following, which is at least axiomatic:

"If the State is to prosper, money must be anchored to a stable standard and the supply must be controlled by the automatic processes of trade, and not by the dictates of a government."

Here again you have the emphasis on automatic control: positively through money anchored to a stable standard, the supply of which is automatically adjusted through the processes of trade, and negatively through a government-hands-off-money-policy.

Let us now look over the part automatic control of the quality and quantity of money is expected to play in our current easy money policy. Mr. Parkinson's observations bear upon this phase of our problem. Here are some of them:

"What are we going to do with the money," a Philadelphia banker said to me the other day. "We must have earnings." "Well," I said, "I have some banking responsibilities myself and I like to see the banks have earnings, but I do not like to see the banks have earnings at the expense of the soundness of the currency of this country for which they are primarily responsible."

"Who is going to take care of the soundness of our currency if the bankers do not? You cannot expect the politicians to do it. You cannot expect the people themselves to say, 'We have too much money and we want to get this money supply down.' And you cannot expect their public representatives to do it, at least, not until the bankers provide the leadership and point out the necessity from the point of view of the public welfare of doing it."

This appeal to bankers for an investment policy in the interest of the general welfare, in the place of one tailored to earn dividends, would stand a better chance with bureaucrats than with bankers, since the latter have to report to a Board of Directors. However, there is nothing to it from either viewpoint. Monetary values, prices, wage rates, etc., are guesses except when generated in a free market with good money.

However, the status of economics is much like that of the science of medicine a century and a half ago. When George Washington, having caught a slight cold, called for medical aid, two (some say three) blood extractions were more than an overworked man in his sixties could stand, so Washington passed out. I don't mean to say that all doctors in Washington's time bled their patients to death for a cold, but one did. Here are remarks by Dr. Lewis H. Haney, Economist of New York University, in a recent issue of the "Chronicle," which are indicative of the futility of expecting general agreement upon such a policy as is called for in this plea to bankers:

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When Is There Enough Money? Can Its Excess Be Eliminated?

(Continued from page 2241)

"In my opinion, the American Economic Association and its organ, 'The American Economic Review,' are dominated by an essentially radical element, which is opposed to the idea of economics as a science, and has a closed mind to the possibility of basing economic life upon a system of free individual choice. Too many of our leading colleges and universities are dominated by the same group, while in Government quarters most of the 'economists' are distinctly on the radical side."

"At the present time, all I will say is that I can see no reason why, in the name of truth and justice, there should not be on the faculty of every great university at least as many economists who take the liberal point of view, which I represent here, as there are on the radical side."

"The truth shall make you free. But first you must find it!"

Our difficulty is primarily due to impairment of the quality of our currency, through failure to anchor the dollar to an object, gold, for instance, as well as by an excess quantity of currency owing to inadequate limitations on the supply. Remedy these defects by anchoring the dollar to a definite weight of gold, and by requiring that 100% gold be impounded for redemption of any additions to the currency supply, and our financial setup will be impregnable.

We can now answer our original question, "How much money is enough?" With gold functioning as a yardstick of value, all the good money there is, is just enough, and, conversely, any bad money at all is too much. This does not rule out token money, but it does require that token money be anchored to real money so as to function as real money does, and that if additional token money is to be injected into the setup, this must be done so as not to interfere with the generation of supply and demand prices. This requires that paper money may be added to the supply only as there is a shortage, and then only when arrangements have been made far enough ahead so that traders can make allowance for the contemplated disturbance.

With a monetary setup of the sort outlined, we have only to put all of the gold we have back of our outstanding currency, then add to the supply of dollars only as 100% gold is impounded for their redemption, and we will be well on the road toward sound money. Of course, interest rates will then automatically advance to where currency hoarders and bank depositors will seek to invest their excess holdings in bonds. When these excess holdings have been exchanged for long-time bonds, we shall be well on the road toward normal operations with supply and demand in control of prices, interest and wage rates, and monetary values generally.

In our opinion, the exact weight of gold in the dollar to which we return, is not of prime importance. Our dollar originally contained 1-20.67 oz. of gold. The current dollar, theoretically, contains 1/35th oz. of gold, although practically it has been largely undermined for current domestic pricing. If there is room for doubt on that point, Mr. Parkinson's showing that $5,000 houses sell for $10,000, ought to be conclusive.

If we anchor the dollar to too much gold, we shall be in danger from hoarding, and face too much price readjusting. If we anchor it to too little gold, we impose unnecessary hardship upon most everybody, except those directly benefited like certain debtors.

As I see it, we could advantageously return to a dollar of 1-41.34 oz. of gold. The former $5 gold coin would then become a $10 Eagle; the Eagle a double Eagle, and the $20 double Eagle, a quadruple Eagle.

If we proceed along the lines indicated successfully, when we are through we will have passed through an experience that often disrupts nations, impairs their integrity, if not their independence, and we will have done this without loss other than the substitution of a 50¢ dollar in the place of a 100¢ one. A small price to pay considering that with the aid of this bad money, we have won the two most dangerous wars in the history of Christendom; wars which we might have lost if our style had been cramped by good money. Let us be satisfied that all is well that ends well.

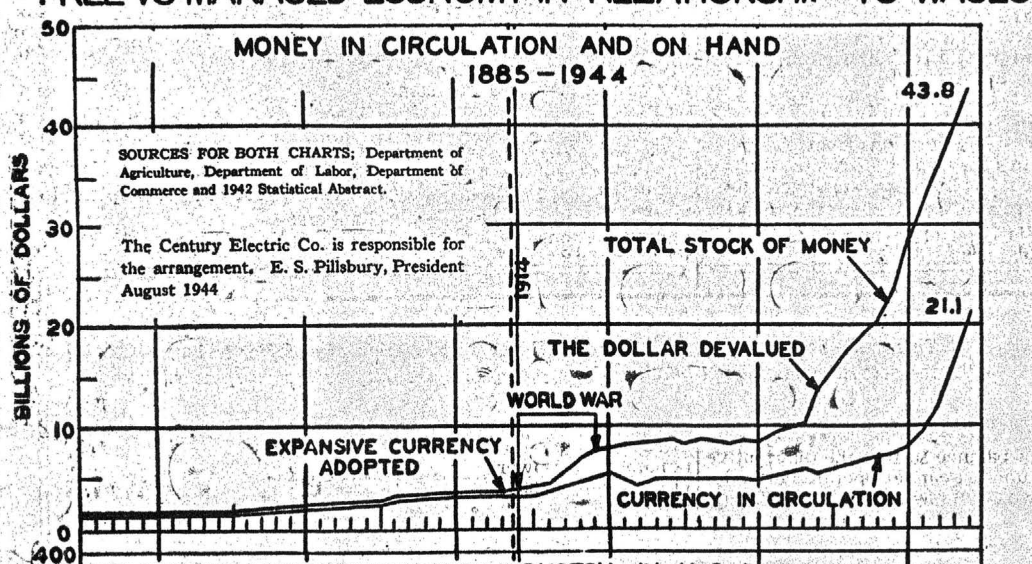
Mr. Parkinson has made the loudest noise condemning bad money that has gone up thus far. I have been crying for a decade but never succeeded in attracting much attention. We ought to thank the "Chronicle" for carrying Mr. Parkinson's article and to encourage bankers to join with him in making as much noise as possible while correction is practical without much loss.

Before closing, I will reproduce Mr. Parkinson's quotation from President Cleveland's 1893 address, which ought to especially arouse salary workers and to enlist labor leaders who have their clients' interests at heart:

"The people of the United States are entitlted to a sound and stable currency. . . . Their government has no right to injure them by financial experiments. . . . This matter rises above the plane of party politics. It vitally concerns every business and calling and enters every household in the land. There is one important aspect of the subject which especially should never be overlooked. At times like the present when the affairs of unsound finance threaten us, the speculator may anticipate a harvest gathered from the misfortune of others, the capitalist may protect himself by hoarding or may even find profit in the fluctuations of values; but the wage earner—the first to be injured by depreciated currency and the last to receive the benefit of its correction — is practically defenseless."

As hereinbefore explained, the writer became interested in the working of a free economy through a comparison of past and current wage rates which react to loss of supply and demand control more promptly than other values. The accompanying chart, entitled "Free vs Managed Economy in Relationship to Wages," was the product of my effort to try to understand this problem. This chart traces our monetary operations and their effect on wage rates in several lines, over a period of nearly sixty years. An interpretation of what is to be learned from it is set forth in the following:

FREE VS MANAGED ECONOMY IN RELATIONSHIP TO WAGES



Where Managed Money Has Failed

This chart shows that during 28 years, 1885 to 1913, with gold as the unit, wage rates advanced consistently, about 50%, from an index of about 67 to 100. During the next 28 years, 1914 to 1942, under managed money, wages continued to advance but inconsistently, so that by 1942, the average rate in manufacturing had been upped 250%, from 100 to 350, while in agriculture the average had been upped 50%, from 100 to about 150.

This 200%—five times greater advance in some than in other trades—accounts for the unemployment of 1930-40, during most of which decade from 5 to 10 million were without work. While this job-scarcity has been eliminated currently, it is bound to reappear with the termination of war activities, since we know that wage maladjustments are not being eliminated but increased.

The immediate cause of this unemployment is the impoverishment of the agriculturist and lower paid third of the population to where they are unable to buy enough of the product of the higher paid to provide jobs for the latter. A large percentage of both thus face short rations or a low standard of living.

E. S. PILLSBURY,
President Century Electric Co.
St. Louis, Mo.
April 24, 1946

Doughton Sees Tax Cut if People Quit Calling for Money

The declaration that "if the people will quit running to Washington for money we can reduce taxes" was made on April 12 by Representative Doughton (Dem.) of North Carolina, his remarks it is stated by the Associated Press having been prompted by President Truman's assertion that "we are on the way toward a balanced budget." Mr. Doughton Chairman of the House Ways and Means Committee tempered his tax cutting forecast, however, said the press accounts by telling reporters the prospect is slim for any further reductions this year. The Associated Press, Washington advices April 15, also had the following to say:

Mr. Truman, too, cautioned against hasty action, saying in his statement revising previous estimates of the Government's fiscal position that the existing tax structure must be maintained "for the present."

"We are well on the highroad to full peacetime production," the President said, adding:

"It is the aim of our fiscal policy to balance the budget for 1947 and to retire national debt in boom times such as these. In our present fight against inflation, fiscal policy has a vital role to play. A continuation of our present policy, which is to maintain the existing tax structure for the present, and to avoid non-essential expenditures, is the best fiscal contribution we can make to economic stability."

Mr. Truman reported that the Federal deficit for the fiscal year ending June 30 now is expected to be $7,000,000,000 below the January estimate—or a total of about $21,700,000,000. Receipts are running $4,300,000,000 higher than estimated, and expenses $2,600,000,000 lower. His new report estimated that expenditures during the fiscal year will amount to about $64,700,000,000. Mr. Doughton said, "The President's statement reads good where he talks about avoiding unnecessary expenditures," but he added "we need deed as well as word."

"No doubt Mr. Truman is sincere," Mr. Doughton continued. "Now if we can get the co-operation of Congress, and the people in all kinds of groups quit running here for money, we ought to be able to balance the budget and reduce taxes too."

"Moreover," the veteran lawmaker asserted, "if we can get John L. Lewis to behave, and we get coal, steel, automobiles and all these things, there is no telling what we can do in the way of production. We could stop inflation quick."

Noting that 1946 taxes already have been cut $6,000,000,000, Mr. Doughton backed up Mr. Truman's call for keeping rates at their present levels, asserting:

"We must pay some of our debts in time of great prosperity. Businessmen want to see the budget balanced and the debt paid.

"But if the people will quit calling on Washington for money, and use their own resources, we can reduce taxes, too."

Production, Money Supply and Inflation

(Continued from first page)
others, harp upon this same slogan, *ad infinitum* and *ad nauseam*. Thus, production and more production is stressed as a panacea for all current economic ills, whether inflation, deflation, unemployment, industrial unrest, or social inequities. More production, they tell us, "will eliminate the inflationary gap."

Character of Production Important

But this shibboleth *"more production"* means nothing unless it is qualified by severe restrictions and exceptions. Production, itself, is not a simple concept. It is a heterogeneous phenomenon, with diverse and conflicting elements, and its character and purpose must be analyzed and distinguished in each case. It may be at times uneconomic and wasteful production. At other times, it may be useful and beneficial production. It may be excessive in certain categories, and deficient in others.

Thus, during the war, we had a tremendous volume of production. Yet, most of this was for destruction and not for serving human wants. However, it, like other categories of production, created a need for a larger money supply. Since the means of creating that supply was at hand, increased production was balanced by an increased money supply. But the utility of these goods and services has passed away. Yet the money represented by it still remains. There is, therefore, we are erroneously told, a large new "purchasing power created." When, however, relatively little of economic utilities arises from a vast volume of production, purchasing power is actually diminished even in the face of an increased volume of money. In fact, purchasing power is not measured by the volume of circulating medium or the accumulation of savings, or by wealth in existence. Purchasing power is the faculty of acquiring through exchange the economic utilities needed or desired.

Let us therefore cease to spread the erroneous doctrine that wartime production added to purchasing power. This production, was, in effect "unbalanced production." It comprised an output of goods and services not adjusted in character and volume to the needs of the producers themselves nor to the various elements of the public. It, therefore, led to a condition of *disequilibria*. This, in turn, put prices and transactions "out of joint," since normal distributive processes, by means of which the relative values of goods and services are adjusted by the economic laws of supply and demand, could not operate. In the normal distribution of production, there is a systematic adjustment, by means of a money and credit economy, whereby values arising from joint human efforts are divided among the claimants, so that each claimant can provide, in a degree, for his particular personal needs. It is, of course, postulated on the principle of heterogeneous and diversified production.

Production May Mean Larger Money Supply

The present condition of oversupply of currency in relation to supplies of goods, we are told, can be remedied by increased civilian production. Since there is no longer need for war materials on a large scale, production can now be directed toward output of products for which existing money will be spent because such goods are needed or demanded by consumers. When this sort of production catches up with the "pent up" purchasing power accumulated in the war years, there will be an equilibrium of money supply and goods, and therefore the danger of inflation will have passed.

But, as stated in the "Porgy and Bess" song, "It Ain't Necessarily So."

The fact that under our credit economy, additional production itself creates increased money supply seems to have been generally neglected in this argument. True, a few specialists, as, for example, Professor Robert Warren of the School of Advanced Studies, has pointed this out—but the great mass of economists, bankers and business men still fail to grasp its full significance.

If, in essence, goods and services are exchanged for goods and services (as every student of elementary economics is taught), will not the required money as a mechanism for effecting the exchanges be created? It has long been an accepted principle of economic theory that the greater the volume of consumers' goods produced under a balanced condition of effective supply and demand, the greater will be the number and the size of exchanges, and, under the ideal of a perfect system of barter, no increase in money supply is necessary. In fact, wherever barter exists, money is needed only to balance disequilibria in demand and supply, just as in international trade, gold is needed and used to bring about a balance of payments. But, under a money economy in the modern distributive process, a greater supply of currency (i.e. the exchange medium) is essential to effect an increased number of exchange transactions, if prices in terms of money are to remain stable. Yet, the chief defect in this so-called quantity theory of money (as graphically represented in the Fisher Equation) is that one side of the equation (volume of goods) is affected by a corresponding change in the opposite side (money-supply). In other words, a weight added to one side of the scales automatically places a weight on the other side.

Thus, increased money supply can and usually does arise from increased production, when credit is employed in procuring that increased production. Hence, credit expands with greater production and with increase in exchanges, and contracts when production is reduced. If, however, credit is restrained and kept in proper balance by checks on its quality and quantity, and production is also adjusted to consumers' needs (i.e. does not become "unbalanced") the price level is not likely to be substantially affected by changes in the scale of production. There will accordingly be no inflation or deflation, particularly when the credit is of a self-liquidating nature, i.e. when it increases and decreases the means of payment as it is correspondently increased or decreased.

Function of Self-Liquidating Credit

All self-liquidating credit is concerned with the process of creating values to be exchanged. It is thus distinguished from capital credit. In the language so frequently used by the Federal Reserve Board (in its rulings regarding "eligible paper" for discount), self-liquidating credit is based on "values in existence." By this is meant that it is represented by a value which is in the process of being produced or exchanged for money. It is when credit is extended and currency thereby created for the purpose of merely enhancing values (as when there is inordinate speculation, forestalling, hoarding and the like), or when credit is used to foster production that is not needed (i.e. cannot be exchanged), or when credit is used to create currency for making permanent investments, that prices are affected and inflation can take root and have a rapid and noxious growth.

Now, if these deductions are sound (and their soundness is evidenced by their adoption as the foundation principles of central banking throughout the world) any increase in volume of civilian production brought about by the use of self-liquidating credit will not affect present inflation pressure. It will mean no reduction in costs or prices! It will not cause the dollar to return to its pre-war value, and it will not reduce the so-called existing money surplus.

How Inflation May Be Curbed

If prices are to be reduced and inflation curbed under increased production, the result must be accomplished without an expansion of commercial credits. Of course, it could also be accomplished by fiscal policy which would diminish the inflated volume of circulating medium created by government fiat under war emergency. The latter is undoubtedly the sanest and safest method though not the easiest, since it will lead to higher interest rates, and disturb price adjustments. All this means that money should not be kept cheap, but it should be made dear, if inflation is to be curbed. This has been the weapon against inflation and excess credit expansion in the past under a sound central banking system. A rise in the discount rate has been in most cases followed by a fall in prices and a curb on speculation. But these principles, so long acknowledged as sound, seem now to be ignored.

Of course, under present conditions, the task of making money dear by reducing its volume or severely restricting credit is difficult and complicated. It is a remedy which may have serious adverse effects. But it should be borne in mind that with the swollen volume of deposits in the banks, more commercial credit is now available than ever before, and thus more currency can be created than ever before. **The possibility of excessive credit expansion under the lax reserve requirements of the Federal Reserve System is almost astronomical.**

Moreover, without a convertible currency, there is no natural or effective check on the volume of the circulating medium. Thus, we can have a great boom, with full employment and an industrial expansion and prosperity. But should production be allowed to get out of balance so that the distributive function cannot operate normally, we will again have a "grand bust," regardless of continuation of OPA, or other economic controls, or so-called precautionary measures that the Administration and Congress might enact.

If the foregoing reasoning is sound, it should be evident that production should not be "forced" as a hot-house plant; that it should not be fostered by unlimited bank credit; that "sound risk" banking principles should be followed to a greater degree than ever in granting bank loans; and that a safer and sounder monetary system should be adopted than the present mongrel, crazy-quilt, ramshackle existing one. Instead of enacting laws to encourage unneeded and uneconomical production; instead of creating additional credit agencies to compete with private institutions; instead of keeping interest rates low by choking the nation with "greenbacks" in the form of a monetized national debt, let the government economists strive to return to a system of production and distribution which automatically will balance the money supply or so-called purchasing power with the needs of sound business. Let us again return to the old idea, which the nation struggled so long to establish—*an elastic money supply*—expanding and contracting with the need of the times, and based on "values in existence." Let us reestablish a monetary and banking system which will serve to check credit over-expansion and keep the value of the monetary unit relatively stable.

Liquidation of HOLC Assured Without Loss to Govt., Fahey Reports

Final operating figures of the Home Owners' Loan Corporation to last Jan. 1 assure the liquidation of the Corporation without a dollar of loss to the Government instead of the half a billion to a billion dollars deficit predicted when HOLC was created, John H. Fahey, Commissioner of the Federal Home Loan Bank Administration, reported on April 6. The Corporation was more than three-fourths liquidated at the year end, with its $3,500,000,000 total investment now down to $853,951,000, Mr. Fahey stated. It is indicated that during 1945, HOLC had a net operating profit of $22,600,000, after paying all administrative expenses, bond interest and property losses; it is added that the cumulative losses of $337,246,000 taken by the Corporation in the sale of houses it was obliged to foreclose has been reduced by net earnings to a balance of $50,371,000 at the close of the year. Mr. Fahey on April 6 said:

"As HOLC estimated six years ago, it is now apparent that, when liquidation is completed, the Corporation will be able to return to the U. S. Treasury its $200,000,000 of capital instead of suffering losses of a half a billion to a billion dollars, generally expected in 1933 when the Corporation was established to aid distressed home owners and halt the real estate and mortgage panic of the time. When the Corporation's affairs are wound up, the Treasury will also receive a moderate return on the capital provided.

"Of the 198,168 properties the Corporation took over during its operations, 197,799 had been sold by the first of this year. The balance of 368 on hand has since been more than cut in half. The foreclosed homes were sold as rapidly as the real estate market would permit and all but a small proportion were disposed of before the United States entered the war."

The advices from the Corporation state:

"Over a period of three years ending in 1936, HOLC refinanced more than a million delinquent mortgages, which on the average were then in default nearly two years on principal and interest and three years on taxes.

"During 1945, the loans were paid in full or reduced by regular principal payments to the extent of $249,000,000 and the number of remaining borrowers' accounts declined from 586,000 to 483,000. Over two-thirds of these accounts now have balances due of less than $2,000 and nearly 40% of them are less than $1,000.

"Up to the end of December 1945, more than 348,000 of the Corporation's borrowers, or over one-third of the total, had paid off their loans in full before final payments were due, out of their own savings. The Corporation charged to its operating expenses over $58,000,000 of costs incident to placing the loans on its books. It advanced $465,000,000 for taxes, $225,000,000 to repair and recondition the houses on which it made loans and $18,000,000 to absorb delinquent insurance premiums.

"At its peak of operations, administrative expenses of the Corporation were at the rate of nearly $37,500,000 a year and 21.000 people were employed. HOLC's appropriation for the present year is $5,660,000. This is a reduction of over $3,600,000 from two years ago. Personnel now employed by the Corporation number 1,550."

Redeem Belgian Bonds

J. P. Morgan & Co., Inc., and Guaranty Trust Company of New York, as sinking fund administrators for the Kingdom of Belgium external loan 30-year sinking fund 7% gold bonds due 1955, have drawn by lot for redemption on June 1, 1946, $1,178,500 principal amount of said bonds. Payment at 107½% and interest to June 1, 1946 will be made at the offices of the administrators in New York.

More Trading Posts Opened By Curb Exch.

Indicative of the increase in trading volume enjoyed by the securities exchanges in recent months is an announcement made on April 15 by the New York Curb Exchange that two additional trading posts would be opened for use on its trading floor that day. The announcement pointed out that considerable congestion has developed on the Curb Exchange floor during recent active sessions and that a general redistribution of stock issues has been coordinated with the opening of the new posts to relieve the situation. The announcement also said:

One of the chief benefits expected to result from this action, and one which will aid firm customers, is a general speeding up of the telephone quotations service to member firms. Four new quotation board sections in the quotation room of the exchange will be activated simultaneously with the opening of the new posts. The general redistribution of stock issues among the trading floor posts will result in a similar more practicable distribution of the work load in the quotation room.

The quotation service, activity of which was cut back several years ago when market activity declined, has been handling an average of 40,000 incoming telephone requests for stock quotations daily during the recent surge of trading activity. Furnishing of quotations will be considerably speeded up by this new expansion particularly during the first half hour of trading each day, when the quotation room has been averaging 10,000 incoming calls, the Curb Exchange believes.

British Council of Foreign Bondholders Rejects Bond Plan

President Anastasio Somoza of Nicaragua has announced that the Council of Foreign Bondholders in London has rejected his government's proposal for a reduction from 4% to 3% and 1% amortization on outstanding bonds. The savings, he said, were to have been used to pay urgent bills incurred in connection with the war and for payments to the United States Government for Lend-Lease and obligations of the Export-Import Bank. He added that General Irving A. Lindberg, Minister of Customs and Trade and trustee and fiscal agent of the government's 1909 sterling bonds, may go to London to discuss the matter with bondholders.

Air Mail to Far East States

Postmaster Albert Goldman announced on April 17, that articles acceptable for dispatch to Brunei, Burma, Hong Kong, Macao, Malay States (Federated and Non-federated), North Borneo, Sarawak, Siam, and Straits Settlements will be forwarded by air when prepaid at the rate of 70 cents per half-ounce or fraction thereof. Articles for Siam, it is stated, may not exceed two ounces, while articles for the other destinations listed above may weigh up to 4 pounds 6 ounces.

Hedging Against Inflation

(Continued from page 2216)

or benefited alike, there would be "nothing to it." Individuals and economic groups endeavor to take advantage of the situations created by rising prices, or to hedge against their adverse effects. As prices rise, the national income tends to rise with them. Some elements of the community embrace the opportunity to acquire a larger share of the total. Other elements suffer a decline in the percentage of the total available to them. Over-all, for the time being, there is an apparent "wash-out" of effects. Actually, however, inflation spawns inefficiency. So when a state of disequilibrium is created, and differential effects on important groups of persons are experienced, social wellbeing is impaired, and economic growth retarded. This is the compelling reason to discover and to maintain equilibrium in the economy and thereby promote maximum productive efficiency.

Charts 3 and 5 show the differential effects of disequilibria—inflationary and deflationary. Note the differential effect of inflation, since 1940, upon the several economic groups, especially upon recipients of interest.

Persons dependent on interest or other fixed incomes are commonly considered the chief victims of inflation. If inflated prices were to remain on a high plateau far above trend, such persons would be permanently injured by inflation. Historically, as shown by Charts 1 and 2, they have been injured by inflation only for limited periods; moreover, the injuries have been offset by advantages accruing to them from price deflation. If history is to repeat and inflated prices are to return to price trends, such persons will experience only temporary financial disadvantage from inflation and, possibly, temporary financial advantage from a succeeding deflation.

So I turn now to the main economic problem of these persons—a matter of growing importance to them even in the absence of inflation.

The problem of the fixed income group is presented graphically by Chart 6. The smoothed-out trends are based upon the most authoritative data. It is assumed for convenience that a fixed income, sufficient to provide a satisfactory standard of living, was set up for an individual in 1900. The dash line shows the continuance of the fixed dollar income. But the cost of living, Chart 2, trends substantially upward even in the absence of inflation. The fixed dollar income's purchasing power, therefore, declines steadily. This fact is portrayed by the lower solid line of Chart 6.

But this is not all. Our economy is dynamic, experiencing accelerative growth. It is providing higher and higher standards of living. This is shown by Charts 7 and 8 plotted respectively on semi-logarithmic and plain block paper. One hundred years ago the rate of change was only 0.25% per annum; in recent years, that is, just before Pearl Harbor, the trend of growth of the standard of living was much more rapid—about 2.5% per annum—and appears destined to rise even faster.

The upper heavy line of Chart 6 shows how the income of an individual should rise in the absence of changes in the *cost* of living in order to participate in the general rise in the *standard* of living. The interval between the uppermost line and the lowermost line indicates how far short the income of the fixed income recipient is of providing for trend changes in the cost of living and trend changes in the standard of living.

The case for the individual whose living is to be provided out of income from an all-inclusive portfolio of common stocks is somewhat better than that of the fixed income recipient. Nevertheless, it is still deplorably short of being sufficient to provide against the rising trend of the cost of living on the one hand and for a rising standard of living on the other. The essential facts are presented by the graphs of Chart 9. The portfolio provides a slowly rising dollar income—rising, however, more slowly than the trend of the cost of living, and, therefore, as shown by the lower heavy line of Chart 9 does not even yield sufficient income to maintain the 1900 standard of living.

Moreover, as in the case of the fixed income recipients (Chart 6) the dollar dividend-income makes no provision whatever for the cost of increases in the standard of living. The funds required to provide for the rising standard of living are indicated by the uppermost line (real per capita national income) on the chart.

The simplified graphs (Charts 6 and 9) have presented the most favorable situations. If changes in

(Continued on page 2245)

Chart 1

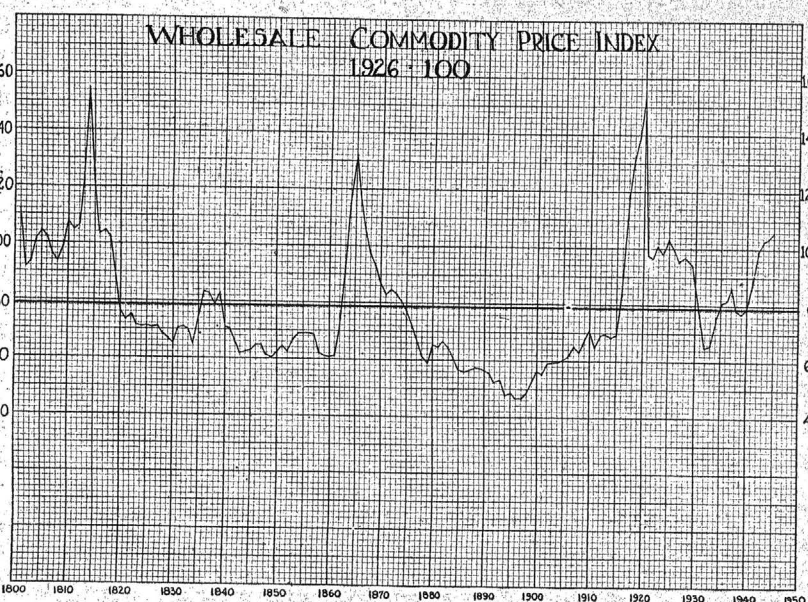


Chart 2

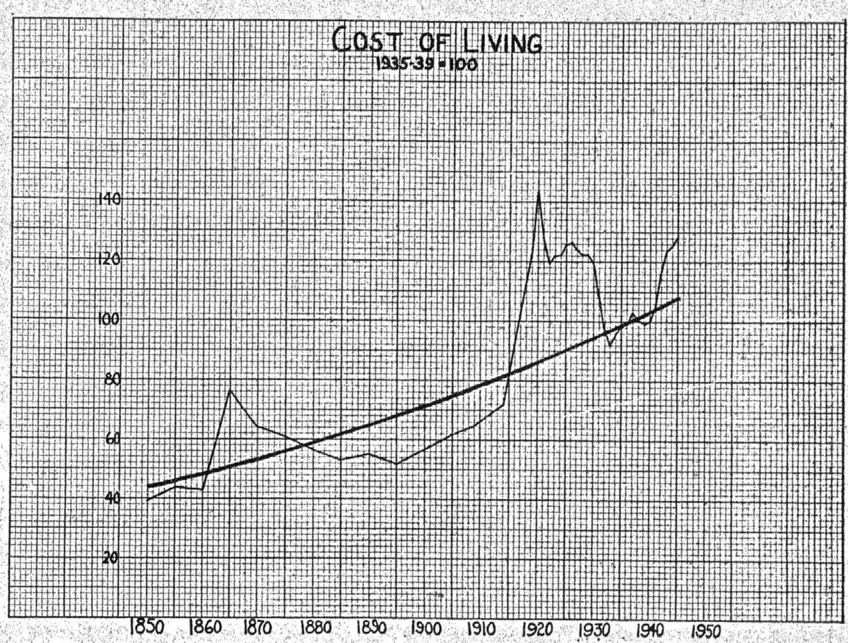


Chart 3

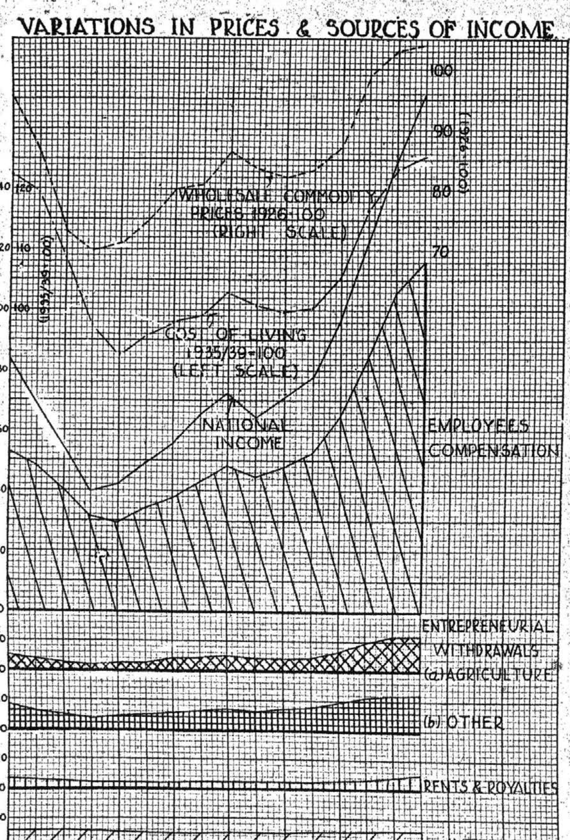


Chart 4

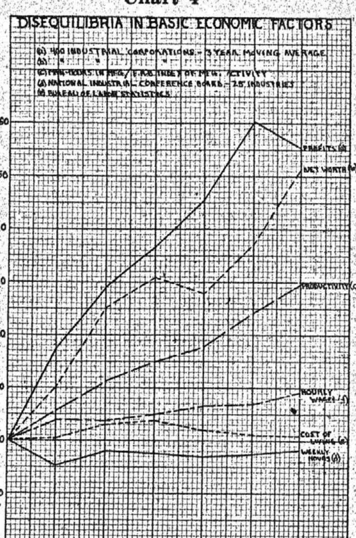


Chart 10

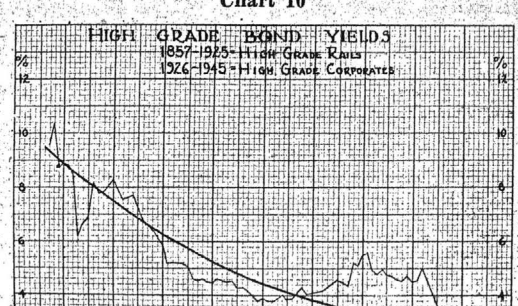
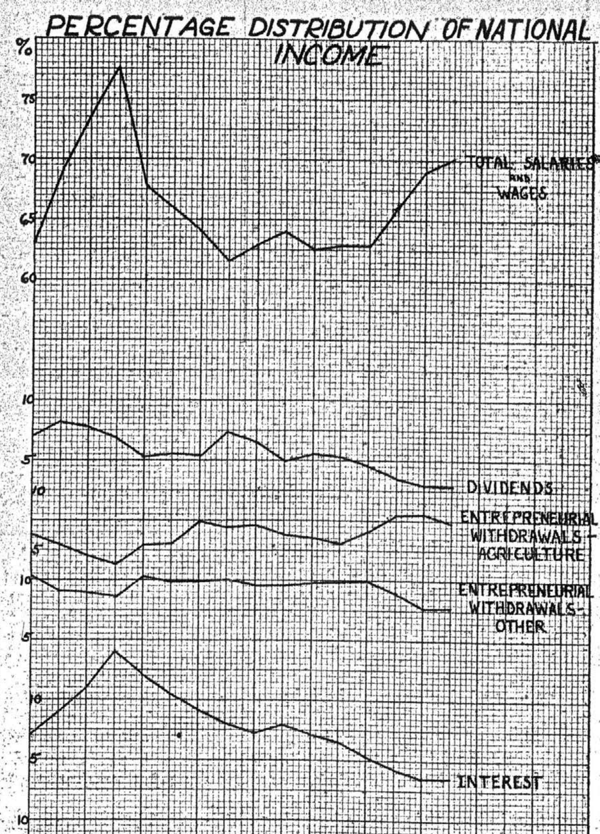


Chart 5



portfolios have to be made because of maturity of securities, or for other reasons, the following adverse effects must be taken into the reckoning:

1. For many years income from fixed income securities has been generally declining. Chart 10.
2. Income from equities is increasing at a declining rate because: first, there is a slowing down of the rate of increase in the market value of common stocks; and second, yields on market values are slowly declining. Charts 11 and 12.

Capital appreciation (increase in market values) may be considered an offset to the disadvantages recited above in the event that liquidation of portfolio is employed to defray living expenses.

It becomes clear from the foregoing that in order to provide recipients of fixed incomes or incomes from industrial equities with sufficient funds to meet gradually rising living costs and to enjoy average participation in the rising standard of living, the respective portfolios at the outset must yield large excesses of income over the needs of the early years. As an alternative an arrangement may be made by which total adequate purchasing power will be derived from the sum of income and liquidation of principal, as by a special type of annually growing annuity. In short, certain kinds of income just adequate at the beginning of a span of life are bound to become totally inadequate over a period of years unless fundamental trends of our economy are reversed. The last mentioned possibility is not likely of realization within a generation — maybe, much longer.

What other kinds of income provisions can be made to cope with the conditions of our dynamic economy? Charts 3 and 5 indicate how the agricultural community and the entrepreneurial group—so-called small business and professional men, etc.—meet the situation. In the long run they "do all right." So also do those who find a place of usefulness in the industrial, commercial, and service activities of the community as wage and salary earners.

Perhaps the best hedge of all is afforded by a place on the payroll of a business entity, demand for whose service holds up well in all phases of all business cycles. The trend of wages of employees in general is approximately presented by the wages of persons employed in manufacturing. The incomes of all workers follow this long-term trend, though for some there is a long, and, therefore, nearly intolerable, lag between changes in the rising costs and standards of living, on the one hand, and in earnings with which to meet these cost changes, on the other hand. The hurts inflicted thereby point to the need for making frequent, appropriate changes to the pertinent factors of our dynamic and rapidly changing economy.

Chart 6

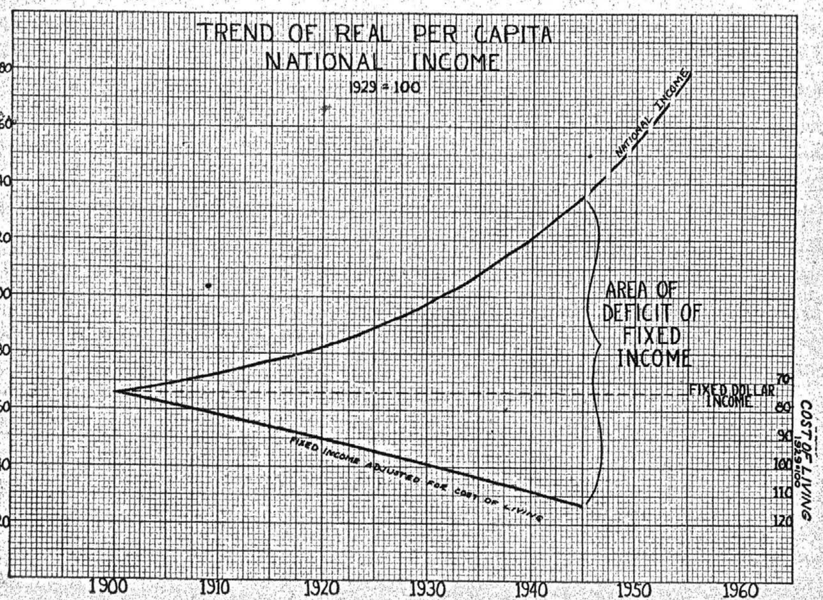


Chart 7

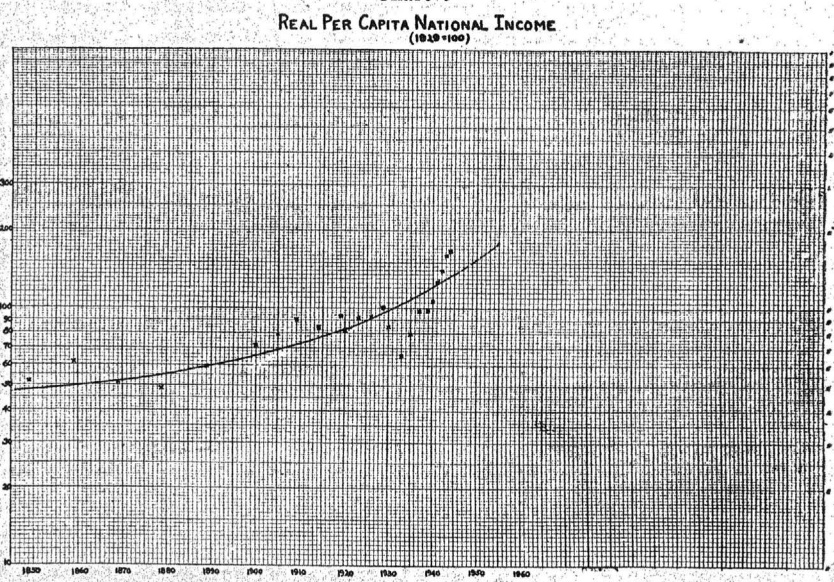


Chart 8

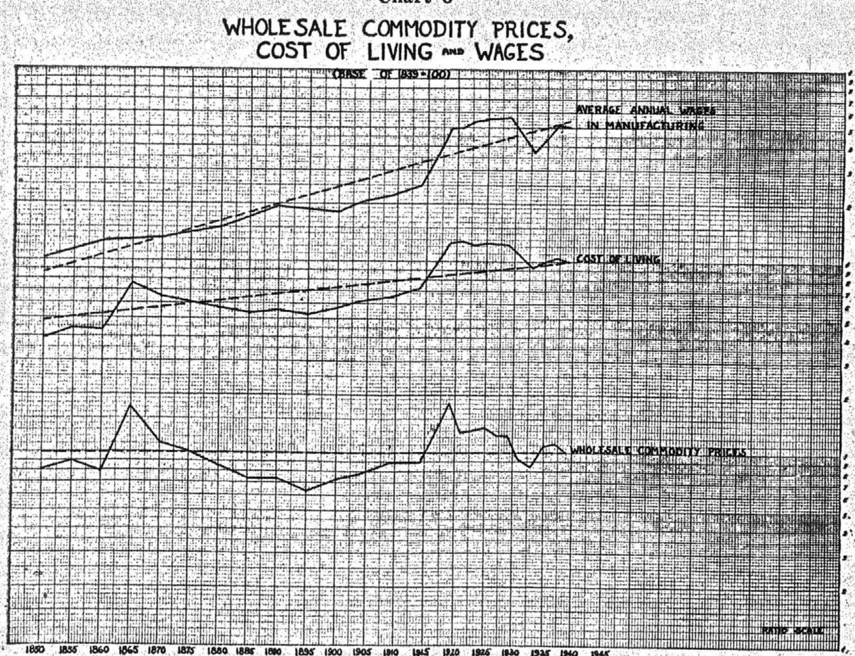


Chart 9

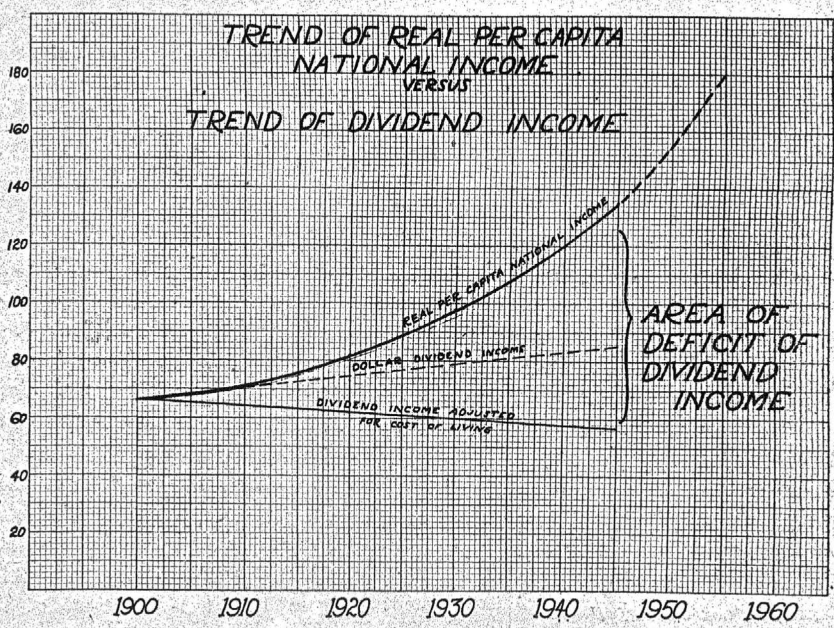


Chart 11

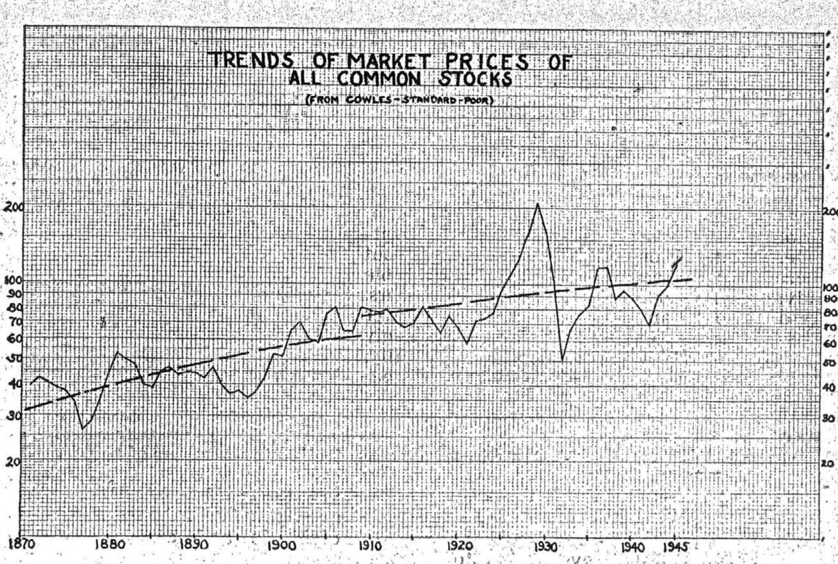
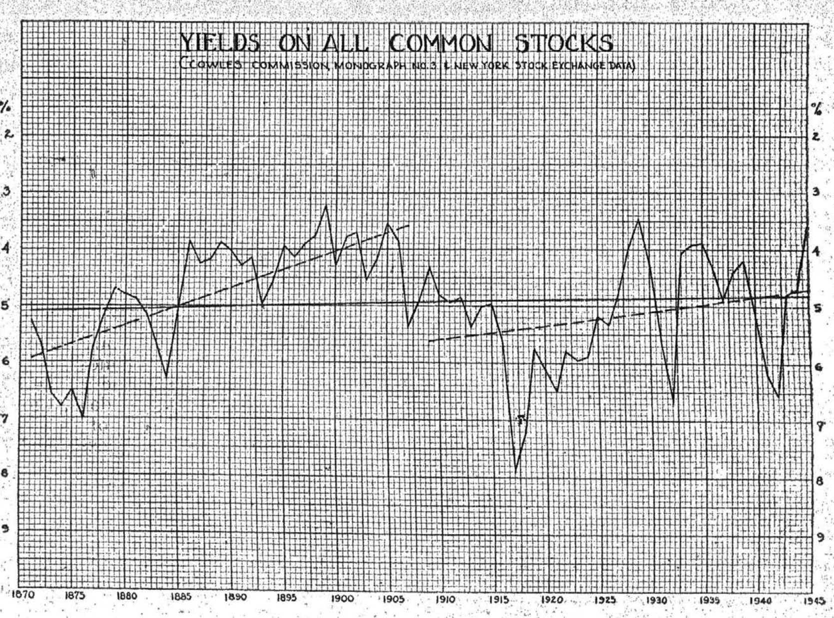


Chart 12



The Problems of Tax Revision

(Continued from page 2219)

Surely it is not a crime for the Federal Government to have a budgetary surplus and the retirement of debt which it makes possible. A time of strong inflationary forces when incomes are high is the ideal time for a budgetary surplus. In a statement last Thursday (April 11, 1946), President Truman said: "It is the aim of our fiscal policy to balance the budget for 1947 and to retire national debt in boom times such as these. In our present fight against inflation, fiscal policy has a vital role to play. A continuation of our present policy, which is to maintain the existing tax structure for the present, and to avoid nonessential expenditures, is the best fiscal contribution we can make to economic stability."

Not Time for Tax Structure Revision

In view of the undesirability of tax reduction, this is not the time for structural revision either since most, if not all plans, for the postwar structural revision of the Federal tax system would involve reduction of revenues.

This does not imply any abandonment of the idea that post-war tax revision will be needed. Rather it suggests that the present is a good time to examine the problems of postwar tax revision.

Let us pass in brief review the objectives to be achieved in a revision of the tax system. In his 1945 Annual Report, Secretary of the Treasury Vinson outlined these objectives as follows:

"Broadly stated, our objective is a tax structure with which the taxpayer, the Government, and the national economy can live and prosper.

"The tax structure that taxpayers, both individual and corporate, can best live with will meet the test of fairness by relying on levies based on ability to pay. It will leave the individual adequate incentive to risk his funds in productive enterprise. It will be made up of taxes which are easy to understand and simple and convenient to pay.

"The tax structure that the Government can best live with will produce the revenue needed to carry on the functions of Government. It will distribute taxes in a manner designed to serve the ends of national economic policy. It will be made up of taxes which can be administered fairly and economically.

"The tax structure which the economy can best live and prosper with will rely on those tax measures which strengthen the forces making for a high level of national income and that tend to offset the forces making for instability in our economy."

Combatting Inflationary Pressure

One of the economic objectives of tax policy which is particularly important at this time is to combat inflationary pressure. Throughout the war, as well as at the present time, the demand, especially for consumers' goods and services, has been excessive in relation to supply, with resulting pressure towards inflationary increases in prices. Taxes help to combat inflationary pressure by draining off spendable funds into the Treasury and thereby reducing the demand for goods. When the source of the demand is governmental expenditure in excess of revenue, taxes are particularly appropriate as a method of combatting inflationary forces.

Taxation has another bearing on inflation. The best preventive and cure of inflation is to increase production. Tax policy can contribute to this end by minimizing the restrictions which taxes place on production.

I do not want to leave the impression that taxation is in itself a sufficient method of combatting inflation. For one thing, public resistance to increasing taxes when they are needed for inflation control may make their effective use impossible. Moreover, taxation is too unrefined an instrument for certain kinds of inflationary situations. Thus, after a great war the extent of the shortages of different goods and services vary so widely that no general impact on purchasing power could meet the problems existing in different industries. Under these circumstances specific control measures are required in addition to a general anti-inflationary fiscal policy.

Restrictions that Reduce Production

Although over the last few years we have continually had to face the threat of inflation, over our national economic history as a whole this has been a relatively uncommon condition. Much more common has been the problem of promoting and maintaining a high level of business activity and employment. We have by no means forgotten the long period of deflation and depression which marked the greater part of the 1930's. Accordingly, when postwar tax revisions are made, an important objective will undoubtedly be to remove restrictions that reduce the volume of business activity and employment. There are a number of ways in which taxes may reduce the volume of business activity and employment. An obvious one is by repressing demand, both consumer demand for goods and services and investment demand for labor, materials, and capital goods. Without a high level of consumer demand and investment demand, markets will be inadequate to absorb the goods poured out at a high level of production and employment, with deflation and depression the inevitable result. Accordingly, tax revision should be made with an eye to minimizing the repression on consumer and investment demand. I am quite aware that this is much easier to say than it is to carry out in a tax program. The clear implication is that the heaviest taxes should rest on savings which are not used to create demand for newly produced capital, but a practical tax to achieve this result has not yet been developed, or at any rate has not come to our attention.

The Tax Administration Problem

In emphasizing equity and economic objectives, we should not lose sight of the importance of administration. Many a tax that looks ideal on paper is worthless because it cannot be administered by a reasonable expenditure of Government expense and taxpayer inconvenience. The latter is particularly important, for a tax measure cannot be expected to continue to operate effectively if the taxpayer is unable to comply with it by a reasonable amount of time and effort. I do not have time here to discuss the possibility of simplification in the postwar tax system. I should like to point out, however, that simplicity for the many is much more important than simplicity for the few. Many of the more complicated provisions of the tax laws apply to relatively few taxpayers who have large and complex businesses and can afford to employ the professional talent necessary to prepare the necessary accounts and returns. Much more important than simplifying those provisions is simplification affecting the multitudes of small taxpayers who should have a tax system which does not require them to employ professional tax experts. However, even for them simplicity may not be an unmixed blessing. It is often attainable only at the sacrifice of equity and perhaps of desirable economic objectives. The complexities of the individual income tax are due in very largqe measure to the demands of taxpayers for an income tax whcih will be as fair as it is possible to make it.

Another factor not to be overlooked is that the postwar tax structure will be limited in part by the machinery and procedure through which changes in tax laws must be made. An idea that has been proposed frequently of late is that tax rates and exemptions should be rapidly moved up and down as economic conditions change in order to offset such changes. This proposal has been given the name "flexible" taxation. It is an attractive idea and some day it may be a reality. But traditional procedure for changing tax rates and exemptions do not lend themselves to the kind of speed required for flexible taxation and even if they did the public would undoubtedly be bewildered and resentful at being forced to adjust themselves to frequent changes. At best there is often a considerable lag in public understanding. I suspect that people would rather not have their attention called to taxes by frequent changes, especially those that are in an upward direction.

Occasionally people who ought to know better talk as if they expect a brand new and entirely different tax system to result from postwar tax revision. Such expectations are not justified. The pessimistic statement from the Bible that "There is no new thing under the sun" is almost true of taxation. There have been constructive developments and there will no doubt be new ones hereafter, but there is nothing known now to justify the idea of a radical change in the forms of taxes. The present Federal tax system has been developed over a quarter of a century or more and is the result of a great deal of thought and effort on the part of many people. The best taxes known in the world today are by and large being used by the Federal Government. They contain many curious anomalies but with minor exceptions these are not there either by accident or because of ignorance, but have been put there by political pressure brought to bear by interested taxpayers. That kind of an anomaly is very hard to get out of the tax system.

One of the revolutionary innovations of the wartime period is our system of current individual income tax payment, including the withholding by employers of tax on salaries and wages, and the estimating and current quarterly payment of tax on income not subject to withholding. The first official recommendation for withholding was probably that of the Secretary of the Treasury, Mr. Morgenthau, in November 1941 Withholding entered the tax system in a small way with the Victory tax in January 1943 and was put on substantially the present basis in July 1943 by the Current Tax Payment Act. This act also provided for the system of estimate, as well as a method of transition from the old to the new collection method.

These new methods of income tax payment are not perfect. The withholding system tends to keep a person from having a clear knowledge of this income on the one hand and of his income taxes on the other. The system of current estimate has proved worrisome to some people, which is probably due to an imperfect knowledge of the alternative methods of estimating which are allowed. But there are great advantages. The current payment system is more convenient, makes payment easier, and results in more complete collection. There are occasional complaints but it is my impression that employers, employees, and professional people alike are in general well pleased with the system and would not wish to see it repealed. It is important to live up to the spirit of the current payment system as well as to its letter by keeping genuinely current throughout the year and not merely catching up by the end of the year. The people who are most pleased with the system seem to be those who deliberately overpay their tax so that they are certain to be out of debt to the Government for tax liability.

Although it would be foolhardy to forecast probable postwar tax revisions, it may be helpful to examine briefly some of the questions or issues that are likely to come up for consideration. I hope you will not try to read a Treasury position into my remarks, especially since many of the matters are still in the study stage which must precede, or at any rate ought to precede, the determination of an official position.

Corporation Taxes

A problem which has received a great deal of consideration both inside and outside of the Government concerns the position of the corporation in the tax structure. It is generally recognized that the present methods of taxing corporate income leave much to be desired. Where corporate profits are distributed to stockholders an element of so-called "double taxation" results since the corporate income is subject to tax once at the corporate level, and the remaining income again at the individual level. The extent to which this double taxation is real as well as apparent depends in large part on the extent to which the corporation is able to shift its taxes to other people, for example, workers or customers. If there is complete shifting the double taxation dsiappears and if there is partial shifting the double taxation is reduced.

To the extent to which there is double taxation of corporate profits income earned through corporations is taxed at substantially higher rates than is other income, and the distribution of the tax is not in accordance with a system of progressive rates.

Where corporate profits are not distributed, the income earned through the corporation is in numerous cases taxed at highly favorable rates in comparison with business income earned through proprietorships or partnerships, and in comparison with other income.

Correcting the situation is not a simple problem. The prices of outstanding corporate securities have become adjusted to the present tax system. A substantial reduction of the so-called double tax would give undeserved windfalls to the many owners of these securities who purchased them under the expectation of taxes no more favorable than those imposed under existing law. The future investment in new corporations, however, will depend on a prospect of income sufficient to pay both the corporate tax and the individual tax.

You are no doubt familiar with most of the proposed plans for revising the corporate tax structure. At one extreme are proposals to repeal the corporate tax altogether. These proposals not only reflect a lack of political reality but also leave unsolved the problem of the accumulation of untaxed profits in the corporation. Proposals for repeal of corporate taxation are sometimes accompanied by proposals for forcing profits out of the corporation.

Another proposal would tax corporations like partnerships, that is, the corporation would pay no tax as such but stockholders would be taxed on their distributive share of the undistributed profits of the corporation. This also seems an unrealistic proposal, especially if applied to larger corporations with many stockholders. For one thing, the tracing of the eventual owners of the undistributed profits would be an extremely complicated matter with respect to many corporations. Moreover, many stockholders would be placed in the embarrassing position of having taxes to pay without any satisfactory method of getting funds with which to pay them.

A third proposal is to permit corporations to deduct in whole or in part the dividends they pay on preferred stock and common stock in the same manner as bond interest is now deductible. This has been objected to in some quarters because of its resemblance to the undistributed profits tax.

Another proposed method is the partial exemption of dividends received by stockholders so as to allow for the tax paid by the corporation. This has a number of disadvantages, among them the fact that where the corporation succeeded in shifting its tax the stockholder would be receiving a special tax reduction not available to anyone else.

Still another proposal is to treat the corporation tax as a withholding tax and to treat dividend income for tax purposes in a manner similar to salaries and wages. That is, the tax would be computed to the stockholder on the basis of gross dividends before the withholding of tax and the stockholder would be given a tax credit for the tax withheld and paid on his behalf by the corporation. This method is followed in Great Britain.

There are, of course, many people who would prefer to make no change in the structure whatever, allowing the double taxation to continue but reducing its scope by reducing the corporate tax rate and the individual tax rate. These and other methods of taxing corporations have been proposed and are under consideration. There seems to be wide disagreement even, and perhaps I should say particularly, among businessmen as to which method would in the long run have relatively the most desirable effect on the economy.

Averaging of Income

One reason for concern about corporation taxation is the belief that business expansion and the willingness to take risks are reduced thereby. This reason, as well as others, also underlies proposals for the more effective averaging of income over a period of years. The income accounting period under our income tax system is, of course, a 12-month calendar or fiscal year. The accounting year is defective in that there are many items of income and expense which cannot readily be attributable to any specific one-year period. Perhaps more important is the fact that with the one-year accounting period fluctuating incomes commonly pay more taxes than if the same total amount of income is received in a steady stream. Conceivably, the taxes on widely fluctuating income may be more than the total income over a period of years.

Our tax system has already taken into account these defects by introducing elements of averaging. Business incomes and losses are averaged to the extent that losses may be carried back for two years and carried forward for two years. There are also minor specific provisions, notably the option to lawyers and some other groups to average income where income earned over a period of 36 months or longer is received in concentrated form.

Further extension of the averaging principle may be considered in postwar tax revision. Thus longer carryovers of business losses have been proposed, although in part the lengthening of the period would be for the purpose of replacing the two-year carryback which has proved defective in a number of respects. A carryover of losses is, of course, not the equivalent of complete averaging for businesses. Both individuals and corporations are subject to progressive rates and the effect of averaging is to prevent the bunching of income received in specific years and taxed in the absence of averaging at higher bracket rates. Incomes from nonbusiness sources receive no tax relief from these carryovers.

A recent proposal is to allow a carryback and a carryover of unused exemptions somewhat analogous to the carryback and carryforward of business losses. Thus, if a family in one year has income less than the personal and dependent exemptions, while in the next year it has income in excess of such exemptions and accordingly subject to tax, the unused exemption of the earlier year could be carried forward and offset against the taxable income of the later year. The carryback and carryover of unused exemptions would, of course, benefit only those individuals whose incomes in some years fall below the exemption level, but there are millions of such families.

There are many individuals who do not have business losses and whose incomes do not fall below the exemption level who nevertheless pay higher taxes because their incomes are bunched in occasional years instead of being spread relatively evenly over a period of years. Authors, actors, professional men, and businessmen alike often work for many years for a moderate return and finally make a "killing" in some one or two years. While on the average their income remains moderate for the particular year, it extends to the higher brackets and they may derive relatively little from it net of tax.

Unfortunately, the application of averaging plans thus far devised would greatly complicate the income tax system. Perhaps averaging would be worth the additional complication, not only because it would reduce inequities but also because it would reduce to some extent business risks.

Capital Gains and Losses

A particular type of income for which averaging has been proposed is capital gains. Capital gains taxed in the year of realization have often accrued over a long period of years. Averaging would spread the income and thus in some cases reduce the tax. Quite aside from averaging, however, a reexamination of the taxation of capital gains and losses may occur in connection with postwar tax revision. Few provisions of the income tax law have been more frequently changed or given rise to more dissatisfaction than those relating to capital gains and losses. The story of the blind men and the elephant is peculiarly applicable to capital gains and losses. There are so many different ways of looking at them which affect the attitudes towards their taxation. Thus, one person watching the rise and fall in security values may conclude that capital gains are not income at all but accretions to capital and that as such they should not be taxed. Another person, observing the fur coats, jewelry, entertainment, trips to Florida, and other expenditures being financed from capital gains will be convinced that capital gains are certainly income, at least in the minds of the people who receive them. A person whose job is to maintain investment portfolios in the best possible condition and who must constantly buy and sell securities with this in mind will see in the tax on capital gains an obstacle to sound investment policy. A person who is sensitive to inequities may see in the failure ever to tax as income the capital gains which accrue on securities held until death, a major violation in the ability-to-pay principle. A person close to the security markets may conclude that the capital gains tax discourages the sale of securities and that it therefore accentuates and prolongs speculative booms. Another person, looking at the same situation, may conclude that the differentially low rate of capital gains taxation induces people to buy securities as the easiest way to make net income after taxes and thus causes or stimulates the boom. Still another person may think what happens to the stock market to be of little consequence to the country as a whole and accordingly would not let the effects of the capital gains tax on the market weigh much in his judgment. One person may deplore the inducement that the differentially low capital gains tax rate presents to high-income executives, causing them to resign their positions and seek their fortunes by building up businesses of their own, which they may keep until death or sell subject to the capital gains tax rates. Another person may think this result is desirable in stimulating the growth of new businesses. Still other persons may be distressed by the efforts—many of them successful—which are being made to transform ordinary income into capital gains and thus escape the higher rates.

Certainly none of the many proposals for changing the capital gains tax system would satisfy all of these people. It has been proposed to subject capital gains to full taxation, allowing full deduction for losses, with averaging over a period of years. It has been proposed to accrue the increases in value and the decreases in value and tax them prior to realization. It has been proposed to separate realized capital gains and losses completely from other income and to subject them to a separate rate schedule. It has been proposed to continue the present taxing method, on the one hand, with a longer holding period and higher rates, and on the other hand, with a shorter holding period and lower rates. Finally, it has been proposed to completely exempt capital gains from taxation.

The capital gains tax field thus does not appear to be a good place to take a dogmatic position. Perhaps it would be feasible to approach the problem through new methods of classifying capital gains, recognizing differences in assets, in the causes of the gains, and in their significance for the economy. I hasten to say I have no practical suggestions along this line but the difficulties of the past suggest the desirability of some kind of new approach for the future.

Income Tax Rates and Exemptions

Still another solution for the capital gains tax problem which is sometimes proposed is that the differential between the rate imposed on capital gains and that imposed on other income be eliminated or reduced by lowering the taxes on other income. This problem of rate reduction is, of course, a general problem and not one limited to the solution of the capital gains tax problem. Undoubtedly in any postwar tax revision there will be demands for individual income tax reduction at many different points. Some will stress reductions for the bottom incomes, others for the middle incomes, still others for the highest incomes; some for earned incomes and others for investment incomes. We may be sure that everyone will have a very strong argument demonstrating the economic desirability of his proposal.

Thus, there will be demands to raise the personal and dependent exemptions on the ground that present exemptions are below the minimum living standard, especially for single individuals and small families. There will be demands to raise the exemptions and lower the tax rates for the bottom brackets in order to prevent undue reduction of consumer purchasing power. There will be demands to decrease the rates on the lower middle class on the ground that this class is the backbone of democracy and that our society is headed for trouble if the middle class is discouraged or destroyed. There will be demands to decrease the rates of taxation on executives in order to restore their incentives to take risks and expand their businesses and undertake more difficult jobs. To this end, there will undoubtedly be demands for a substantial earned income credit to reduce the tax on compensation and other earned income below the tax on investment income. However, there will also be demands to decrease the tax rates on income from investments in order to encourage people to take risks and put their money in new investments. Undoubtedly I have missed some of the important demands. In other words, every group can and does make the argument that lower taxes on its particular segment of income are important for the sound economic growth of the Nation. These conflicting views present a dilemna. It is a dilemna which cannot be solved by lowering everyone's taxes; obviously the money must come from somewhere.

Family Incomes

A somewhat less important income tax problem is also likely to arise, namely, the problem of taxing the income of families. Like many other tax problems, this one is becoming more acute with the passage of time and is accentuated by high tax rates. The married couples in community property States have long enjoyed an advantage in Federal taxation which persons in the common-law States have contended is far out of proportion to any difference in the actual status of members of the family. On the other hand, in common-law States the practice has been common to reduce income taxes by making gifts of property from one spouse to the other. More recently many family partnerships have been set up, often in an effort to split the income. Perhaps the Supreme Court's recent decisions will discourage this practice, but it is not clear just where the line can or should be drawn.

Some years ago, the Treasury Department proposed compulsory joint returns as a solution for the problems of taxing family income. Compulsory joint returns would treat all families alike regardless of whether the income originated in the property and efforts of the husband, the wife, or both of them. However, if compulsory joint returns were in force, two single persons who married might after marriage have to pay higher total taxes than they did before on the same total income. This prospect gave rise to great opposition on the ground that compulsory joint returns discriminated against marriage and the family. Needless to say, the proposal for compulsory joint returns was defeated.

Another approach is possible to the family-income problem, namely, to allow universal division of income between husband and wife in all States. This would have results similar in some respects to those of compulsory joint returns and opposite in other respects. All families would be treated alike but most married couples would pay lower taxes than today at any given rate schedule while single persons would not. Rate increases to make up the loss of revenue would increase the taxes on single persons above those due under the present system.

Perhaps the family-income question will limp along as it has in the past, but it would seem that with the higher rates, accessions to the group of community-property States, and the possible spread of family partnerships and other methods of tax avoidance, the problem is one which should be faced in the near future.

Estate and Gift Taxes

There appears to be no great amount of general public agitation for revision of the estate and gift taxes. Perhaps this is due to the fact that the estate tax is levied only at death and falls on only about one percent of adult deaths, while the gift tax similarly reacnes perhaps an even smaller proportion of individuals. The combined revenue yield of the estate and gift taxes is less than the liquor tax or the tobacco tax. In the fiscal year 1945, estate and gift taxes produced about one and one-half percent of the total Federal revenue.

The question arises as to whether these taxes should be made a more important revenue source by lowering exemptions and applying higher rates. Proposals along these lines would certainly meet with objections in some quarters where it is felt that the rates are already too high and should be reduced. It is probable that the levels of estate and gift taxes are more closely related to general social policy than to tax policy.

Aside from the question of rates and exemptions there are important questions concerning the kinds of transfers subject to the estate tax. The use of life estates and trusts and other devices creates substantial gaps in the estate tax base in that the benefits of the propery may be enjoyed by more than two generations with only one tax. The present relation of gift taxes to estate taxes makes it possible for those persons who are able to divide the distribution of their property between gifts and their estates to greatly reduce the total tax. An integraion of he gift and estate taxes into a single tax has frequently been suggested as a means of remedying this situation.

In a number of situations the estate tax, the gift tax, and the income tax do not fit together smoothly. For example, income from property recognized as transferred for purposes of gift tax may still be attributed to the donor for purposes of the income tax. Finally, the present relation of the State death taxes to Federal death taxes is not very logical since the 80% credit of State taxes against the Federal tax is based on the rates and exemptions of the Revenue Act of 1926 which bear relatively little relation to present exemptions and rates, particularly rates in the higher brackets.

Excise Taxes

The excise tax yield in the fiscal year 1945 was about $6 billion, slightly over half of which came from the taxes on liquor and tobacco. Many of the excise taxes which were imposed or increased during the war may be considered unsuitable for a peacetime period. Accordingly, the excise taxes will undoubtedly be reconsidered in the postwar tax revision. In the case of the liquor tax, one of the factors determining the tax rate will be the effect of the rate on the ability of the enforcement authorities to prevent the illicit manufacure and distribution of liquor. Some of the excise taxes such as that applying to transportation of property are largely business costs and thus enter into the general price level. Still other excises apply to certain durable goods, such as electrical appliances and business machines, and were imposed partially to discourage consumption during the war.

In addition to issues concerning the relative amount of revenue to be derived from the excise taxes, the choice of excises to be retained, and the rates to be applied, there will be less important issues in some cases, such as whether the tax should be at the manufacturer's level or the retail level.

Payroll Taxes

The payroll taxes for the financing of social security are an

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Blough Discusses Tax Revise Problems

(Continued from page 2247)
important element of the tax system which I shall not discuss at this time. They are in a somewhat special class and are affected by considerations which do not arise in the case of most other taxes. It should be pointed out, however, that the social security payroll taxes are taxes in every sense of the word, including their impact on the economy and their implications for the equity of the tax structure. Their relation to each other and to the general revenue structure should not be overlooked.

Conclusion

Any or all of the tax issues which I have discussed may arise in the consideration of postwar tax revision. It may be expected that most of them will come up for consideration. However, these are not all of the problems and not even all of the major problems which are likely to arise. Thus, for example, the question of taxing business operations carried on by tax-exempt organizations will no doubt be considered. There are also many minor substantive, technical, and administrative changes that will be proposed by taxpayers or others for consideration. It would be possible to fill several pages listing such issues but I obviously cannot do so at this time.

It is clear that the problems of taxation are not all behind us. The tax problems ahead have a serious bearing for the future of the economy. Tax policy involves more than a political struggle among economic groups to push the burden of taxes off onto each other. The future development of the economy, the intensity of boom and depressions, the size of business concerns, and the volume of business and employment may all be importantly affected, indeed, almost certainly will be importantly affected by the sort of tax policies that are adopted for the postwar period. It is, accordingly, of great importance that tax issues be considered in the light of the best economic knowledge. We should hope and strive to raise and keep the level of tax controversy above narrow self-interest and group interest and all work together to promote the national interest.

NYSE Revises Schedule of Listing Fees

The New York Stock Exchange made available on April 20, through Vice-President, John Haskell, a revised schedule of listing fees of the Exchange, for the information of lawyers, accountants, and investment firms, and their clients concerned with listing securities. The announcement says:

"The revised schedule becomes effective July 1, 1946. However, any company applying to list securities prior to July 1 may, at its option, pay its listing fee on the new basis.

The chief differences between the new revised schedule and the current one are as follows:

1. The basic initial fee for stock is reduced from ½ of a cent per share to ⅓ of a cent per share for the first 2,000,000 shares, and ¼ of a cent per share for shares in excess of 2,000,000.

2. The present optional method of paying the listing fee on a lump sum basis in lieu of a continuing annual basis is discontinued except for additional shares of already listed stocks.

3. The practice of allowing under certain circumstances credits on current applications from fees covering listings authorized in prior years is discontinued.

There is no change in the fee for bonds.

Effect of Cartels on the Managerial Function

(Continued from page 2219)
eration, and what consequences they have for American society. It is at once apparent that the decisions of business management, determining as they do the tenor of our industrial life, will affect the whole character of our economy. From this standpoint, to grasp the aims and the methods which enter into the policies of management in a system of free enterprise is to gain a new insight into the possibilities of our economic growth.

In the economics of a free society, the factors of production are not automatically assembled. It is creative imagination, initiative and enterprise which bring together resources, equipment, and people and combine them for the purpose of producing useful goods and services. It is the continuous exercise of good management, the judicious choice of ends and means which organizes the raw materials of economic activity into efficient and profitable units. In every aspect of these operations, from production and research, through the problems of industrial relations and marketing, management is called upon to exercise precise but flexible judgment. Managers must continuously look backward to the original sources and incentives of production and forward to the ends for the sake of which production is undertaken. Management must at all times consider how best to use the means at hand, where to direct the energies at its command, and how to promote efficiency and economy in all spheres of economic behavior. All of these elements, and many more beside, make up that "know-how" that constitutes the difference between the effective or ineffective administration of industry.

Managment is always a simultaneous problem of proportion in combining men, money and materials, of technical and economic policy, and of perspective in establishing and carrying on the relationships of industry toward owners, competitors, consumers, and finally toward society itself. In every phase of its affairs, management is compelled in justice to its own best interests to seek out objective standards of performance and to apply them with self-searching scrutiny.

Industrial management which is honest with itself must also be true to the principles and aims of free enterprise. Management which adheres to the aims of enterprise generally finds that it is possible to conduct business profitably at the same time that the interests of the community at large are advanced. Hence, both in the internal administration of industry, and in its capacity as a prime mover of our economic system, management carries a double responsibility not only to adhere to the rules of free enterprise but also to refrain from monopolistic practices and, indeed, to combat serious infractions by monopoly. It should be self-evident that departures from the rules of enterprise not only injure a free economy, but violate the premises upon which management is predicated. It is unfortunately true that within recent years adherence to the principles of free enterprise has all too frequently been breached by efforts to dominate the market.

Management and Monopoly

At this point, it is appropriate to ask what the relationship is between management and monopoly. There is only one answer. It is as true today as it was when Adam Smith stated it as a fundamental proposition that "Monopoly . . . is the great enemy of good management." In this same sense, it is illuminating to consider that in 1911, the very year in which Frederick Taylor published his classic study of scientific management, a statement was made in the "Engineering News" which could well have served as an object lesson for Taylor's thesis. The "Engineering News" stated:

"We are today something like five years behind Germany in iron and steel metallurgy, and such innovations as are being introduced by our iron and steel manufacturers are most of them merely following the lead set by foreigners years ago. . . . We believe the main cause is the wholesale consolidation which has taken place in American industry. A huge organization is too clumsy to take up the development of an original idea. With the market closely controlled and profits certain by following standard methods, those who control our trusts do not want the bother of developing anything new."

It would seem obvious in many ways that management cannot afford to sponsor or tolerate practices which violate the fundamental freedom of the market. It is equally obvious, however, that by pursuing the illusion of false stability, by surrendering to the inertia which often follows the attainment of great size, and by seeking to preempt control over technical and economic progress, highly centralized management in many industries has so conducted affairs as to interfere with the freedom of the market. In effect, such acts are a denial of the validity of our economic system. Such conduct may not in some instances be deliberate. But it is the business of management to know what it is doing, and to weigh the effects of its actions. The fact remains, however, that whether it is conscious or unwitting, the triumph of monopoly in a previously competitive industry always frustrates the operation of the price system. It prevents the most economic allocation of resources. When monopoly becomes entrenched as privilege, it increasingly stifles progress, because it must come to look upon progress as a threat to its own existence.

Anti-Trust Laws and Efficient Management

There is a notion held in many quarters that size and efficiency necessarily go together. People who hold this uncritical view of the blessings of size in business organization, readily jump to the conclusion that the anti-trust laws interfere with efficient management of industry.

But I am sure that no demonstration is needed before a group of specialists like yourselves to prove that large-scale operations are not necessarily conducive to efficiency and that many times the smaller units in an industry may be the more efficient. This is not to deny that mass production is desirable and necessary in many industries. Large operations are to be encouraged where they really produce greater economy and efficiency. But the test is a factual one which leads to different results in different industries, and it is competition which should decide the issue even among large producers.

The anti-trust laws do not interfere with efficient mass production. But monopoly penalizes the most efficient producer in favor of those producers who have succeeded in creating artificial protective walls around their industries. It seems to me that from the standpoint of management that industry is likely to be the most efficient which is constantly kept up on its toes by vigorous competition. It may be large or it may be small. We should not be concerned by size as such. But we should be concerned with the effect of artificial protective barriers which in effect subsidize inefficiency by the imposition of a hidden tax upon consumers.

I suggest that from the standpoint of promoting efficiency in administration and management a competitive system produces more men and women with developed capacity for exercising the responsibilities of management because they have been trained and seasoned by the competitive struggle.

We have heard so much in the political forum about the evils of bureaucracy in government. Much is said about red tape; about duplication of function; about men and women in government service losing their drive and initiative because they are confined by the system to mere routine tasks. I do not deny that in some instances there is warrant for this criticism. But I assert that the same criticism is equally valid as to many large business organizations in which exists an encrusted bureaucracy that stifles individual initiative and lessens efficiency. This type of bureaucracy in business flourishes under monopolistic controls. It does not have a chance in a real competitive industry.

Need a Dynamic Capitalism

We live in a dynamic world. If the American system of free enterprise is to be maintained intact, American capitalism must also be dynamic. This means that it must meet some very concrete specifications. A dynamic capitalism requires constant freedom of opportunity for the emergence of new concerns, new industries, new men, new products, new processes and new markets. A vigorous capitalist economy is distinguished by the existence of a constantly widening range and variety of opportunities. We have come to appreciate that there are many frontiers open to initiative, not only in invention, but also in the organization of new firms, in the promotion of new products and in the supply of new types of services. It is the prime concern of management in American industry to see that access to the market remains free. In other words, management must itself be among the foremost to recognize that unless the pathways of discovery, of initiative, and of progress are kept open, the scope of its own potential development will become sharply limited.

Where necessary management must be willing to accept risk. It must stand ready to take a chance and to abide by the loss or gain which is the outcome of an enterprise system. Whether management embarks upon a relatively hazardous enterprise or one in which the likelihood of gain seems assured, it must recognize that the right of venture cannot be exclusive. Management cannot seek to deny to others the freedom of opportunity which it claims as its own due.

It is my belief that society makes more rapid progress and provides a better life for all when as many people as possible are applying their wits, their imaginations, their strenuous efforts and, indeed, their whole abilities to advancing the techniques of business and industry. We do not want any more people than necessary to be doing just routine work. We want an ever-increasing number of men and women to be functioning in jobs where there is an opportunity to develop whatever latent powers they possess. We envision a system of enterprise in which there is an opportunity for every person to exercise his own peculiar capacities to the utmost for the satisfaction of his own deepest desire for self-expression through creative work. Not only does the individual develop the best that is in him under such a system, but society is the more enriched by the productive efforts of its members when they as individuals are allowed the greatest area for true self-expression in their work.

Thus, management has a responsibility to encourage and not stifle the individual efforts of those who work in industry. Under a system of competitive enterprise there are both incentives and much greater opportunity for those men having managerial talents to function freely and make their best contribution. Indeed, the extent to which such abilities are utilized is a criterion of good management in any field.

On the other hand, if a society were to function according to a static blueprint, it seems to me that the duties of management would be more routine and less inherently important. The plan for carrying on an industry would come from the top. The men down the line would merely execute orders. In a free society, on the other hand, each superintendent, administrator, executive, should be encouraged to contribute new ideas and new plans.

Cartels

In a cartel the important decisions are all made at the top. The administrators down the line execute the policy that has been laid out for them. They may be efficient in a routine sense, but they do not make the impact on policy that men of similar talents could do under competitive conditions.

In a competitive industry many men are applying their managerial talents in a dynamic and imaginative way. They are not just carrying out orders. They are not just interpreting somebody else's blueprint. They are making their own definite impress on policy. Their function has real importance and dignity.

Thus, I cannot urge too strongly that monopoly practices reduce the relative number of men who contribute to industrial policy-making, and reduce the importance of the function of management for all but the few top men. Just as democracy allows the individual the greatest opportunity for political self-expression, so competitive industry provides more avenues for the development of real administrative and managerial talent.

From this standpoint it is entirely clear that cartels, the most recent and the most powerful form of economic monopoly, have nothing in common with either the principles of good management in industry or the system of free enterprise. At the present time the cartel philosophy represents the crux of the problem of industrial policy in this country. We have come to see in recent years that a representative government, depending upon the freedom of opportunity to stimulate economic expansion and development must constantly be on guard against the attempts of cartel interests to restrict enterprise. Indeed we have come to the realization that cartels cannot co-exist with free enterprise, and that if they persist they will in time undermine democracy itself.

The advocates of cartels are seldom willing to define the terms in which they speak, for confusion suits their purpose—to retain the appearance of enterprise while eliminating the reality. Actually, despite the many facile means which are employed by cartels and their proponents to mask their true identity and to obscure their aims, the real nature and purposes of cartels are crystal in their clarity. I should like, therefore, to attempt a summary of their unmistakable characteristics. In their simplest form, cartels represent an alliance of monopolies for the purpose of dominating the market, either in whole fields of industry or in particular commodities. It is this central aim of dominating the market by eliminating free competition which defines the cartel. The organization of cartels is not undertaken for any public purpose nor in pursuance of any public policy, but for the benefit of specific private monopoly groups. In some cases cartel control is unified and centralized; in others control is diffused and shared among the privileged few on the basis of their relative size and power.

In the pursuit of their ends cartels resort to an impressive array of ingenious devices. There seems to be no limit to the number and extent of their restrictive tactics. In general, however, cartels ordinarily adopt a pattern or combination of strategems and practices which have the unswerving object of regulating the market to suit themselves. Some of these practices are easily discerned; others are vsiible in their effects upon the market.

One of the most frequent of cartel patterns, as well as one of the oldest, is the control of raw materials by private monopoly groups either at their source or in their distribution. Ordinarily this pattern involves agreements that limit total production, allocate quotas of output and fix the quantities, the prices and the territory in which the commodity may be sold. In this way the entire world market for critical raw materials has at times been subjected to a set of private rules governing their production and exchange. The most prominent examples of this type have been found in such major raw products as rubber, tin, quinine, copper, and light metals.

An even more important class of cartels is that in which whole fields of industrial activity and whole sectors of technology are subjected to collusive agreement among the chief producers. In some cases the principal instrument of such cartels has been the consolidation of huge aggregations of patents. In turn, these become vehicles for further restrictive measures. At this point, those who advocate cartelization have argued that the pooling of technology and "know-how" by cartels actually stimulates technological advancement and the introduction of more efficient processes, as well as products of higher quality. The rejoinder to this view is short and simple. Whatever ends the cartel system may pursue, genuine efficiency which will promote science, or yield better products at competitive prices, is not to be found among them. The two conditions which cartels fear most are technological advancement and the appearance of cheaper products made by more efficient methods.

Restrictive Cartel Policies

Evidence in scores of cases leaves no doubt on this point. In all such instances it has been a notable ingredient of policy to attempt to control the introduction of new products and techniques and to fasten a tight grip on the conduct of scientific research. Probably the most widely known examples of this method of cartelization have occurred in the oil industry, the chemical industry, the electrical equipment industry, the pharmaceutical industry, and such strategic fields as military optical equipment and machine tools. Whether cartels are based on control of raw materials or upon other grounds, it is their customary practice to set limits on the amounts of goods that can be produced, sold, exported and imported. It has been usual to place restriction upon productive capacity. It has been commonplace for cartel agreements to state among their first objectives the elimination of any possibility of competition by independent producers.

An illustration will suffice to indicate the inherent tendency and the ultimate outcome of cartelization. In 1930, a year which might well be said to mark a zenith in the cartel movement in international industry, chains of cartel agreements fettered the movement of a major portion of industrial products entering into world trade. Of the chemical industry, for example, it was possible for a scientist to say in 1930: "The agreements that are reached . . . all tend at length to include provisions for the division of markets. . . . The whole world seems tending toward a great consolidation which will control the production and distribution of most of the world's supply of fixed nitrogen, synthetic fuels and organic chemicals. This means control of the world's food, transportation, and a multitude of material comforts. The whole world will pay tribute to such a consolidation. Let us hope that the consolidation may prove to be a powerful influence in maintaining the peace."

How vain and forlorn was the hope expressed by this scientist, the history of the last few years bears tragic witness. But certainly the reasoning presented a *non sequitur* because there is no rational relation of cause and effect between organizing the world's industries into cartels and the preservation of peace. Indeed, history proves that cartel organizations contribute to wars.

So powerful did some of these cartels become that the scale of their operations inevitably converged with the functions of government. Whether the cartels succeeded in making government their tool or whether government took over the cartels made little difference in terms of the economic consequences. It is worth noting that late in the 1930's cartel groups in Germany and Great Britain felt themselves able to issue a declaration stating "the desirability of eliminating 'destructive competition wherever occurring" and asserting that they would use their power in seeking the help of their governments to prevent competition by independent producers in other countries.

The practically universal effects of cartel agreements during that period were the reduction of output, the increase of market prices, the reduction of employment, the protection of inefficient producers, the retarding of technical advancement and the division of world markets into competition-proof compartments. In the realm of trade, especially, the private treaties among cartels raised artificial barriers which necessarily disturbed the whole course of normal exchange.

Where cartel policy ran counter to public policy, as for instance in efforts to reduce or remove export and import barriers, the cartels were generally successful in thwarting public purpose and in saddling their own decisions upon the market. Serious maladjustments and dislocations of production and of distribution were perpetuated by cartel agreements. Even more noticeably, cartels were able frequently to prevent the development of manufacture both in the United States and in other countries in which they felt it was not desirable.

The facts about the shortages which cartels created in many critical materials needed for war production are now matters of common knowledge. Germany waged war through cartels. Cartel agreements were utilized to restrict production in United Nations countries and to secure for German companies exclusive marketing rights in large areas of the world. Other agreements limited our productive capacity for magnesium, chlorate of potash, tungsten carbide, beryllium, pharmaceuticals, hormones, dyes and many other vital war commodities. In truth, it can be said that in substantially every important field where there was a cartel there developed early in the war an acute shortage.

What conclusions can be drawn from this review of the effects of cartels and other forms of monopoly upon our economy?

It should be understood by all of us who are interested in the maintenance of free enterprise that where competition is suppressed by monopoly power there is an almost irresistible pressure exerted upon national economy to abandon the enterprise system and to undertake the planning of all economic life. There is nothing inscrutable about the causes which operate in such circumstances. They are written large for all of us to see. When competition ceases to operate, when the market is no longer able to fulfill its intended functions, when prices are maintained at arbitrary levels and output is restricted, economic activity begins to contract, unemployment increases and government intervention becomes a necessity. If cartels are accepted and sanctioned, the degree of regulation required is so great that the government is compelled either to permit the cartels to do the planning, or to attempt large-scale supervision of the entire national economy. It is impossible to believe that for this country any such merger of economic and political power would be acceptable.

The direction which our energies must take was accurately mapped by President Truman in his message to Congress on the State of the Union in January of this year. The President stated:

"A rising birth rate for small business, and a favorable environment for its growth, are not only economic necessities but also important practical demonstrations of opportunity in a democratic free society. A great many veterans and workers with new skills and experience will want to start in for themselves. The opportunity must be afforded them to do so. They are the small businessmen of the future. . . .

"It is an obvious national policy to foster the sound development of small business. It helps to maintain high levels of employment and national income and consumption of the goods and services that the nation can produce. It encourages the competition that keeps our free enterprise economy vigorous and expanding. Small business, because of its flexibility, assists in the rapid exploitation of scientific and technological discoveries. Investment in small business can absorb a large volume of savings that might otherwise not be tapped. . . .

"By strangling competition, monopolistic activity prevents or deters investment in new or expanded production facilities. This lessens the opportunity for employment and chokes off new outlets for idle savings. Monopoly maintains prices at artificially high levels and reduces consumption which, with lower prices, would rise and support larger production and higher employment. Monopoly, not being subject to competitive pressure, is slow to take advantage of technical advances which would lower prices or improve quality. All three of these monopolistic activities very directly lower the standard of living — through higher prices and lower quality of product — which free competition would improve. . . .

"During the war, enforcement of anti-monopoly laws was suspended in a number of fields. The Government must now take major steps not only to maintain enforcement of anti-trust laws, but to encourage new and competing enterprises in every way."

The translation of this program into an economic reality will be the surest guarantee that we shall achieve high levels of production and employment, that we shall have rising standards of living and that we shall enjoy wider frontiers of economic opportunity. To the extent that we are able to keep markets free from the encroachment of monopoly we shall be able to use the tremendous capacity and the great skills of industry, management and labor to full advantage.

The solid foundations of a free economy can be secure only in the knowledge that business can compete without fear of monopoly, that new industries can come into existence, and that the roads to discovery are open. It is the purpose of the anti-trust laws to safeguard these fundamentals of economic liberty and to overcome the threat that monopoly will rule the markets of the nation. There is always danger that if we take liberty for granted it may be lost. Monopoly never sleeps. Its pressure upon our economic liberties is unceasing. At the same time, we know that monopoly and cartel forces will not often openly advocate or admit their aims. They prefer if possible to hem in the market by plausible exceptions. They seek to weaken the enforcement of the anti-trust laws by indirect methods, such as lobbying, but when these fail they will make overt attempts to exempt their own special privileges from the jurisdiction of the law.

Only by unceasing vigilance is it possible to prevent such sabotage of a free economy. Only the alertness of the American people and the strength of their determination to keep our economy free can prevent the regimentation of our economic life according to a monopoly blueprint. From this point of view, the importance of the anti-trust laws and their enforcement to the future of the American economy cannot be overestimated. History spells out the lesson that few laws affect the lives and destinies of the American people more directly or more intimately than the Sherman Act. This Act guards those economic rights which parallel and support our political liberty. The loss of economic freedom through failure to enforce the law, or by allowing monopoly to go unchecked would soon bring into question the whole range of democratic institutions.

There are no higher concerns involved in the domestic policies of government or of industry. It is as imperative for us to increase economic freedom in the years ahead as it was for us to defend our national security in time of war. In this undertaking, managers of American industry can find the fullest possible reward for their proficiency at the same time that they marshal invention and originality for the benefit of society. This is the meaning of the American adventure in economic democracy.

Mead, Miller & Co. In Baltimore; To Be N. Y. Exchange Firm

BALTIMORE, MD.—Henry S. Miller, member of the New York Stock Exchange, will become a partner of W. Carroll Mead, Preston A. Taylor, and J. Claire Sowers, in the firm of Mead, Miller & Co., to be formed as of May 6, with offices in the First National Bank Building. Mr. Miller was formerly a manager of the Baltimore office of W. E. Hutton & Co. Other partners in the new firm were partners of Mead, Irvine & Co. Mr. Mead is a member of the Baltimore Stock Exchange.

SEC Hearing Postponed

At the request of counsel for Ira Haupt & Co. the Securities and Exchange Commission has postponed the hearing in the proceedings instituted against the company from March 12 to April 11. Proceedings were instituted by order of Nov. 30, 1944, to determine whether to revoke or suspend the broker-dealer registration of the firm and whether to suspend or expel it from membership in the National Association of Securities Dealers, Inc.

Public Utility Securities

(Continued from page 2220)

companies and Illinois Power, merely indicating that claims and counter claims have been "asserted." This is rather disappointing as it had been hoped that some compromise settlement of these claims might have been reached by this time. President Van Wick of Illinois Power asserts that the plan is apparently "some sort of maneuver to get around our claims against North American" and that his company along with others will oppose the North American plan. The claim against North American has been estimated at about $26,000,000, based on stock, dividends, service and other transactions involving Illinois Power made by the holding company prior to 1933. Hearings on these claims, which were filed about four years ago, will be concluded in the near future.

Public holders of Illinois Power would receive for each share 4/10ths of a share of the new holding company. Unfortunately, while the North American plan gives pro forma balance sheets, it does not attempt to work out a pro forma income statement for the new company or the two operating companies, so that it is difficult to compare the share earnings available on the new basis with the old. In 1945 Union Electric earned $8,535,963 compared with Illinois Power's net income of $2,817,271 (both before preferred dividends). Based on these figures the exchange ratio would appear to make some recognition of the claims, but a detailed statistical analysis would be required to determine this.

Detroit Bond Club to Hear Utility Expert

DETROIT, MICH.—The Bond Club of Detroit will hold its thirtieth annual dinner at Hotel Statler, on Tuesday, April 30, 1946. Dinner at 7 p.m. will be preceded by cocktails at 6:15 p.m. The function is for members of Bond Club and guests.

The guest speaker will be Mr. P. P. Stathas, senior partner of the firm of Duff & Phelps of Chicago, analysts of public utility operations and investments. Mr. Stathas is one of the leading authorities in the United States in this field. He holds engineering degrees from Marquette University, is a member of Tau Beta Pi Association, the national honorary engineering fraternity, and is a member of the Chicago Investment Analysts Society. For many years he was associated with the Milwaukee Electric Railway & Light Co., serving in capacities involving construction, engineering and special investigations. He has made numerous studies for utility companies, insurance companies and other nationally-known institutional investors, and for underwriters of public utility financing.

Officers of the Bond Club are: President, Howard L. Parker of M. A. Manley & Co.; Vice-President, Douglas H. Campbell of First Michigan Corp.; Secretary-Treasurer, Joseph F. Gatz, of McDonald, Moore & Co.

Plans for the dinner are under the supervision of H. Russell Hastings, Chairman of the Program Committee, which also includes Louis J. Groch, Clarence A. Horn, Ray H. Murray and Murel J. Sancrant.

Guest tickets can be obtained from Mr. Gatz, 1566 Penobscot Building, Cherry 9565.

M. Wittenstein Admits

DES MOINES, IOWA — Max Wittenstein, owner of M. Wittenstein & Co., Southern Surety Building, is admitting Harlan W. Wittenstein to partnership in the firm.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Increasing down incidents and failures to go up point to reaction. Many stocks now closer to objectives.

In the closing days of last week a few signs of rally made their appearance. The rails as well as the industrials went up and the tone of the market perked up. Yet, despite the apparent indications, later developments showed that these were only on the surface. For even while the strength was obvious there were a number of stocks which either were dormant or quietly sold down under cover of strength in other portions of the market.

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Ordinarily this action wouldn't be anything to worry about. But at this stage of the cycle anything that doesn't perform well is open to suspicion. An ideal performance right now is an indication one day followed by performance the next. We are not getting that—at least not on the bullish side. On the other hand certain stocks which don't look too good go lower on succeeding days than obvious performance indicates. This kind of action is what technicians call, cutting, and a market that starts to cut is a market to stay away from.

* * *

Another word for cutting you may perhaps be more familiar with is divergence. If all stocks move in one direction that is normal. It is when some stocks move contra the trend of the main list (indicated by averages) that divergence appears. In the past few days this has become intensified. Not only do stocks of different industries move in different directions, but now stocks in the same group are acting like they don't want to have anything to do with each other. Prime example are the rubbers. U. S. Rubber climbs up to 80 while at the same time, Goodyear sinks back a couple of points. Among the non-ferrous metals we see Anaconda advance while Bridgeport Brass declines. The market is honeycombed with similar examples.

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In the past such a condition has been a prelude to a major break. The present situation may lead to the same thing.

* * *

Inflation is supposedly right around the corner, and that, according to widely accepted beliefs, is the big reason why stocks must go up. I wonder what we've been having in the past four years if it wasn't inflation?

* * *

OPA is going out of the window? Perhaps. But that doesn't mean the market must start discounting all over again what it has already discounted. As a matter of fact current inflation talk reminds me of the stuff we hear when the stock market is within five points of making a top. At the start of the move nobody wants them. When they are half-way up there is some interest. When they're at the top everybody is in and everything is going to 200. Same thing now is true of inflation. Because we have had inflation, ergo! we will continue to have it—only stronger doses of it. The fact that a demand is there but that productive capacity is well able to take care of it, if and when it starts moving, is ignored. Trouble is that while productive capacity is present the desire to put it to work is something else. And speaking of productive capacity I feel that the day of the marginal producer is numbered.

* * *

But to get back to the market. I think it's about time that the paper profits in the remaining half positions be collected.

* * *

Here is what you now have and my suggestions: Air Reduction bought at 52, now about 58, get out across 60 and keep your stop at 55. American Car & Foundry bought at 60, now about 70. Suggest taking profits at 70 or better; hold your stop at 65. American Steel Founders bought at 42, now about 45. Collect full profits at 48 or better and hold the stop at 43. Chrysler bought at 120, now about 134. Sell at about 136 or better, raise stop to 129. Bethlehem bought at 99, now about 107. Sell at about 109, stop 102. Electric Auto-Lite bought at 71, now about 78, sell at 80 or better; stop 72. Superheater bought at 30, now about 33, sell at 34 or better; stop at 31. U. S. Rubber bought at 65½, now about 80. Sell at 80 or better, stop at 74. U. S. Steel bought at 82, now 85. Sell at 87 or better, stop at 81.

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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.]

Rowland Murray With Ketcham and Nongard

CHICAGO, ILL.—The investment banking firm of Ketcham & Nongard, 105 West Adams Street, announces that Rowland H. Murray now is associated with it as Sales Manager. Mr. Murray, formerly a Lieutenant Commander in the United States Navy, recently returned after 3½ years of active duty, much of it in the Pacific area.

Mr. Murray's investment experience dates from 1923, when he began his career in the bond department of the Harris Trust & Savings bank. Leaving the bank in 1929, he later was associated with Brown Bros., Harriman & Co. and Harris, Upham & Co. Before entering the Navy, he was manager of the bond department of the Illinois Bankers Life Assurance Company of Monmouth, Illinois.

Coles Asst. Sec. of Harriman Ripley & Co.

The Board of Directors of Harriman Ripley & Co., Incorporated, 63 Wall Street, New York City, announce that Harry C. Coles, Jr., has been elected an Assistant Secretary of the Company.

Mr. Coles is a graduate of Yale College and Yale Law School. He entered government service on graduation from Law School in 1934, first with the National Recovery Administration and later with the Rural Electrification Administration. In May, 1938, he joined the staff of the Securities and Exchange Commission. He left the staff of the Commission in 1942 to enter the U. S. Naval Reserve, from which he was released early this year with the rank of Lieutenant Commander.

A World Government To Enforce Peace

(Continued from first page)

tion in which the world finds itself today.

Therefore, though the facts have been plowed, though they are old, though there is nothing new in what I say, I wonder if I may shortly restate to you, a body who carries a great weight of influence in the country, and who may influence anyone. The only fact which we all agree upon is that men and women everywhere, after this war ended, craved above everything else peace and surcease of national loss, the freedom of every man and woman to pursue his or her calling, his or her vocation, free of restraint, free of aggression, in accordance with the traditions and the conscience of the community in which he or she lives.

In a world composed of so-called sovereign nation states, there has been in the past but one way to safety and the security of the citizens of any nation—military might, either of the nation or an alliance of which that nation forms a member, but modern science by its crowning success of the fission of the atom has changed all that, ladies and gentlemen.

Agreements Among Sovereign Nations Not Sufficient

Is there any recourse from this situation? Unless I misread everything that is written the world over, it is the universal opinion that regulation of conduct of men of every race and clime, by just rules justly enforced, namely, government of a sort, is the only answer to the problems of peace. I don't have to tell you that history teaches that while nation states, of sovereign and independent will, exist in the world, and are recognized, agreements between those nation states, treaties and leagues, will not insure peace, and I think that history equally teaches that in any society, however large, and whatever its units, the road to world order is the road of government and law and the enforcement of law upon the individual.

What was the status of this world before World War I? It was a world in which perfectly intransigent, perfectly independent, perfectly sovereign, so-called, nations wangled what they wanted by the threat of force, by diplomacy, as it is called, by pushing forward a bit and pulling back a bit, and always threatening in a cat-and-mouse attitude to resort to force.

And after the first World War that great idealist, Woodrow Wilson, thought he saw a way to avoid that sort of thing; and his child, the League of Nations, was born, with which his nation would not affiliate. But the League of Nations was born and it functioned. And what was it, ladies and gentlemen? It was a multilateral agreement between sovereign nations. But that League was even a stronger League than any we have had since, including the United Nations, for in Article 16 of that League it was provided that if any member nation went to war with any other member nation, that fact itself should put the whole League of Nations at war with the offending nation.

You know what happened. Mussolini went to war with Ethiopia; 52 nations, members of the League, voted that he was an aggressor and a violator of international morality. Was he punished? Was he barred? Was he stopped from his course? You know that he was not. Why? Because the two most powerful members of that League, Britain and France, felt that at the moment it was not to their national interests to stop him. And the little nations, although they were unanimous, could not act without the big ones; and that League, as every League, has failed. We, the better League, formed in this country in 1777, after we declared our independence of Britain, the 13 diverse Colonies, formed a league known as the Articles of Confederation. If you will read it in the parallel column with the United Nations Charter, you will find it was a stronger league, that the States surrendered more than the nations ever surrendered to the United Nations in the present instance, and that league fell apart the minute that the pressure of war with Britain ceased, and that pressure no longer held the States together.

And so, our own league here failed to fulfill its purposes. The League of Nations failed to keep the international peace, and, as after the first World War, so after this World War, the peoples of the world said: "We crave peace and security. In the name of God, get us this."

Steps Toward Creating United Nations

And our nation took the first step. It called the other large nations together at Dumbarton Oaks, and afterwards called all the other Allied Powers and their friends together at San Francisco, in the hope of building a better structure. But what have we built, ladies and gentlemen? We built a second league, a second multilateral treaty of sovereign and independent nations, every one of whom has plighted its good faith to cooperate, but every one of whom is the sole judge, in the last instance, what its good faith requires it to do, in a given exigency.

And so we are here again with sovereign independent nations banded together to do something only so long as good faith, self-interest, other-mindedness, hold those nations together. Nay, more. Theoretically, we have formed a league, a multilateral treaty between the big and the little, on the theory that the little nations are just as dignified, as indeed they are, and as moral, as the big nations, and just as much entitled to protection as the big ones; and what does it all come to? It comes, in the last analysis, to this: We have got a great tripartite alliance between Russia, Britain, and the United States. For good measure, and as a gesture of generosity, we have taken in China and France, and called it the Big Five; but you know and I know that neither China nor France, nor China and France together, will prevail in the councils of the United Nations against a solid front of Russia, Britain, and the United States.

Now, let us face what we have: we have an alliance of three great Powers. No little Power can stand against it. No little Power, really, and in the last analysis, has any voice or say in the councils, because these three great Powers, exercising the power they have, control the world today. But the pity of it is that they control the world only so long as they stay in unity. Picture to yourselves those three great Powers falling apart on any really vital matter of world interest, and you are nothing. I care nothing about the veto power in the Charter; it was put in, in my judgment, as a matter of honesty and fairness. Everybody knew when that Charter was formed that if those three great Powers did not hold a united front, the United Nations was doomed to failure. And everybody knows today that a little nation, a friend of one of the big nations, or in its sphere of influence, will be protected by that big nation, and that that big nation will stand firm and assert its veto power against any discipline of its little nation friend.

What have you got? You have got a world today that depends upon the exercise of power, crass power. Do the people realize this? I think the people of our country do not at all realize it. I think the people have been given an anodyne. They have been told: "We have the security; that we needn't expect another war; that everything is all right. Go back to your bench. Go back to your shop in safety."

They are worried. These stresses and strains that are appearing in the United Nations procedure are fretting them and worrying them. They are beginning to question, and they are either going one way or the other. They are going towards a better form of cooperation, or they are lapsing back into a national isolationism.

Now, then, ladies and gentlemen, if you will read the United Nations Charter, I think you cannot disagree with that analysis of the present situation. What will we do? Our own national counsels seem to me to be confused. You are told, on the one hand, that United Nations will work out these problems of clashing national interests and will save us in the long run. You are told, on the other hand, that we must build the mightiest military machine that these United States have ever known. I think the latter is a sheer futility, in view of the facts. As I have said, the smallest nation could do such devastating damage with an atomic bomb to this nation, that while we might go to reprisals, we might counterattack with our own atomic bombs, the kind of world we would live in after such a blitz would not be worth your or my living in it.

Are you going to build—are you going to attempt to build in the United States of America a military machine which shall defy all the great Powers of the world singly or in alliances? If you are going to change the texture of this society, you cannot have that kind of a military machine without the taxes that will bear down as they never have. You cannot build that kind of a military machine without a Commander-in-Chief who exercises the power of an autocrat. You cannot build that kind of a military machine and keep it ready for eventualities without abandoning all the dearest things that we have cherished as democratic people.

United Nations No Assurance of Peace

There is your picture. If you want to go on under the UNO, as our leaders tell you, you have got to be strong enough, strong enough to do what? Strong enough to back the other fellow down in the halls of diplomacy; strong enough to threaten the other fellow with force so that he will back down. That has been the technique for 150 years. Has it worked? It has worked only to the destruction, to the enslavement, to the degradation of people.

Must we go on then for the future, playing this discredited game backed by power? Ladies and gentlemen, I think we must unless the people of the United States awaken to their danger and act. The people in this country must lead the international organization to which they belong True, we stand in great danger of losing it.

Our policies in Europe are terribly deficient in feeding the starving people in Europe. All our failures as a nation, and there have been many since V-E Day and V-J Day, all go to show that this nation is not thinking of its obligation in the international field. But we must lead to a better organization of the world, or there will be none, to get international peace.

A Parliament of the World

That situation will never alter unless a majority of the American people think through their problem and decide that they are making a choice between sitting in a Parliament of the World, with representatives of the other people—not the other nations but the other people, common people like themselves — and take their chances on reason and on a vote of the majority for the general welfare; or the alternative, the constant peril of utter destruction, by a calamitistic attack by some nation, assuming that it is wronged in some respect or another.

It is a hard choice perhaps, but that is the choice. Take your chances on government, as the 13 States took their chances on government in 1787, and get away with it, or take your chance on being able to defend yourself against the atomic bomb, and all the rest, until our people are ready to go forward to a better organization of the world. If nothing will be done, another nation is going to take the initiative.

The enormous task that people like you, makers of public opinion, reporters of facts throughout the world, and the rest of us face, is to tell our citizens, first, that they have no security against international wars in the United Nations. That is the fact. The United Nations is a place to talk things over, it is a forum for discussion, it is a place where action can be taken if the great nations are unanimous, and not otherwise and it is an organization that will never prevent war unless that great triple alliance remains perfect and unanimous. The people ought to be told that.

Second, the people ought to be told that there is a hopeful way of obtaining a peace in the world, with the invention, if you call it that, of 1787 in our own country, of giving to an agency limited powers to deal with things, that no nation in this case can deal with for another is a method of putting everybody under one government so far as those limited purposes are concerned.

Surely we realize that the United States cannot legislate for China, cannot legislate for Britain, or vice versa. We cannot make rules to govern the citizens of a sovereign independent nation. Are we so senile, or are we so lackadaisical, that we are all sitting here, that we recognize the principle of it, and do nothing about it? My God, I don't think the United States is senile, I think they are still a Power, I think there is still invention, I think there are still people in the United States who have the will to join the men and women of other nations in creating a common agency to outlaw war and to regulate weapons. I believe that many nations in this world will follow, and if we will extend our hand, as Britain has done, and say as Britain has said in joining the peoples of any other nation in a parliamentary form of government. I should call it a republican form of government to take care of those things which no one nation can take care of.

And I, if I had it to do, would lay down the minimal requirements of such a government and say, "If anybody is ready to meet us on that, let us come and talk it over, and then let us put it back to the American people and the people of your countries to say if they will have it." For, of course, no such over-all agency can ever succeed unless a great majority of the individual units, the people in the nations joining, approve of it and want it. And if there are nations, as I have no doubt there are, who neither will nor can join in a popular government, a union of peoples, a government where the agency is not that of nations but the agency is that which springs from you and me to represent us and all the other people in legislating for the common welfare—if there are people who feel that they are not able to join, and who obviously are not able to join, then, for God's sake, let us make it a juncture with such peoples as will join.

Let us demonstrate the tremendous advantages of joining together in a cooperative scheme, not for aggression—for defense, if it has to be, but, in the interim, for the improvement of the relations, the improvement of the status, the growth individually, the safety individually, and the welfare and happiness individually, of all those human units that make up that great union group.

I pray God that, before I go West, my country will make that great gesture to the world.

Ohio Municipal Comment

(Continued from page 2225)

lost, and will lose, cash. Moreover, many of such securities have been owned, and are owned, by bank customers, and, therefore, private deposits will increase correspondingly and the commerical banks will need more cash as reserves against these increased private deposits. The Federal Reserve Banks can easily purchase Governments in the open market to provide the increased cash requirements for reserves and to put back into the banking system the cash taken out by payment of issues held by the Federal Reserve.

It is not known to what extent the Federal Reserve authorities will provide cash. As of the latest date reported, April 17, 1946, excess reserves of the banking system were still estimated at $820,000,000, compared with about $1,000,000,000 a few weeks ago. It can only be stated definitely that if the Federal allows excess reserves to be seriously depleted, the banks, not only in Ohio but throughout the country, will perforce not be buyers of either municipals or Governments, and the market for all bonds will decline.

However, the process of depleting reserves, should it actually develop, will probably be slow. During the process many of the banks around Ohio which have found themselves pressed for cash to meet war loan withdrawals, will likely find that soon they too have maturities of the Treasury obligations being retired. Certificates of Indebtedness and other short Treasury maturities are rather generally owned in worthwhile amounts by the banks around Ohio, especially by those with sizable war loan deposits. To the extent that such maturities correspond to war loan withdrawals, the banks will not have to pay out cash, but will merely write down their investments and their war loan deposits.

Assuming that the Federal Reserve authorities will not permit excess reserves to decline drastically, it would seem that the present program of the Treasury of drawing down on its war loan deposits will not have a permanent effect on municipal prices generally, but the present demand for loans reported by country banks generally, especially if such demand continues to grow, may very possibly be reflected in less demand for Ohio municipals.

It should be understood, more over, that it is these same country banks around Ohio that have been the strong support for most Ohio municipals that have been coming into the market since the first of the year. Most of such issues have been small school districts which do not sell too readily outside Ohio, but which have found a ready market in Ohio during recent months, mostly with country banks that have shown an amazing willingness to buy.

Municipal News and Notes

Among recent additions to the calendar of impending new financing is the issue of $6,500,000 Hampton Roads Sanitation District Commission, Va., revenue bonds for which competitive bids will be opened on April 30. The offering consists of $4,000,000 serial bonds, maturing from 1949 to 1974 incl., and $2,500,000 sinking fund bonds of 1974. The sinking fund bonds include $750,000 series A, to which the early sinking fund payments will be applied to assure their redemption by 1958; $750,000 series B, to be redeemed by 1966, and $1,000,000 series C, to be redeemed by maturity in 1974.

The serial bonds will also be subject to prior redemption, with call prices ranging from 105 to 100¼. Bidder is required to name the redemption prices for the sinking fund obligations and to specify rates of interest on the entire offering.

The extent of the competition expected to develop for the offering is evidenced in the fact that representatives of five groups of investment bankers participated in the tour of inspection of the district during the April 12-14 week-end. Under the tutelage of district officials, the group obtained a first hand picture of the nature of the project, the total cost of which will be $12,000,000. The remaining $5,500,000 of the cost will be provided for by the Federal Works Administration. A considerable volume of construction has already been completed under the supervision of the latter agency.

The sewage disposal facilities are designed to relieve the pollution of the waters of Hampton Roads in accordance with the expressed wishes of voters of the area. The forthcoming issue of $6,500,000 bonds will be serviced from revenues received by the commission through sewerage charges based on water meter readings. Issuance of the bonds is subject to the approval of legal proceedings by the Attorney General of Virginia, and Hawkins, Delafield & Wood, of New York City.

The district includes the cities of Norfolk and Newport News and neighboring territory on both the north and south sides of Hampton Roads and it will also serve the huge Naval Operating Base at Norfolk. Mention of these two communities recalls the recent address by Walter W. Craigie, of F. W. Craigie & Co., Richmond, before the Sixth Virginia Bankers Conference, at Natural Bridge, Virginia.

In a discussion of the basic principles of sound municipal investment and the outlook for future financing, Mr. Craigie paid a handsome compliment to the investment qualities of bonds of Newport News and Norfolk and the other cities included in the Hampton Roads area. No city in Virginia has made more progress financially than has Newport News, the banker stated, adding that its net debt ratio "now is only 1.7% to true valuation and its bonds are bought by conservative institutions from New York to California."

In the case of Norfolk, the banker pointed out that the city, remembering its retrenchment struggles after World War I, "made no mistakes this time". Such new construction as was necessary as a consequence of the vital role played by the city during the recent war, Mr. Craigie noted, was paid for almost entirely by the Federal government. The city, he continued, has operated on a cash basis and has curtailed its debt substantially in recent years.

Montreal to Ask for Bids On Refunding Bonds

Joseph O. Aselin, Chairman of the Montreal, Que. Executive Committee has anounced that the city has decided to market, piecemeal and via competitive bidding, the $85,980,000 refunding bonds to be isued in connection with the refinancing of the city's entire capital debt of $202,574,000. The former total represents the amount of outstanding bonds payable in United States currency and, according to report, sealed bids for the initial instalment of $20,610,000 will be received about June 1. The remaining portion of bonds would be offered for sale as follows: $22,460,000 on Aug. 25, $20,095,000 on Dec. 1, and $22,474,000 on Feb. 15, 1947.

Aside from the debt payable in this country, the city also plans to refund, on a similar basis, the $75,000,000 bonds payable in Canadian funds and the $45,000,000 due in British and Dutch currency.

The bonds to be sold in the United States would mature serially until 1976 and be subject to optional retirement at call prices ranging to 102. Proceeds would be used in the redemption of an equal amount of outstanding series A and B debentures, dated May 1, 1944 and maturing up to 1972.

The city, it will be recalled, originally planned to refund the $156,000,000 of outstanding bonds payable in U. S. and Canada through the medium of underwriting groups in both countries. The financing was scheduled to be completed in the latter part of February and, in the case of the U. S. portion of $85,980,000, a registration statement had been filed with the SEC by the projected underwriters.

However, the deal fell through as a result of the city's dissatisfaction with the terms offered by the bankers, with respect to both the U. S. and Canadian portions of the loan. City officials characterized the American syndicate's bid of 97.2955 and the Canadian group's offer of 98.4651 as "not fairly representative of the credit" of the city.

Contemplated interest rates on the projected U. S. issue of $85,890,000 ran from 1¼% to 3¼%, for maturities from 1947 to 1957 incl. A factor in the city's rejection of the original offering terms was the higher price reported to have been offered for the proposed U. S. issue on behalf of another syndicate headed by Otis & Co., Cleveland.

Inflation Control or Price Control?

(Continued from page 2224)

National Chamber on what can be done constructively by Government and business to control inflation.

It is a matter of common sense that we cannot control something unless we know what that something is and how it acts. By inflation we mean for present purposes those upward pressures on costs and on prices which arise inevitably out of the monetary and other distortions brought about throughout our whole economy by our unparalleled war activities and by certain developments since V-J Day.

No one man and no one group of men have the information or the mental power to grasp all these manifold distortions. Hence they cannot grasp the manifold readjustments necessary to restore the operations of our competitive economy based on consumer choice expressed through a relatively free market.

It is impossible, therefore, for Government to blueprint the reconversion. There does not and cannot exist the administrative knowledge and capacity to regulate in detail the business and buying activities of the American people running to several hundred million daily transactions. Any temptation to do so must be firmly put aside.

The objective of the Government, then, is to facilitate the reconversion, not to blueprint it. In guiding the reconversion a primary purpose should be to state and to carry through policies which will control inflation and maintain productive employment.

What are the upward pressures on costs and prices which must be controlled if inflation is to be controlled? And what part can the OPA play in their control?

The part OPA should play is to free the market of control by adopting a policy of decontrol, with clearly understood timing. The National Chamber's Board of Directors recommends that price controls with the exception of rent be eliminated by Oct. 31 of this year and that rent control be eliminated by March 31 of next year. At this point, Mr. Chairman, with your permission, I should like to introduce for the record the official policy statement of our Board of Directors, entitled, "Price Control or Decontrol?"

Decontrol Progress?

The OPA, eight months ago, let it be known that in its view about 70% of the ceiling prices would be decontrolled by June, 1946, 30% remaining under control. Now we are informed that these figures probably will be almost reversed. Indeed, some Government officials have voiced the opinion that there is no prospect in the months—and perhaps even years—ahead, of getting out from under control. Under strenuous pressure the OPA has suspended a number of price ceilings, chiefly during the period when debate in Congress was hottest.

According to the announcements of numerous regional OPA administrators the black market is on the increase. Shortages in innumerable lines actually exceed those of wartime. New controls have been inaugurated since V-J Day. A number of thoughtful businessmen and executives of trade associations have stated that specific shortages under the present price ceilings will not disappear for several years. A manufacturer of floor coverings predicted last summer that it would take about five months to fill his pipe lines through to the ultimate retailers so that normal business operations would be possible. Recently he stated that scarcely a yard of inventory has been accumulated, the demand being so intense that now he refuses to estimate the probable date when any type of reasonable balance will exist. Shortly after V-J Day the WPB stated that nylon hosiery would exist in abundance by Thanksgiving Day or at least by last Christmas. Yet one responsible manufacturer states that at the production rate of this month, April, 1946, it will take a full year's production to merely fill the pipe lines from manufacturer to consumer and that normal conditions under artificial price controls will not exist until some time in 1948!

We must frankly raise the question whether the current request to extend the OPA **for one more year** will not be repeated with equal intensity a year from now, and again a second year from then. The foregoing facts are cited merely to demonstrate that we do not appear to be progressing toward decontrol under the Government policies now in vogue.

Capital and Labor Shortages

The view is widely expressed that price controls are retarding production. Nearly every manufacturer and distributor is able to cite shortages of commodity after commodity which he needs in his business for production or for sale. Suppliers cite hundreds of such cases in explanation to their buyers for the delay in delivery. Hundreds of items are out of production because of low ceiling prices. In some cases workers must be laid off because of shortages of raw material or component parts. Certain foods are exceedingly scarce because of the way price controls are administered. Thus at present butter is relatively scarcer than table cream and ice-cream. Specific ceilings on feeds and on beef may cause shortages of meats relative to other food. All this is the almost universal testimony of businessmen and farmers.

Yet the OPA denies most of these allegations and insists that production and employment are at all-time highs. According to the Federal Reserve System's index of physical production the rate of output is nearly 50% above the 1939 rate. Employment is nearly 20% above the 1939 figure. Indeed, in every month since V-J Day we have had more than "full employment" as usually defined, after allowing for strikes and layoffs induced by strikes. Our labor force appears to be relatively fully occupied.

It is our conclusion, therefore, that the OPA, while retarding total production to some indeterminate extent, has been primarily responsible for distorting production. These distortions leading to pronounced scarcities of many essential goods and components give the appearance of creating underproduction when as a matter of fact, to a substantial extent, correcting all pronounced shortages in commodity after commodity would involve diverting men and machines from things now produced, so that correcting shortages in one sector is likely to create shortages elsewhere.

Moreover, rising wage rates coupled with the penalty time-and-one-half wage requirements under the Fair Labor Standards Act for overtime under rigidly controlled OPA prices unquestionably have the effect of reducing the effective labor supply—the number of hours worked per week.

The national income appears to be running at a figure of approximately $160 billion annually. Even allowing for price increases this constitutes perhaps a quarter or a third increase above the prewar level. Yet, and this point I cannot overemphasize, our basic productive capital equipment in the aggregate was designed in the prewar to produce a national income under $100 billion. I am told that at the present rate of national income, if New York City had double the hotel space which it now has, every room would still fill up, providing people could get in and out of New York City. Are we going to keep price control until New York City can double its hotel capacity? Is that what we mean by saying price control should continue until supply catches up with demand?

The facts seem to be that in terms of the present level of earnings, we are woefully short of productive capital and equipment in textiles, in many lines of machinery, housefurnishings, motor car manufacturing, and so on, commodity after commodity. The American people with their high hourly incomes together with enormous liquid savings are making a demand upon the American economy which appears to exceed that of wartime. Price control, or no price control, many wants may remain unsatisfied for years ahead.

Why Are Inflationary Pressures Continuing?

(1) The enormous deferred demands need no further spelling out.

(2) Our wage policy both during the war and since war's end has been inflationary in the extreme. Perhaps never in history have a government's economic advisor's been so grievously in error as were those of the present Administration before V-J Day. They could see nothing but collapse at war's end, therefore promptly after V-J Day a number of steps were taken to counteract the imagined deflationary pressures. Wage controls, therefore, were virtually abolished; Administration leaders urged higher and higher wages as though by marking up wage rates deflation could be prevented. Surely we cannot create jobs by making it more expensive to put men on the payroll.

On July 1, 1945, the Office of War Mobilization and Reconversion (Third Report, page 57), stated: "The American people are in the pleasant predicament of having to learn to live 50% better than they ever have lived before." Although it was not intended to, this statement has been widely interpreted to mean that wages must be raised 50%, and this helped to set the stage for subsequent extreme wage demands. It is difficult to see how Government bureaus can plan for the future without weighing and judging the prospective factors and forces which will operate; yet it is clear that such projections can only raise false hopes and get us into trouble.

The Office of War Mobilization and Reconversion also prepared a document (mimeographed) entitled, **Facts Relating to Wage-Price Policy** (OWMR-502), which was designed to show in detail just how much loss of take-home pay would result from each of several factors and that wages could be raised by about one-fourth without the necessity of any price increases! It was further argued that wartime efficiency gains made wage increases possible without price increases. The document purported to prove under varying assumptions that straight-time hourly wage rates could be increased by 24% without price effects! This document was never published, but copies of it "leaked out." After some heated sessions with non-government economists, the Government economists themselves decided that the document was too vulnerable to warrant its publication. But the damage was done. Labor unions quoted it extensively, and until the last month continued to quote it to prove that the indicated wage increases could be made without price increases.

Some of the same Government economists who wrote this document "advised" the General Motors fact-finding board, which recommended a huge wage increase. But the numerous price increases, grudgingly granted since then and the Executive Order of Feb. 14, 1946, are a frank admission that the Government's economists were in grievous error. But to repeat, the damage was done.

But this was not enough. The Department of Commerce, set up to help business with authentic figures and data, also prepared a "wage-lifting without price increases" document entitled, "Domestic Economic Developments" (Oct. 25, 1945). This was a study of the automobile situation and purported to prove that the wage rates in the motor car industry could be increased by 25% without any price increases. This document was "inadvertently" released by the Secretary of Commerce, although it still has not been officially published. Again, the damage was done.† The notion got abroad that profits were fabulous, corporation treasuries were swollen and that wages could be greatly increased without any one having to pay for the treat. Labor took full advantage of both documents.

Furthermore, Government administrators continuously harped on raising purchasing power, as though purchasing power were something apart from production. Money is a medium of exchange—it is not, in and of itself, purchasing power. If it were we could merely have the mail man bring us a bundle of daily purchasing power.

This bit of history is recounted not in order to blame someone for our impasse. Rather, its purpose is to make it clear that, unless we can secure a higher order of economic insight and statesmanship, we are likely to continue to be led into more and more economic chaos. Unless we can get a more or less complete replacement of the relatively small number of Government advisers responsible for this irretrievable damage to the American economy, we are not likely to have an Administration properly advised as to how to get out from under price control.

When the first fact-finding boards made their reports, the members of the boards and key men in the Administration were still under the delusion that our transition problem was deflation. So they recommended 15 to 20% wage rate increases. Even if this diagnosis of impending deflation had been correct, which it was not, the theory of raising wages when deflation is threatening was thoroughly tried in the 1930s with such adverse results that one might have expected a sounder description.

Again we must say, the damage was done. Before it was discovered that our postwar problem was inflation rather than deflation, numerous substantial wage increases had been inspired, recommended, or ordered. Wage controls were virtually abolished and the unions were urged by the Government to see what they could get, which frequently in practice meant tying up a company, a whole industry, or a whole community, by means of a paralyzing strike and mass picketing where necessary.

The Executive Order of Feb. 14, 1946, states that it is the Administration's wage policy to encourage general wage increases across the board up to the levels already established where these increases have been secured since V-J Day. Thus, it is inevitable that wage rates of nearly all workers will be increased in retailing, wholesaling, service, and manufacturing, by about 15% to 20%. Nothing less than this will be acceptable. By December, 1945, straight-time hourly factory wage rates were 54% above the 1939 figure and since then have increased still further. Meantime the fiction is maintained that the Executive Order may involve a "slight bulge" in the price line, but only a slight bulge which later will be straightened out.

Senator Lucas, a long-standing supporter of the Administration's liberal philosophy, on April 5, said that he would have to oppose the Administration's new proposals with respect to minimum wages. These are his words:

> Mr. President, if this bill should become the law of the land, it would constitute, in my humble opinion, a most extraordinary measure of inflation. In view of what this bill in its entirety will do toward bringing about inflation, it seems to me it will be extremely difficult to keep the economy of this country from running wild. I am convinced beyond the question of a doubt that if the measure should become the law of the land it would be absolutely useless and futile for the Congress to attempt to continue any control over anything from this time on.‡

Wages constitute approximately 70% of all costs in our economy. To argue that wages can be increased in a relatively brief period by 15 to 20% across the board (on top of wartime straight-time hourly increases of 15 to 20%) without any price effects except a slight bulge, later to be corrected, borders on the irresponsible. In unimportant matters the people can be misled without serious consequences. But when the facts come to be known about this wage-price situation in the months ahead the American people will be confronted with price increases **closely corresponding to the current wage increases.** Yet they have been led to believe otherwise by **their** Government. Not only do we have monetary inflation; we have wage inflation and a frustrated or delayed price inflation.

We have already been informed by numerous labor leaders that the current round of wage increases is merely a first instalment. On April 16, 15 railway unions whose members recently received a 16 cents an hour pay increase started proceedings to get an additional raise of 14 cents an hour.§

By readily permitting wage increases "which do not require price increases," the Administration has taken too narrow a view of the price-and-cost-making process. Every wage increase, **even when it does not necessitate a price increase,** stimulates upward price pulls and the black market under current conditions, because of the increased buying power which it places in the hands of the public. Some wage readjustments at war's end were inevitable, but they should occur primarily where employers find them necessary to recruit an adequate labor supply.

The quality deterioration in some commodities is a direct result of the whipsawing between the upward pressure of costs and wages and the downward pressure of OPA ceilings. Under rent control the landlord too must watch his pennies and dollars, and this explains why tenants during the cold of winter frequently complain of the lack of heat, the

†Immediately after the settlement of the General Motors strike, the Secretary of the Department of Commerce publicly recognized this document to have been in error. (New York "Times," March 16, 1946, p. 1.)

‡Congressional Record, April 5, 1946, p. 3244.

§New York "Times," April 16, 1946.

undermaintenance, and the dilapidated condition of their shelters. In short, price control if it is rigid and in defiance of cost movements forces protective reactions and shows why price control without quality control is likely to become a shambles.

These events all have combined to increase uncertainty. Politically determined prices and wages are uncertain prices and wages. Absolute certainty cannot exist in the affairs of man, but when prices depend upon Government decision confusion is added and uncertainty is increased because the behavior of Government officials is inevitably unpredictable.

(3) Not only is our wage policy inflationary, the same must be said of our fiscal policy. Our methods of war financing, continuing deficits for over a decade and the "cheap money" policy lie at the foundation of our price control problems. Even the erroneous wage policy has been conditioned strongly by fiscal policy. Until we recognize the interrelationships between all these issues and policies and until we put our financial house in order, all other policies will prove ineffective in dealing with price controls.

One of the great "miracles" of war finance, it is said, has been the financing of our growing debt by means of a steadily declining interest rate. The Treasury has boasted of the low interest rates it is paying on Government borrowing. The true story of war finance cannot be written, however, until all the evidence is in—some years ahead. The low interest rate has been made possible only by means of relying heavily upon the sale of Government bonds to the commercial banks and to the Federal Reserve Banks.

As a result of this financing, currency in circulation (pocket money) increased from about $6 billion in 1939 to nearly $27 billion by the end of 1945. Demand deposits (check book money—the equivalent of currency) increased from $27 billion in 1939 to over $76 billion in 1946. This constitutes an increase in money from $33 billion in 1939 to $102 billion in 1946.** The American people and business have upward of $225 billion of liquid assets, of which over $145 billion are held by individuals. With the artificially low interest rates earned by some of these assets, it cannot be expected that people will want to hold all these assets if a preference for expenditure develops or if a better opportunity for investment materializes. In other words, the fiscal situation of the Government may be vulnerable and unstable. It remains to be seen whether our methods of war financing have been a miracle or a mirage.

In 1939 our national income was about $71 billion; our money supply about $33 billion. Some such relation between money and national income has persisted for many decades. That is, we tend to have over the years about $1 of money for each $2 to $3 of national income. Now if this prewar relationship between money and national income should tend to be reestablished by natural economic forces, our national income in dollars would tend to be about two to three times $102 billion, which is our present money supply. This would mean a national income of $200 to $300 billion, in contrast to a figure of about $160 billion at present controlled prices and regimentation.

To put the matter another way: it is not probable that the American people and American business would care to hold in pockets and in the form of demand deposits $102 billion in money—a form which does not earn any return and which does not augment the owner's standard of living so long as it is in the pocket or lying idly in the bank. In other words, it is altogether likely that the owners of these vast liquid assets will want to do something with them. Either they will spend them in the months ahead for consumer goods and thus bid up prices more fiercely, or they will want to invest them in real estate, securities or in some other form. If they try to invest them in stocks, as many are now doing, stock prices will rise and we have inflation there, or they will invest them in real estate and then we have inflation in real property. Both are happening, and that is why the Government has tried to stop security speculation by prohibiting buying on margin and giving speeches against such speculation, and is now proposing to put ceiling prices on vacant lots, farm lands, and other real property. Every time the Government intervenes with one of its ceiling devices or other controls, the inflationary pressures just move over to some other outlet. The American people can be expected to continue to find ways of spending and investing their money, regardless of how fast the Government claps on ceilings or closes loopholes first here and then there, only so long as the Government chooses to deal with symptoms instead of causes.††

It has been argued that the Federal budget will be short of balance by only a few billion dollars in the fiscal year of 1947, and that the Treasury will not have to resort to any substantial borrowing in the several years ahead except for refunding operations because of large Treasury balances; therefore it is claimed that inflationary pressures through the Treasury will not be substantial in this connection.

This overlooks, however, the fact that (1) refunding may involve bank borrowing and that (2) the Treasury balance of about $25 billion is now for the most part inactive.

Since it is assumed by the foregoing arguments of the Administration that tax revenues will not equal Government expenditures, and since it is assumed that the Treasury balance, now not only large but largely idle, will be steadily reduced to make up the deficit in revenue, the activation of these billions of dollars now in the Treasury will provide a powerful inflationary factor. To put the matter another way, at present the velocity of circulation of this huge Treasury surplus balance is virtually zero, but steadily these dollars will be used to meet Government payrolls, buy commodities and other services thereby becoming purchasing power and making a demand on American industry for goods and services, directly and indirectly. This is a further inflationary pressure even though no new financing were involved.

As business expands it is inevitable that many concerns will be forced to borrow funds, which will create additional purchasing power, this making it all the more urgent that Government fiscal operations work in the direction of reducing Government requirements for funds.

It cannot be overemphasized that **production always finances its own consumption** providing no one is hoarding income. Therefore the pending boom and the high current level of production will continue to produce annually some $160 billion or more of national income to which can be added billions of liquid assets and past "savings."

The budget for the fiscal year 1947 calls for expenditures of nearly $36 billion. What this means in real terms is that the Government will be in the market for billions of dollars' worth of goods and services. This may be further inflationary pressure.

Subsidies

Demands for the continuation of subsidies continue. During the war period the system of roll-back subsidies was inaugurated for the exclusive reason of holding the cost-of-living index in order that labor would not demand further wage increases. This effort to hold wages has now been abolished and therefore the wartime reason for maintaining roll-back subsidies has also disappeared. Today the American wage earner has an income which exceeds anything in peacetime history, and yet we continue to insist that we must subsidize his grocery bill. Such a subsidy is opposed by practically all farm groups and business groups. It increases the deficit in the U. S. Treasury and thereby, at least potentially, is inflationary in this respect. Furthermore, by depressing prices it makes the consumer's dollar go further and in effect creates that much additional excessive money to spend in other markets if not in the subsidized markets themselves. Subsidies also distort prices and hence production. It is for these reasons that we believe that all of these wartime subsidies should be terminated not later than October of this year.

The OPA by concentrating exclusively on subsidies and price controls has been dealing with the symptoms of inflation, and that explains why instead of progressing toward decontrol there is clear evidence that in many sectors of the economy controls are actually being intensified. So long as this economic myopia afflicts our price control policies they must fail.

Conclusions

The evil consequences of inflation are recognized everywhere. Inflation causes arbitrary redistribution of wealth and income; the instability of the value of the dollar is probably more responsible for labor trouble than any other single factor. Abandoning symptom treatments by the OPA in favor of a program which abolishes the causes of upward price pressures would get us on to a real solution to the problem and would restore a free society.

This analysis, if it makes anything clear, demonstrates beyond dispute that price control fails to wrestle with the causes of inflation. It does not operate in any way to reduce the supply of money or liquid savings which are at the bottom of the inflationary pressures. Nor will price control prevent a further increase in the supply of money. Nor does it diminish the desire of people to spend, but the contrary, since to the extent that price control is effective, people's money goes that much further. It does not diminish the disposition to spend as shown by the rise in spending and the decline of savings since the end of the war, the unparalleled volume of retail trade, the amounts of travel and indulgence in recreation and amusement. Obviously it does not increase the supply of goods; no advocate of price control even suggests that it does.

The OPA for the remaining days of its life ought to guide the economy toward natural readjustments. Some suggest that price controls be continued until "supply catches up with demand." Might it not be wiser to abolish all ceilings wherever critical shortages occur on the theory that then manpower and other productive resources would be lured by the opportunity for profit and good wages into those sectors of the economy where shortages are most pronounced. The OPA appears to follow an opposite line of reasoning. We **have** money inflation, we **have** wage inflation and a frustrated price inflation. In a dynamic economy, some prices are always rising and some are falling. Instead of trying to hold a price line with a slight bulge, the OPA ought to take those steps which will lead to its own liquidation.

But the OPA is dealing only with the symptoms of inflation; therefore the Federal Government should cut its expenditures, substantially overbalance its budget and the Congress should reconsider our entire fiscal and interest policy with a view to encouraging the demonetization of our debt, encouraging people to buy and hold Government bonds and to remove as many of these bonds out of the commercial banking system as possible. Foreign lending must be geared into our own supply and demand conditions. Government surplus commodities should be sold promptly but in an orderly fashion.

Numerous readjustments are inevitable. The Government should try to direct them along natural lines so that gradually we will have an effectively functioning free economy with high-level employment at good wages.

Numerous people have said that pressure groups are flourishing in Washington as never before. But the more deeply the Government intervenes in the price-making process and in the entire economic process, the more the people will be forced to organize themselves into groups to protect themselves. The way to mitigate the pressure groups and to allow you as responsible members of the Senate to function in the public interest is to reduce the number of areas in which Government intervenes. Then, and only then, can you function in the public interest without undue pressure from the people.

We commend to you an immediate investigation of what would be a coordinated overall decontrol program involving prices, wages, fiscal policy, foreign lending and all other factors that bear on our current imbalance between supply and demand.

Regardless of what Congress does with respect to the continuation of OPA controls, the results a year hence will be unsatisfactory to large sectors of our society. The OPA through its propaganda has put this Committee and the Congress on the spot. Whatever changes you people make, it is likely that you will get the blame for the unsatisfactory results under price control which appear inevitable.

The OPA takes pride in the fact that three out of four people appear to favor continued controls. Yet one may wonder whether there should be much gratification at such a vote since it may be doubted that it is in any sense the expression of an informed or thoughtful economic opinion. Rather, it is the evidence of the existence of another pressure group, because the answers to such a question must be governed by the feelings of housewives and others who are conscious almost exclusively of their function as consumers but not of their responsibility as members of a cooperative productive organization.

Furthermore, if we place the beginning of economic literacy and awareness of economic principles and events at the age of 20 or 21, there is no one in the country under the age of 25 who has ever intelligently observed the working of a free market system. In most agricultural commodities no one under 35 or 40 has witnessed with mature observation a truly free market.

If price control is continued on and on, is this likely to so condition the American people to controls, and make them so subservient to these controls, that they will ever generate enough individuality and realism to check these controls? Habit is a powerful force. Once the mind and individuality of man is suppressed for a considerable period of time, man loses his desire for self-assertion and self-expression; he becomes a prey for further regimentation. The general public acceptance of price control more than eight months after V-J Day, when it was a free society for which we fought the war and which we were promised, is evidence of a decline of American individuality. The character and fibre of a people are a nation's greatest asset. The problem of price control is not merely an economic question.

We need to remind ourselves that by 1928, five years before Hitler came into power, German public authorities were in control of over 50% of the national income (in spite of which the German economy suffered its greatest collapse in history and the people were driven into hostile and opposing camps). A government crutch can be used too long.

The society of man is at its best when people are loosely knit together by the free market through which they may express their interests in the supply of and the demand for goods and services. The free market is impartial and minimizes compulsion and coercion. The consumer is free to buy or not to buy.

The market may never operate perfectly. It may at times cause hardship, but it is the form of economic society which the American people, given a chance to understand it, actually desire.

**In addition time deposits rose from about $27 billion in 1939 to $49 billion in 1946; savings bonds carrying such a low rate of interest that there is not much premium on holding them to maturity increased to $48 billion; many people view these as highly liquid savings to be spent as soon as goods are available or better investment opportunities open up.

††Nor is this criticism of Administration policy based on hindsight. See: "Maintaining Purchasing Power in the Transition," Chamber of Commerce of the U. S. A., July, 1945. In fact, the view that inflationary forces would outweigh deflationary forces after the war was set forth as early as September, 1944, in "Inflation and The Postwar."

F. W. Horne in Portland

(Special to The Financial Chronicle)

PORTLAND, MAINE — F. W. Horne & Co. is engaging in the securities business from offices in the Bank of Commerce Building. Partners of the firm are Frank W. Horne and Edward A. Deming. Both were formerly in business under the same firm name in Hartford, Conn.

New York Stock Exchange Weekly Firm Changes

Privilege of John F. Flannery to act as alternate on the floor of the Exchange for John E. Barrett of Barrett & Co., was withdrawn April 19.

Alfred Levinger, general partner in Seasongood & Haas, becomes a limited partner effective May 1.

Henry Cabell, Jr., Dead

Henry Landon Cabell, Jr., President of the Richmond Stock Exchange and a partner in Branch, Cabell & Co., died at his home of a heart attack. Mr. Cabell, who was 42 years of age at his death, began his business career with the old Planters National Bank of Richmond; he became associated with Branch, Cabell & Co. in 1922.

Brown & Vogel Directors

CHICAGO, ILL.—At a meeting of the Board of Directors of American Potash & Chemical Corp. held here, Robert F. Brown, a partner of Kuhn, Loeb & Co., and Rudolph E. Vogel, a partner of Glore, Forgan & Co., were elected directors to fill the two existing vacancies on the board.

The OPA's Control Policy

(Continued from page 2224)

tions, etc., that's your privilege. All I ask is that you make sure of your facts before you criticize, and recognize that forcing such restrictions down the collective throats of a normally free economy couldn't be done altogether pleasantly by anyone.

All the top operating jobs in OPA are held by experienced businessmen—experienced in the field in which they are operating. For the most part, they're young businessmen, or were before they came to OPA, but they have to be young enough to stand the pressure and the speed required of us all. We work long days and long weeks—the government has been put on a 40-hour week, but there's never a Saturday that the cars are not parked almost as thick around the building as on any weekday. We take our paper work home, have long telephone conferences at home in the evening, eat and drink OPA at the dinner table and, in short, drive our families crazy. We're sincerely convinced that OPA is a necessity and, at the same time, we'd give most anything to get off the merry-go-round and get back to industry and return to something of a normal life.

During the war, we all had our particular jokes about price control—we all repeated them but, nevertheless, we had a profound conviction that price control was essential to help us win the war. The tone of comment, however, has now become vindictive in many quarters—the jokes are no longer harmless and if true would require substantial revision of our powers and, if false, require immediate and forceful rebuttal. We're among the first to admit that OPA has not done as good a selling job as it should have. I am amazed at the numbers of people who do not know what our standards are, our powers, our legal limitations, etc. For example, in a recent discussion with a particular segment of the food industry, it became apparent that responsible members of that industry did not realize that the Department of Agriculture has concurrent jurisdiction with us for price control of all food commodities. OPA is the only villain they recognize.

Attitude of NAM

The National Association of Manufacturers has been stating for some time that price control should be ended because the industry is faced with rising costs and frozen prices. This statement is irresponsible and false and is amazing in view of the hundreds of price actions which cross my desk, practically all involving increases in price in order to comply with our earnings standard. The earnings standard can be explained briefly, as follows: it is a policy which requires us to increase prices whenever increased costs would otherwise prevent an industry from earning a return on its current net worth equal to that earned in a representative peacetime period. When we add to actions taken under that standard, industry actions to encourage production, actions taken to relieve squeezes on individual products where over-all earnings are unsatisfactory, individual adjustments by the thousands and, more recently, decontrol of hundreds and soon thousands of items, it should be clear to everyone that such a statement about frozen prices is simply not true. We can't help wonder what the real reason is for making it.

The accomplishments of price control during the war are a matter of record. We think of that record in terms of percentages of increase in the cost of living before and after formal price controls were established, before and after the hold-the-line order was issued or prior to V-J Day, and so on. I won't bore you with those statistics, except to say that at least two-thirds of the 16% increase at retail since January, 1942, took place before the issuance of the hold-the-line order in May, 1943.

However, the shooting part of the war is over. That fact, coupled with a general and only natural antipathy on the part of everyone to the war controls that remain in force, has given rise to a higher tide of criticism than ever before. It is of little value to label those groups who are seeking to accomplish changes of various kinds. Although we may question the motives of some of them, the question remains "Are they right?"

I think that very few persons seriously propose the end of all price control at this time and, therefore, it should not be necessary for me to dwell very long on the reasons for continuance of control. The answer is simple—there are not yet enough goods to meet the pent-up demand which is implemented by tremendous consumer income and $145 billions in individual savings. That these inflationary pressures are overhanging the market is proved by the substantial and continuing rise in the stock market, the speculative activity of commodity exchanges, particularly raw cotton, the outrageous increases in commercial rents and the tremendous speculation in real estate. Were it not for price control, all commodities would be doing the same thing as these uncontrolled items, with the difference being that inflation would be infinitely more wild. Last week, we took steps to control speculation in the cotton market—on the strength of a directive from the Office of Economic Stabilization, we issued a Cotton Margin Regulation, which requires additional margin for purchases on the Exchange, somewhat similar to the new requirements of the Stock Market.

The principal argument advanced by our critics is that price control is stifling production. It is another of those general, resounding, statements which simply have no basis in fact. All during the war, we had price control and it certainly didn't have any adverse effect on production. Has something miraculous happened as a result of the "cease fire" order to make the same agency suddenly become a deterrent to production? All evidence points in the opposite direction.

Long before V-J Day, we prepared new standards and techniques designed to implement immediate reconversion. We put into effect our reconversion pricing program for pricing goods that had been out of production during the war. We issued a regulation to cover the pricing of new products, including self-pricing for new, small producers of consumer durable goods. We have issued since V-J Day over 200 industry-wide price increases beyond the minimum required by law for the sole purpose of encouraging production of essential items, such as building materials.

Our efforts have paid off in increased employment and production in the consumer durables field as well as in the heavy industries. Recent reports indicate that there has been an increase in employment in these industries of from 50 to 200%—that increase is evident in practically all lines, such things as oil field machinery, railroad cars, radios, construction machinery, refrigerators, washing machines, machine tools, files, saws, and so on. The only possible result is a tremendous improvement in production, in equipment used to make consumer goods and in the end product. That upsurge is not yet visible to the average consumer because most of the items are in distribution channels and haven't yet reached the store shelves in any quantities and because there are always at least three people just standing around waiting for each item as it leaves the pipeline and arrives in the retail store.

To some extent, our programs have been aided by allocations or channeling orders from the supply agency concerned—the Civilian Production Administration, the U. S. Department of Agriculture, etc. In the case of Building Materials the program is coordinated by the National Housing Administration under Wilson Wyatt. Inasmuch as our joint programs supplement each other, we couldn't possibly get away with being as stiff necked or lethargic or stupid as some of our accusers would like you to believe. The supply agency involved makes a determination as to essential supplies, and recommends price increases to help secure those amounts where, in their opinion, they are necessary. If we do not agree, the case is referred to the Office of Economic Stabilization and we can be ordered to increase the prices. That is the function of that office—to settle disputes between Government agencies where stabilization is involved.

Another important phase of our current activity is decontrol. This program is governed by a directive from OES—Directive 68—which spells out the standards we should apply. These standards are of a general sort, but they are not definite and precise. A good thing that is, too, because rapidly changing conditions would require such constant revision of strict rules that we would spend all of our time talking about decontrol and how to do it—and not get any of it done.

Because of the necessary lack of precise standards we are forced to choose between two courses—either we can act cautiously so as not to decontrol one product while keeping controls on another equally or more eligible for decontrol or we can just go ahead and ignore the unevenness of our administration of decontrol. To take the former course would not result in the crazy-quilt appearance that so many have accused us of giving—also, it would not result in any suspensions such as the big list of consumer and industrial materials that we suspended last week. Needless to say, OPA has adopted the latter course. This makes it necessary for us to take a position which, put bluntly, is: that consumers and businessmen have the right to know that price ceilings are being removed as rapidly as possible (from both the economic and administrative points of view) but that no individual has a vested right to have his product decontrolled at any particular time.

In the present period of rapid transition the essence of the problem is one of approach. I can tell you that we are approaching decontrol aggressively and with the purpose of getting out as fast as is consistent with stabilization and with the knowledge that we are taking some risks and must continue to do so.

The question of risk brings up the difference between the technique of exemption and that of suspension. After a commodity has been exempted, we can bring it back under control only by making all of the findings which would be required to put it under control in the first place. Suspension of control over a commodity may be for a definite period, as in the case of white potatoes. In that case, controls go back into effect automatically at the end of the period. Suspension also may be for an indefinite period. While a suspension is in effect, it may be terminated and controls reinstated upon a mere finding that conditions which justified the suspension in the first place no longer exist. Suspension was used in last Monday's actions because of the experimental elements involved.

Broadly speaking, Directive 68 permits decontrol in two cases: first, under section 1 where prices will not rise, and second, under section 2 where they may rise. Section 1 relates to commodities that are significant in the cost of living or business costs and permits suspension where the Price Administrator **forms a judgment** that the action will not result in an increase above the general level of existing ceilings for the commodity and then permits exemption after a trial suspension period if the Administrator **is satisfied** that exemption will not result in such an increase. The section also provides that if, during suspension, prices rise or threaten to rise above that level, the suspension will be terminated and the ceilings reinstated.

There have not been many decontrol actions under section 1 of the directive because of the continued firmness of prices generally. We have been right almost every time we have used it—as, for instance in the cases of domestic wines, potatoes, primary aluminum and mercury. Obviously, we were wrong in the case of fresh citrus fruits. We are finding out now whether we were wrong in the case of die castings, which have risen sharply since suspension.

Section 2 permits decontrol where all the following tests are met: (1) the commodity does not enter significantly into the cost of living or business costs, (2) control involves administrative difficulties disproportionate to the effectiveness of control or the contribution to stabilization and (3) decontrol presents no substantial threat of diversion of materials, facilities or manpower from production essential to the transition and would not impair effective price controls in other areas. By far, the largest number of decontrol actions have been and will continue for the time being to be taken under section 2 of the directive. It is that section which is open to the widest varieties of interpretation. Some think we have gone too far in decontrol under it—some think we have not gone far enough. Last Monday's actions were taken primarily under that section, which it has aided to a very great extent in clearing the decks for active price controls in other more important fields.

There is a third section of Directive 68, within which fall items not complying with the requirements of either Section 1 or Section 2(a)—in those special cases we submit recommendations to the Office of Economic Stabilization and the decision as to the rightness or the wrongness of the action rests with Mr. Bowles. We don't have much occasion to use this section because there are only a very few situations in which we can consider decontrol when Sections 1 or 2(a) won't fit.

This period of active decontrol is, as a mater of fact, a liquidation period and will accelerate from now to June, 1947. Such a policy involves taking the chance that people will have more confidence in their ability to buy the things they want in the immediate future, that the tendency to rush into the market won't be as strong and that the inflation "jitters" will diminish rapidly.

The life-span of OPA is, at the moment, open to question. The House of Representatives has received from their Banking and Currency Committee, a Bill for the extension of the Emergency Price Control Act for one year. However, the Committee has proposed three amendments which would seriously hamper the continuance of effective price control another year. Those of us who have lived with the price control program for over four years are very much worried about the far-reaching ill effects of these proposals. Additional amendments which will be proposed from the floor of the House and in the Senate would involve substantial price increases in most consumer durable goods, in most foods, automobiles, clothing, etc.

We've found that the only instance where criticism is completely justified is in connection with delay in handling the case of individual adjustments. We're often guilty as charged in this respect, but we're constantly striving to overcome it. We're not the least bit proud of our past record in those instances and we'd like to get rid of the terrific backlog of work. Amendments requiring substantial revision of our standards, however, would so bog us down with industry-wide actions, that I would despair of any satisfactory handling of individual cases. We're going through our annual treatment of sulphur and molasses, but this time we have more than the usual number of doctors applying the medicine. Of course, it's only normal, democratic procedure, and the Congress would be doing less than its duty if it did not give our powers a thorough review.

It is imposible for the public or any one else outside OPA to have the same familiarity with price control problems and to understand thoroughly all the reasoning, planning, arguing, meetings, and so on, which go into the creation of our policies and the regulations and amendments issued under them. However, I do think it is too bad that you and all interested persons can't sit in on the meetings, know the people who are arguing and know the background well enough to understand their reasoning.

We can't explain our thinking and our reasoning in simple language because we're dealing in complex economic concepts. Our best efforts many times only result in confusion confounded. It all boils down to the fact that you have to have confidence in us. Since the country is too large for everybody to sit in on our operations, you will have to have faith in our knowledge of price control, our sincerity, our desire to be of service and our intention to finish the job at the earliest possible moment. If you think we're wrong, by all means say so—but have some constructive suggestions to offer at the same time.

Mr. Bowles recently stated in an article "Forecast for America" that we have every reason to look to our economic future with optimism because, "Today we are a whole lot stronger and a whole lot smarter than we were before the war. . . . We have our troubles today. But let's not get panicky about problems we are solving. This country is on the threshold of the greatest period of peace and prosperity we've ever known. If we use even a reasonable amount of the strength and courage we showed in war, nothing can stop us."

Trans Caribbean Air Stock Publicly Offered

Newburger & Hano, and Kobbe, Gearhart & Co., Inc., made a public offering today (April 25) of 99,000 shares (par 10 cents) capital stock of Trans Caribbean Air Cargo Lines, Inc., at $3 per share. Proceeds from the sale will be used by the company to purchase additional planes and equipment, with the balance slated to become additional working capital. Three planes are now in operation.

National Debt and Budget Outlook

(Continued from page 2215)

ury has taken into account all of the Government's receipts from taxes and other sources in relation to the volume of expenditures that have been authorized by Congress.

If there are not enough funds available from receipts, money must be borrowed by the Treasury to augment its cash balance so that the expenditure checks can be paid as they are presented. Under the circumstances, the public debt must, of necessity, go up. If, on the other hand, there are more than enough funds available from taxes and receipts to meet the expenditures authorized by Congress, then the Treasury is able to take some of this surplus and use it to pay off some of its securities. Under these circumstances, the public debt will go down.

Debt Determined by Congress

In the final analysis, therefore, it should be clearly understood that the amount of the public debt is determined by Congress and is the end result at the Treasury of the appropriation and the revenue legislation.

There may, it is true, be some fluctuation in the volume of the public debt in extraordinary periods of short duration when the size of the Treasury's cash balance is being increased or is being decreased significantly. But, in the final analysis and for periods of extended duration, the debt will decrease if revenues exceed expenditures; and, conversely, the debt will increase if expenditures exceed revenues. The debt limit is, therefore, not the controlling factor. The existing limitation has not meant that the public debt is a penny higher today than it otherwise would have been; neither is it a penny lower.

Not Opposed to Limit

This does not mean to say that I am against having a debt limit. On the contrary, the Treasury has always believed—and I too have believed both when I've been in and out of the Treasury—that a debt limit is a good thing to have. Its existence requires the officials of the Treasury to come to the Congress from time to time, particularly, as in the past, when fundamental changes in the debt structure are going on, and to set forth before Congressional committees the detail of the public debt picture. In my opinion, the review of the situation that results is beneficial.

The point that I want to make is only that the limit in itself does not reduce the debt, and that the limit should not be set so low that it will remove from the Treasury some of the flexibility that it needs in current public debt management operations. I believe the present bill sets the limit a little too low; and I shall give you some figures on this in a few minutes. Before I do so, however, I should like to make a few comments on the subject of public debt management. Debt management is a subject that many people are just beginning to think about, but it is a subject that the Treasury has been doing something about since the very beginning of the war.

You can't defer the planning of postwar public debt management until the debt has grown from $48,000,000,000 to $280,000,000,000. You have to plan that management as and when the debt is actually incurred.

Distribution of Debt

At the outset, for example, it was decided that the various classes of investors should be sold securities which fitted their requirements. This meant that they should have the particular types of securities that would best suit them and that they should have the particular length of maturities that they needed.

To give the various classes of investors the various securities required, a broad list of issues was offered by the Treasury. Some of these securities were of the savings bond type that were not transferable, and were redeemable on demand. Some of these securities were transferable in the market, but were restricted as to bank ownership for a period of years. More than half of the total increase in the public debt that occurred in the last six years represented these types of securities. Today, those securities cannot move into bank portfolios.

This was planning on the part of the Treasury, and I believe it was wise planning. Today, holders of Savings Bonds who need money can come directly to the Treasury and get it through the facilities of the Savings Bond redemption agents. That was planning too; and there is no selling of securities on the market by small investors. There is no repetition of the pressure on bond prices that occurred after the first World War. Prices of Liberty Bonds fell to a low of 82 in the Spring of 1920. As this occurred, many people sold their securities in the fear of further losses; while others found it necessary to get their money, regardless of price. Now, the small holders of Savings Bonds are protected against price risks because the bonds are redeemable according to the values set forth on their face.

There was also planning by the Treasury with respect to the particular length of maturity of the issues that were sold to the various classes of investors. A conscious effort was made to fit the debt to the needs of those investor classes. Accordingly, about 90% of the securities held by commercial and Federal Reserve Banks mature within ten years; similarly, about 80% of securities held by nonfinancial corporations mature within this period of time.

Institutional Holdings

On the other hand, in the case of insurance companies and savings banks, long-term securities predominate. About 75% of the holdings of these two groups of investors do not mature until after ten years. The amount of the debt held by the different classes of investors and the composition of their holdings will, naturally, shift with the passage of time and the changing character of our economy. This means that the debt will have to be tailored to meet these shifting demands. This is part of the policy of flexible debt management.

I have gone into these matters in some detail because I want to make clear that the Treasury planned its postwar management of the debt from the beginning. The Treasury is now reducing the debt; and it has so managed its debt operations that the entire reduction has been effected in bank holdings. In fact, the reports of leading commercial banks and of the Federal Reserve Banks following our April 1 debt payoff indicated a combined reduction in holdings of Government securities in excess of the total debt reduction since the end of last year.

Bank Holdings Down

The reduction of the bank-held debt has come about directly as a result of the application to debt repayment of a part of the cash balance that was left over from the Victory Loan. Since that Loan closed, the Government has not sold any securities to the public in order to raise new money (except Savings Bonds which have been on continuous sale for over ten years, and Savings Notes which are used primarily as tax anticipation instruments).

The Government has, instead, been paying off maturing securities with a considerable degree of rapidity. On March 1, the Treasury paid off $1,000,000,000 of maturing certificates. On March 15, it paid off $1,800,000,000 of maturing bonds and notes. On April 1, it paid off $2,000,000,000 of maturing certificates. We have already announced that on May 1, the Treasury will pay off an additional $1,600,000,000 of certificates.

After these transactions have been completed, and after allowing for such other public debt transactions as have occurred during this period, the public debt will show an aggregate reduction of $7,000,000,000 in the short period of two months between Feb. 28—the date on which the last of the Victory Loan money was paid into the Treasury—and May 1.

Future Payments

The size of the Treasury's cash balance will permit us to pay off other maturing securities from time to time as we find it convenient and desirable. Every movement on this account has its effect on the financial markets, because the public debt is so intimately woven into the entire financial structure of our country. On the occasion of each maturity of a public debt obligation, I have found it necessary, therefore, to go over in detail the information in the Treasury on a number of factors. First of all, there are matters with respect to the ownership of the securities and the effect that repayment of these obligations would have on the money markets. I also have to go over the Treasury's current cash position and investigate the prospective cash outlook before determining how much of the maturity, if any, should be paid off.

In this connection, I have been very much pleased—as I know you have been—by the continued improvement in the Federal budgetary situation. Revenues for the fiscal year 1946 have proved to be considerably higher than we had originally anticipated. This has occurred because the reconversion of our economy from war to peace was more rapid than even our most optimistic hopes.

Expenditures Reduced

On the expenditure side of the picture, the Government has been reducing its expenditures as rapidly as possible, and more rapidly than originally expected. The expenditures of the Government reached a high of $9,700,000,000 last June. By March of this year, they had fallen to under $4,000,000,000, and the decrease is continuing, so that average monthly expenditures in the fiscal year 1947 will be quite a bit lower than the March level.

As the President announced ten days ago, we are well on the way toward a balanced budget because of the strides we have made toward full peacetime production.

"It is the aim of our fiscal policy," the President said, "to balance the budget for 1947 and to retire national debt in boom times such as these. In our present fight against inflation, fiscal policy has a vital role to play. A continuation of our present policy, which is to maintain the existing tax structure for the present, and to avoid nonessential expenditures, is the best fiscal contribution we can make to economic stability."

The reason I have discussed these matters in detail today is that I want to make a particular point to you; that is, the Government's fiscal outlook is good at this time, its debt is in good shape, and we are managing it well.

In setting a figure for the debt limitation, an adjustment must be made between the present outstanding debt and the amount of the statutory debt limitation. The principal item relates to the unearned discount of approximately $11,000,000,000 on United States Savings Bonds. The law requires the inclusion of United States Savings Bonds at full maturity value for debt limitation purposes; whereas, the debt itself includes these bonds at any given time at their current redemption value.

Exempt Indebtedness

On the other hand, there is about $1,000,000,000 of debt items which are not subject to the statutory debt limitation. The attached summary and reconciliation may be helpful in this connection. It shows the exact relationship on March 31 between the gross public debt of $276,600,000,000 and $286,300,000,000 under the statutory debt limitation.

In view of these facts, therefore, I should like to suggest to your committee that the bill provide for a reduction in the debt limit to $285,000,000,000 from the present level of $300,000,000,000. I should like to suggest further that we take this matter up again sometime next year.

In closing, I should like to emphasize the importance of maintaining a strong tax structure in order to pay off debt as rapidly as possible at the present time. This has the added advantage of combating inflationary pressures and will help us stabilize the economy at the present high level of production and employment.

Statutory Debt Limitation as of March 31, 1946

Section 21 of the Second Liberty Bond Act, as amended, provides that the face amount of obligations issued under authority of that Act, and the face amount of obligations guaranteed as to principal and interest by the United States (except such guaranteed obligations as may be held by the Secretary of the Treasury), "shall not exceed in the aggregate $300,000,000,000 outstanding at any one time."

The following table shows the face amount of obligations outstanding and the face amount which can still be issued under this limitation:

Total face amount that may be outstanding at any one time			$300,000,000,000
Outstanding March 31, 1946—			
Obligations issued under Second Liberty Bond Act, as amended:			
Interest-bearing:			
Bonds—			
Treasury	$121,177,405,350		
Savings (maturity value)	*59,463,150,700		
Depositary	451,317,000		
Adjusted Service	500,157,956		
		$181,592,031,006	
Treasury notes	37,545,296,200		
Certificates of indebtedness	49,114,483,000		
Treasury bills	17,047,223,000		
		103,707,002,200	
Total interest-bearing		285,299,033,206	
Matured, interest-ceased		238,299,056	
Bearing no interest:			
War Savings Stamps	112,335,135		
Excess profits tax refund bonds	109,154,539		
		221,489,674	
Total		285,758,821,936	
Guaranteed obligations (not held by Treasury):			
Interest-bearing:			
Debentures: FHA	40,386,936		
Demand obligations: CCC	501,322,322		
		541,709,259	
Matured, interest-ceased		11,366,475	
		553,075,733	
Grand total outstanding			286,311,897,669
Balance face amount of obligations issuable under above authority			13,688,102,331

RECONCILEMENT WITH STATEMENT OF THE PUBLIC DEBT—MARCH 31, 1946
(Daily Statement of the United States Treasury, April 1, 1946)

Outstanding March 31, 1946:		
Total gross public debt		$276,012,418,847
Guaranteed obligations not owned by the Treasury		553,075,733
Total gross public debt and guaranteed obligations		$276,565,494,580
Add—unearned discount on U. S. Savings Bonds (difference between maturity value and current redemption value)	$10,730,071.856	
Deduct—other outstanding public debt obligations not subject to debt limitation	983,668,767	
		9,746,403,089
[illegible]		$286,311,897,669

*Approximate face or maturity value; current redemption value $48,733,078,843.

Ed. R. Parker Co. Offers Frailey Class A Stock

Edward R. Parker Co., Inc., members of the National Association of Securities Dealers, Inc., New York, are offering 58,680 shares of class A stock (par $1) of Frailey Industries, Inc. (New York) at $5 per share. The net proceeds are to be used for expansion, etc.

Frailey Industries, Inc. has been formed to expand the markets and distribution of its popular-priced, trademarked consumer specialties in the drug and cosmetics industries. The three products presently being sold, are THINC HAND CREME, CHAFIX and K-D KONES. All of these are seasoned products which have been on the market for a number of years.

The class A stock shall be entitled to receive non-cumulative dividends of 30 cents per share before class B dividends.

Factors Favoring British Loan

(Continued from page 2221)

upon which we can pattern this postwar decision. This is not a transaction which can be rationalized, for example, upon some such simple question as "Will the debt be paid?" There is so much more involved. This is a problem involving all the economic forces in the complex economic and social relations of a world which by trial and error must struggle back to stability and forward to peace.

In my opinion, Mr. President, whether we like it or not, destiny is in these scales today. This is not a question whether we owe England the further cooperation of more aid on top of all the other vast contributions which we have poured into our common crucible of war. No one can deny that we have been utterly prodigal in men and money in the achievement of victory against aggression—just as no one can deny that we have been utterly lucky that not one single bomb fell on the continental United States, while 4,000,000 houses were damaged or destroyed in Britain. Any comparisons upon either score are odious. Furthermore, they are beside the point.

This is solely a question, Mr. President, so far as I am concerned, whether, all things considered, this postwar loan should be made by us as a matter of intelligent American self-interest. It is solely a question whether the passage of this joint resolution is reasonably calculated to be of adequately compensatory advantage to the people of the United States. It is solely a question of whether the defeat of the joint resolution will be calculated to precipitate conditions which could harm the welfare of our own country and our own citizens. The test is right here at home.

It is on this basis, Mr. President, that I have struck my balance. It is on this basis that I have come to the reluctant but firm conviction for myself that the joint resolution should pass for the sake of America.

I shall briefly summarize my reasons, not in a maze of figures which can be made to prove or disprove almost anything, but in what I believe to be the preponderant logic in respect to the realities of today and tomorrow. This is not a matter of philanthropy. This is a matter of judgment—whether America, now the greatest creditor country on the globe, can best protect her own essential and inescapable position by these means; whether for our own sakes we must not accept the economic as well as the moral leadership in a wandering world which must be stabilized just as necessarily for us as for others.

If we do not lead, Mr. President, some other great and powerful nation will capitalize our failure, and we shall pay the price of our default. We shall not stand still. We shall either go forward or backward. I want America to cling to leadership. I am unwilling to surrender leadership to any power which would take it from us.

There are things about this joint resolution I do not like. There are things I would have done differently. I think it was a mistake not to have consulted Congress when the contract was in the making instead of waiting to confront us with a finished product which is far from satisfactory in many serious details.

I should like to interpolate at this point with reference to my colloquy with the distinguished majority leader in last week's debate. He expressed the view that other foreign loans will be made through the Export-Import Bank. I stated then that the Export-Import Bank was organized solely for the purpose of making commercial loans, and not for the purpose of making general foreign loans of this character; and that the latter require consultation at a higher policy level. In my view this particularly includes Congressional consultations. The Secretary of State is an ex-officio director of the Export-Import Bank. If the loaning facilities of the Export-Import Bank are to be enlarged by further legislation I respectfully suggest that the Senate consider a further amendment adding — perhaps temporarily—representatives of the House and Senate Banking and Currency Committees to the Board of the Export-Import Bank as ex-officio members.

As I was saying, I think it was a mistake not to have consulted Congress in advance with respect to the details of this contract which we are now asked to underwrite. But I do not rest my judgment, Mr. President, upon details, bad or good. I rest it on the overriding importance of the concept as a whole.

Let me give the Senators this analogy: One can tear across a few pages in a book with one thumb and finger with simple ease; but one cannot tear across the volume as a whole, with both hands, no matter how hard he may try. Thus we may demolish separate arguments in behalf of one section or another of the joint resolution, taken by themselves; but in my humble but convinced opinion, we cannot demolish the sum total of the challenge, which is a challenge to our own American self-interest.

I was particularly struck, Mr. President, with a few statesmanlike sentences from the supporting testimony of Mr. William Green, President of the American Federation of Labor, when he appeared before the Senate Committee to endorse this measure. He said:

"The true significance of the British loan agreement to the American worker, the American businessman, and the American farmer is not in the direct effect of the American dollar provided to an Allied nation in time of the most critical need. To meet that need is important. But the real significance of this loan to us is in the alternatives we must realistically face. If we choose not to aid Britain now the whole structure — monetary, economic, and political—of healthy international cooperation will inevitably begin to crumble."

Perhaps I shall oversimplify the question, but I shall at least try to define it in what I believe to be the paramount objectives which in my view outweigh the incidental details, however dubious some of those details may seem to be. Therefore I lay my foundation upon the following statement:

While America's greatest market will always be the home market, the richest in the world, and while it will always be colossal folly to neglect or compromise the home market in pursuit of sales abroad, the inevitable fact remains that sooner or later America must maintain and develop supplemental trade all around this globe if we are to assure steady total national income at the level required for even an approximation of full employment, general prosperity and national solvency. We may need no foreign customers at the moment because of the pent-up consumer demand now pressuring our insufficient stocks. Quite the contrary at the moment. But this legislative problem demands of us a long-range view. Inevitably the day of need will come.

America has the greatest industrial capacity of any nation in the world. In 1946, for example, we possess 60% of the world's factory output. One out of five workers in my own State of Michigan normally depends upon export orders for his job. We have had, and we shall have again, great surpluses in both industry and agriculture. In a word, we have a tremendous long-range stake in exports and in world trade as a matter of intelligent self-interest. We have a tremendous stake in what kind of a pattern world trade hereafter shall pursue, as a matter of intelligent self-interest. This must be of particular concern to those of us who are deeply wedded to the pattern of full production, free enterprise, and free competition, because the very character of our own economy may be involved in what we here do, as I shall indicate a little later.

In my opinion, this measure may prove to be a decisive factor in determining whether we are to live in a world of decent commercial opportunity or whether we are to attempt survival in a world of bitter economic strife and in a world of government cartels which might make any sort of peace impossible.

Peace is indivisible. I submit that the right answer is of just as great importance to us as it is to Britain; aye, of greater importance, because of our greater resources and our greater stake in destiny.

I also very earnestly submit, Mr. President, that we cannot hope to approach this decision in a safe mood, for our own sakes, unless we frankly recognize, first, that this proposal is not a one-way street; and, second, that these are not the pre-Pearl Harbor days, which are gone forever.

Let us look at the available alternatives. Under the stress of world depression and world war, Britain established a system of blocked trading in the so-called sterling area which accounted for nearly one-half of the world's ordinary imports and exports, and almost half of the ordinary import and export trade of our own country. Our trade was, and is, and will be substantially handicapped, if not actually excluded, from most of these vital markets. All these areas—not merely Britain alone — are involved in our considerations. This is no mean stake.

Roughly, the area includes all British Commonwealth and Empire countries, except Newfoundland and Canada, plus Egypt, Iraq, and Iceland, and, if the system persists, many nations with which the United Kingdom has payment agreements, such as Argentina, Bolivia, Brazil, Chile, Paraguay, Peru, Uruguay, Belgium, Czechoslovakia, Denmark, Finland, France, the Netherlands, Norway, Portugal, Spain, Sweden, and Turkey.

The fundamental American purpose in this loan is to provide Britain with about 70% of the foreign exchange she will require in a transitional period of perhaps five years, the balance coming from other available sources—to do what? To permit her to abandon these restrictive controls. The controls, of course, involve not only direct, but also indirect and triangular trade. I quote two or three sentences from the committee report at this point:

"In the years immediately before the war the English people imported two-thirds of their food and the bulk of every important raw material except coal. One-sixth of the British national income was spent to buy foreign goods. Britain alone took almost 20% of the total exports of the other countries of the world. She was the most important customer of a score of countries, including the United States."

Britain agrees to abolish immediately any exchange controls affecting United States products imported into the United Kingdom, or affecting sterling balances of United States nationals arising out of current transactions; to eliminate within one year, with specified exceptions, all restrictions on payments and transfers for current transactions; to eliminate not later than Dec. 31, 1946, discrimination against the United States in any quantitative import restrictions; to make agreements with the countries concerned for an early settlement covering blocked sterling balances; to give no other creditor better terms than these; and to join with the United States in a program for the elimination or modification of discriminatory trade barriers, including Empire tariff preferences.

In assessing the importances of these objectives, Mr. President—and these objectives underline the fact that this arrangement cannot possibly be a precedent for any other foreign loans, because they are so utterly individualistic in their character—let it be noted that the American dollar and the British pound are the two key currencies of the world, accounting for perhaps two-thirds of the world's business. Therefore, in stabilizing dollar-pound relationships, we are moving in an orbit infinitely larger, in influence and results, than the initial bilateral nature of the loan might misleadingly suggest.

Again I wish to quote a few sentences from the Committee report:

"If their minimum import needs—"

Referring to the British—

"cannot be financed in a convertible currency from outside the sterling area, they must devise and impose trade and exchange controls of unprecedented severity. Such controls would stifle the trade of every important country which exports to Britain and the sterling area. It would involve an economic war between the sterling and the dollar blocs which would plunge the entire world into a vicious spiral of declining trade, restrictions, and counter-restrictions.

"The financial agreement is designed to make it possible for the United Kingdom to reject this alternative, and it contains provisions requiring that the British do in fact reject it."

Mr. President, I subscribe wholeheartedly to the sentiment thus asserted in the committee report.

It may be said that all these benefits may not accrue because some of them are contingent. That is, unfortunately, true. But neither we nor they would bind ourselves against whatever recourse sheer self-preservation might ultimately require.

So we simply come back to the initial question: Is the chance worth while? That immediately poses the other question, What is the alternative?

Mr. President, the alternative, it seems to me, is quite clear. We would be thrust into a world of bilateral barter, which once had great attraction, but which in this new age is intimately linked with state regimentations which are the exact antithesis of every aspiration we Americans hold dear. In a desperate battle for economic survival and in the face of political resistance to the new and grim austerities which the hard-ridden British people would confront at home, Britain would be forced to tighten and expand the various trade controls which already seriously hamstring and threaten American foreign trade in many parts of the world.

Indeed, there are those in high places in Britain who themselves oppose this loan because they believe they can do better for their country by thus expanding their own exclusive imperial spheres.

Where does all this lead, Mr. President? It is undoubtedly inevitable that Russia will continue to conduct her foreign commerce exclusively upon a state-trading basis. I do not complain; I simply state the fact. I call attention also to the comment of Mr. Constantine Brown in the Washington "Star" upon this particular phase:

"Because of the totalitarian form of government adopted by eastern and southeastern Europe, free enterprise exists in name alone. The reciprocal agreements signed between the puppet premiers and the USSR are complex, but a careful analysis shows that whatever business they may wish to transact with foreign nations must be done through Moscow."

Totalitarian or parliamentary governments have a great advantage over democracies in such trade wars because they can take instant action. If Britain is forced to join this trend—forced as a matter of sheer, stark self-preservation—if she is forced to join this trend, either by us or by her own minorities, we may confront a dominating surge of bloc arrangements and trade alliances, with all of their defensive and restrictive devices, which could easily force us into kindred action in reciprocal self-defense, if we wished to maintain any part of our world trade at all. It would be economic politics in the pattern of power politics. It is probable that this, in turn, could force us, like the others, into a defensive state monopoly in charge of foreign trade, and thus renew and magnify the systems of business dictation against which we are currently in such violent rebellion. We might be driven toward more and more control of our entire economy.

Mr. President, I have no fear that we should not be able to hold our own in such a battle if we be willing to do what it would take to win. We would be under something of a competitive handicap because our exports are habitually greater than our imports, and our bargaining power suffers in proportion. Furthermore, our costs of production will also be dangerously higher in a competitive field. But I certainly would not be understood as even remotely suggesting that we would be outdone if, I repeat, we did what it takes to win. But I repeat that there is a better way for us and for the world, and the pending joint resolution contemplates that better way, if it can be made to work.

A recent McGraw-Hill editorial has summed up the situation better than I could hope to do:

"In the years immediately ahead it is certain that from two-thirds to three-quarters of all international trade will be transacted either in pounds or dollars. If both circuits are linked in a determined effort to restore competitive world markets, to which buyers and sellers alike have access without discrimination, that will be the dominant system of foreign trade. If the sterling group with its satellites organizes a closed grid, our exclusive effort cannot preserve the trade pattern that we believe offers most to us and to the world.

"No one can accurately measure the costs to the United States of refusing the loan and accepting the consequences. But unquestionably they would dwarf to insignificance the sum risked in the proposed credit. We would lose through the shrinkage of our trade, through the wrench of violent readjustments in our production patterns, and eventually through the curtailment of our over-all output below what it would be under an open, rather than a closed, system. We would lose heavily in economic liberty under a procedure that can be followed with success only by a close regimentation of production as well as trade."

At this point I also wish to quote, Mr. President, from the statement of the highly able Chairman of the Board of Governors of our own Federal Reserve System, Mr. Marriner S. Eccles, who left this very profound and important admonition with our committee when he testified:

"Without effective British participation, which is possible only if we lend our aid, the Bretton

Woods institutions cannot fulfill the hopes which we have placed in them. Without the fulfillment of these hopes for a stable economic order in the world, there is little prospect of success for the United Nations Organization in its search for political stability and security. Without economic or political stability we can expect only a continued drift of world affairs toward the catastrophe of a third world war."

Mr. President, it seems to me that there is a tendency in some quarters to so concentrate on details in respect to this joint resolution that the larger, total concept is obscured—like those who are so close to the trees that they do not see the forest. It is for this reason that I have purposely concentrated on the forest. Furthermore, the details have been and will be amply debated by others. It is right that they should have been, and they should be fully, totally, and ruthlessly explored. I do not for an instant depreciate the importance of these details. I repeat that these are details which I do not like. But I repeat also that I find a final balance favorable to the joint resolution in terms of intelligent American self - interest which ought to be our dominating consideration. I think we have more to gain than to lose by taking whatever chance is involved. It is the lesser chance, in my humble opinion.

A few incidental observations, Mr. President, and I shall be through.

First, I cannot ignore the fact that our experienced leaders in trade and commerce, with a very few significant exceptions, almost invariably recommend this loan. Again I quote from the committee report:

"The strong public support for this international economic program was impressively demonstrated during the hearings on the proposed joint resolution. Displaying a unanimity of purpose, almost never encountered in the legislative process, representatives of labor, business, finance, industry, and agriculture all appeared before the committee and supported the proposed legislation in enthusiastic terms."

Second. Without this loan Bretton Woods is all but nullified.

Third. We need not fear added imports to balance these new export accounts because the historical record discloses that, except for war periods and the restrictionist thirties, a nation's imports, even of manufactures, have increased on an absolute basis as its home industry grew.

Fourth. Contrary to much fear that the loan will encourage the Socialist regime in Britain, the fact is that a failure of the loan can force—to put it mildly—unintended socialization at emergency speed.

Fifth. Despite persistent prophecy to the contrary, I know of no conclusive reason why the loan should not be paid, unless an important part of the English speaking world is going to collapse. I am unwilling to entertain that tragic prophecy.

Sixth. I do not consider that I am voting a precedent for any other loan, because there is no other loan which could involve the factors embraced in this one. Mr. President, the committee's report is very distinct on this point, and I read from it one sentence:

"It has been made clear to the committee that the British loan is in no way a precedent for other loans, because the proposed credit to Britain is intended to meet a particular problem that does not exist with respect to any other country in the world."

Seventh. I think American labor has been wise to endorse this loan, because stabilized world trade spells jobs.

Eighth. I think American agriculture needs this orderly export.

Mr. President, I wish to commend to the attention of the Senators only a few sentences from the very important testimony of Mr. Edward A. O'Neal, of the American Farm Bureau Federation, when he appeared before our committee.

"Unless credit is advanced to the United Kingdom—"

Said Mr. O'Neal, in speaking for the American Farm Bureau Federation—

"Unless credit is advanced to the United Kingdom, Britain's only alternative is the placing of certain limitations upon trade with the nonsterling area. American agriculture cannot afford to have these restrictions on trade. . . . Our exports to the United Kingdom were weighted twice as heavily of agricultural products as they were for the world at large.

"If this loan is not made—"

Mr. O'Neal still speaking—

"it will greatly enhance the chances of trading blocs, frozen exchanges, cartels, trade restrictions, and the whole category of things that have in the past, and will in the future, lead to distrust, stifling of trade, and the lowering of living standards for many, many people. I view this loan to Britain as one of the necessary stepping stones in developing a brighter world of tomorrow."

Ninth. I think peace itself has a great stake in what happens upon this issue here in Congress. So does free enterprise and the American way of life.

Mr. President, many of my friends, many of my constituents, and many of my colleagues upon this side of the aisle disagree with me in this matter. I completely respect their view, as I hope they will respect mine. But for the reasons given, I believe it to be my duty to support this joint resolution. If I am wrong, the cost will be relatively small in comparison with the total problem. If they are wrong, the cost would be immense, and could be catastrophic. I choose the lesser gamble in the expectation that events will vindicate such action.

Securities Exempted

(Continued from page 2217)

or offer of sale thereof maintaining diplomatic relations, or by any state, province or political subdivision thereof having the power of taxation or assessment.

(c) Any security which represents an interest in or a direct obligation of and which has been or is to be issued by a national bank or by a Federal land bank, joint stock land bank or national farm loan association . . . or by any corporation created by or acting as an instrumentality of the Government of the United States.

(d) Securities issued, outstanding and fully listed on the New York Stock Exchange, New York Curb Exchange, Chicago Stock Exchange, San Francisco Stock Exchange and the Los Angeles Stock Exchange which securities have been so listed upon application of the issuer and pursuant to official authorization by such exchanges, and also all securities of equal or senior rank to any securities so listed, or evidences of indebtedness guaranteed by companies any stock of which is so listed; such securities to be exempt only so long as such listing shall remain in effect; provided, the commissioner may, at any time for cause, by formal order, withdraw the exemption allowed by this section from any security dealt in on any stock exchange herein mentioned; also securities listed in any standard manual or supplements thereto and which maintain a rating approved for exemption by written order of the corporation commissioner.

(e) Any security which represents an interest in or a direct obligation of and which has been or is to be issued by a state bank or trust company, industrial loan company . . . or credit union . . ., or any security the distribution of which is subject to the supervision, regulation, examination or control of the Insurance Department of the State of Oregon. . . .

(f) Negotiable promissory notes or commercial paper issued, given or acquired in a bona fide way in the ordinary course of legitimate business, trade or commerce, where such notes or commercial paper are not made the subject of a public offering.

(g) Subscriptions to capital stock for the purpose of qualifying a corporation to organize in the first instance under the laws of this state where the persons solicited to make such subscriptions do not exceed 25 in number and the persons who actually subscribe to such stock do not exceed 10 in number . . . with certain exceptions and where no commissions are paid. . . .

(h) Any security issued by a savings and loan association organized under the laws of this state.

(i) Any security issued by any insurance company incorporated under any law of any state of the United States of America, which company shall have been in existence and doing business for a period of 10 years or more.

(j) Any security the issuance of which is subject to supervision, regulation or control by the public utilities commissioner of the State of Oregon.

(k) Stock or membership certificates issued by an agricultural cooperative marketing or purchasing association where such stock is issued to evidence membership in such association or as a patronage dividend by such association and certificates issued to members or patrons by such an association evidencing their respective interests in reserves or as patronage dividends.

See Section 80-103, O.C.L.A.

Also the provisions of the act do not apply to the sale of any security in any of the following transactions:

(a) At any judicial, sheriff's, executor's, administrator's, guardian's, or other fiduciary sale, or at any sale by a receiver or trustee in insolvency or bankruptcy when upon order of a court of competent jurisdiction.

(b) An isolated transaction in which any security is bought, sold, offered for sale, subscription or delivery by the owner thereof, or by a corporation of its unissued stock, or his or its representative for the owner's or the corporation's account, such purchase, sale or offer for sale, subscription or delivery not being made in the course of repeated and successive transactions of a like character by such owner or corporation or on his or its accounts by such representative, and such owner, corporation or representative not being the underwriter of such security.

Note: Two sales of securities made one after the other within a period of such reasonable time as to indicate that one general purpose actuates the venture and that the sales promote the same aim and are not so detached and separated as to form no part of a single plan, would be "repeated and successive transactions." Kneeland v. Emerton. 280 Mass. 371, 183 N. E. 155, 87 A. L. R. 1; Salo v. Northern S. & L. Assn., 140 Ore. 351, 12 Pac. (2d) 765.

(c) The distribution by a corporation actively engaged in the business authorized by its charter of capital stock, bonds or other securities to its stockholders or other security holders as a stock dividend . . . issue of securities to the existing security holders or other creditors of a corporation following reorganization under the supervision of a court . . . subscriptions to an increase in capital stock made by the stockholders of record of such corporation, with certain exceptions.

(d) The sale, transfer or delivery of securities to any registered broker or dealer; provided that such broker or dealer must qualify such securities before selling or offering them for sale to the public.

(e) The transfor or exchange by one corporation to another corporation of their own securities in connection with a consolidation or merger of such corporations.

(f) Bonds or notes secured by mortgage upon real estate so long as the entire mortgage together with all of the bonds or notes secured thereby are sold to a single purchaser at a single sale.

(g) Agency or principal transactions by registered dealers, executed upon customers' orders on any exchange or in the open or counter market, but not the solicitation of such orders, where there is no intent to avoid the provisions of this act or not involving a public offering. . . .

(h) The issue and delivery of any security in exchange for any other security of the same issuer pursuant to a right of conversion entitling the holder of the security surrendered in exchange to make such conversion, provided that the security so surrendered has been registered under the law or was when sold, exempt from the provisions of this act.

(i) The sale by a registered dealer of any security acquired in the ordinary and usual course of business, when such security is a part of an issue which has theretofore been qualified for sale, in whole or in part, by permit under any previous law of this state or by registration under this act, such sale being made in good faith and not directly or indirectly for the benefit of the issuer of such security or for the direct or indirect promotion of any scheme or enterprise effecting a violation or an evasion of any provisions of this act; . . .

See Section 80-104, O.S.L.A.

Except as to the above enumerated exemptions, no securities shall be sold within the State of Oregon unless such securities have been registered by notification or by qualification. See Section 80-105, O.C.L.A.

Blue Sky Laws are not a new form of governmental regulation Many have been in existence for years. Through the course of time since the first Blue Sky Laws were enacted the various states have provided numerous exemptions from the regulatory effects of the law. These exemptions are honest attempts by all states to facilitate the marketing of sound securities without burdensome formalities, while at the same time protecting the public from fraud.

Although there is no standard set of exemptions in existence in all states, those outlined above from the Oregon Securities Law are indicative of a pattern many parts of which are woven into the statutes of a great majority of the states regulating the sale of securities. Some provisions, like those exempting securities of the United States Government, states and political subdivisions thereof, are found in virtually all the laws Others, such as the provision exempting securities listed in standard manuals, are found only in the laws of three other states. In the main, however, the same or similar exemptions are found in the laws of a majority of the other states.

Without in any way attempting to brief the comparative legislation, it may be worth while calling attention to some of the important exemptions found in a majority of the state laws on this subject. As noted at the beginning of this article, most states exempt securities listed on the New York Stock Exchange. Some 32 acts include such an exemption, while many of these also exempt securities listed on other nationally recognized exchanges. Although not included in the Oregon law, over 20 states make an exemption available for securities listed on any responsible exchange approved for exemption by the administrative agency. Usually the act exempts all securities senior to those listed, as well as evidence of indebtedness guaranteed by companies any of whose securities are so listed and subscription rights thereto.

Six other States have exempted transactions, arising as "customer's orders" and a dozen or so others provide exemption to securities having a fixed return which have been outstanding a specified number of years (usually five) upon which there has been no default as to interest or principal for a determined period (again usually five years) immediately preceding the sale.

General exemption is found for commercial paper and negotiable promissory notes issued in the usual course of business, though many States have set a definite maturity date on such paper within which the exemption is applicable. Isolated sales, of course are exempt in virtually all States, as are sales to brokers and dealers, with most States extending this exemption to sales to banks, trust companies, and in many, to any corporation.

Securities issued by State banks, insurance companies and public utilities are usually exempt if the issuer is subject to regulation in the State where the sale is being made. However, there are many laws which exempt such securities if the issuer is under supervision and regulation by the United States or any State. Particularly is the latter true with respect to public utility securities, and the same exemption is applicable to public utilities equipment securities based on chattel mortgages, leases or conditional sales agreements on equipment. Bonds or notes secured by real estate mortgages are usually exempt when sold in the entirety to one purchaser. Here again there are many and varied exemptions available based on the amount of the mortgage as compared to the value of the property or on the percentage of income return to the amount of the debt.

Issuance of securities to creditors or security holders of a corporation in the course of a bona fide reorganization, exchange of securities in case of merger or pursuant to conversion rights and the issuance of additional stock by a corporation to its own shareholders, where no commissions are allowed, are quite commonly the subject of exemptions in all States.

The above noted exemptions give only the general trend of what may be found in the laws of the several States. Each pertinent act must be examined to determine the exemptions available. It is sought here only to point out that there is a wide field of securities and transactions relating thereto upon which no attempt is made at regulation. Persons concerned should familiarize themselves with these exemptions. It is the hope of the writer that this article will give the reader a more complete view of the exemptions from State regulation.

Ohio Brevities

(Continued from page 2225)

registration statement said the price would be $6.50 a share.

The company said it proposed to use $445,710 of the proceeds to buy new equipment, lease or build a new plant and for working capital. The company is selling 80,000 of the total and stockholders 50,000 shares.

Otis also announced it had applied to the Ohio Securities division for authority to sell 500,000 shares of $1 par common stock of Steep Rock Iron Mines, Ltd. of which Cyrus Eaton, Cleveland financier and head of Otis & Co., is Chairman, and Donald M. Hogarth of West Toronto, Canada, is President.

The mine, claimed to be one of the largest iron ore deposits in the world, is being constructed under a lake in northern Ontario. The application gave a $4 offering price "for the purpose of filing" as a maximum price for the stock had not been determined.

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A low bid of 1.50%, made by Chase National Bank, was accepted by Erie Railroad for $1,890,000 promissory notes to finance less than 80% of the cost of 700 50-ton all steel box cars to be built by American Car & Foundry Co. at Chicago. Delivery is expected to begin May 15.

Notes are to be dated April 1, 1946 and will mature quarterly over a 10-year period, the Erie announced.

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L. P. Wasserman of New York City, was elected a director of Harris-Seybold Co. of Cleveland, at a special meeting in which stockholders also voted to change the company name from Harris-Seybold-Potter Co.

Wasserman, one of the large stockholders, is a partner in the firm of Wasserman-Behr-Shagan, New York legal counsel for Harris-Seybold for more than 20 years. Principal products at present are offset lithographic presses and precision paper cutters.

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Otis & Co. chalked up another competitive bidding victory last Monday (April 22) when its bid of $15,651,510 was declared the lowest for proposed $16,500,000 preferred and common stock financing of Indianapolis Power & Light Co., of Indianapolis, Ind.

The Public Service Commission of Indiana ordered competitive bidding, following demands by Otis & Co. and by the City of Indianapolis.

Halsey, Stuart & Co. headed a group of 88 firms which were awarded an issue of $41,500,000 refunding mortgage series F bonds of New York, Chicago & St. Louis Railroad (Nickel Plate). The winning bid was 101.529 for 3% coupon rate, averaging an annual interest cost of about 2.935%. A second group, led by Smith, Barney & Co., offered 100.32 for 3s, equivalent to an average annual interest cost of 2.99%.

The road said the new bonds will replace the series D refunding mortgage 3¾% bonds of 1975, of which there were $41,796,000 outstanding. They were sold at competitive bidding Dec. 19, 1944, at a price and interest rate averaging an annual interest cost of 3.73%.

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Association of Reserve City Bankers elected Sidney B. Congdon, President of National City Bank of Cleveland, as their new President at the group's 35th national convention in Palm Beach, Fla.

Congdon succeeded Robert M. Hanes, President of Wachovia Bank & Trust Co., Winston-Salem, N. C. Thomas M. Conroy, Executive Vice-President of Central Trust Co., Cincinnati, was named to a three-year term on the board of directors.

Widening Big-Power Rift Demonstrated at UN

(Continued from first page)

ever more strongly to the premise that the Western Powers have "ganged-up" against Moscow.

Time and again in his lengthy oral representations on the Iranian question Mr. Gromyko has openly impugned the motives of the United States and Great Britain. He has called Messrs Byrnes, Stettinius, and Cadogan "more Iranian than the Iranians," has termed Mr. Stettinius' contentions "without logic" and "senseless," and together with the Polish delegate has accused the United States and Britain of using Iran as a political pawn and "football" with which deliberately to stir up anti-Soviet trouble.

And—with some justification—the Soviet regards as a slur on its honor, the Council's refusal to close the case on the basis of their and the Iranians' assurance that the troops will be out and the general pressure withdrawn on schedule. But this skepticism the Soviet itself unfortunately has forced on the other Powers consituting the Council's overwhelming majority. In the first place the background of the whole situation has been, and still is, that Russian troops in Iran since March 2, have been and still are there in direct and undeniable violation of the 1942 Treaty of Tehran. Then there is the question whether as a result of this unlawful presence of the troops, Iran's freedom of action has been preserved; or whether her sovereignty, as investigators are testifying, has been violated by overwhelming Soviet pressure—a suspicion that has naturally been enhanced by Mr. Gromyko's near-filibustering to remove the matter from further consideration. And the skepticism has understandably been greatly enhanced by Iran's somersaults before the Council itself. First the Iranians unequivocally and repeatedly affirmed to the Council that Stalin's demands must be rejected as contrary to all treaties, to the Charter, and to the Iranian Constitution. Subsequently on April 4, despite all these professions, Premier Ghavam suddenly reversed himself by announcing an agreement. Then within the period of the week which followed, Iran successively asked the Council to keep considering the case, then hedged by saying that the Council itself must decide, and one day later asked that the matter be removed. And meanwhile the entire atmosphere in Persia has mysteriously changed, to the accompaniment of censorship, to a distinctly Russian hue.

The resulting mutual distrust will only be further enhanced by the Soviet's refusal to report on, or discuss, the matter with the Council on May 6.

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In connection with the specific oil agreement there are some unsatisfactory aspects. After the oil has been extracted, it will be sold in the single market of Russia; as the Russians will for the first 25 years of the agreement hold a 51% majority interest, they can dictate price policy, and thus limit the profitability to the Persians, such as would be assured by a free-handed arrangement, as exists with the British and Americans.

Moscow's Undermining of UN

Mr. Gromyko's promised boycott encore, even to a greater degree than his direct skirmishes vis-a-vis the other Powers, harbors the widest repercussions on the Organization—in fact, repercussions which are fast scuttling it in its basic purposes. For how can any body function if one of its important members adopts the technique of simply walking out when the majority makes decisions displeasing to it?

Further definite complication is introduced in this situation because, according to the Soviet's own previous insistence, its absence constitutes an effective veto on all "substantive" questions—thus paralyzing the entire important functioning of the Council.

The basis for the stringent veto arrangement, advanced at Yalta and San Francisco, was that Big Three unanimity was indispensable to the working of the Charter—veto or no veto. This is being more and more clearly confirmed as UN's career goes on. But correlated therewith must be despair over the ever-growing Big Power rift, as demonstrated by Moscow at every step. The only alternative to even more serious trouble, seemingly is to make of the Council an aimless forum, debating *in vacuo* for the record.

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Interference by Power Politics

It is becoming increasingly evident that the area of direct diplomatic negotiations, and bilateral political maneuvering, are becoming ever wider, and that their encroachment on the concerted functioning of a world body presents a pressing fundamental problem. This is particularly true of many questions which will come up for settlement after the items which are currently on the Council's agenda. One crucial center of continuing Soviet-British power politics will be the Mediterranean area. It is not fully realized that Great Britain has been as active as the Soviet here. She has been getting ready for the revision of her expiring treaty with Egypt, and she last month granted independent status to the former League mandate of Transjordan. A strong British delegation, to be joined later by Foreign Secretary Bevin, is in Cairo. Matters to be adjusted are the presence of troops, and other activities of Britain in maintaining internal stability, without disturbing Egypt's sovereignty. Dr. Hafez Afifi Pasha, Egypt's new delegate to the Security Council, has recently stated that he may submit his country's case thereto. As he will be functioning for the next month as the Council's President, a most interesting situation might thereby develop.

Hafez Afifi Pasha

Now presiding over the Council

Also in addition to the bilateral or trilateral pressures involved in Germany, Manchuria, Iceland, Korea, Italy, control of the Mediterranean, Yugoslavia, etc., etc., there now has arisen the question involving the Russian-Rumanian border definition. Lack of clarification as to what Moscow is after, as seen in her unsatisfactory answers to official inquiries from London and Washington, are eliciting fears that she may be seeking control of the delta of the Danube River, which flows into the Black Sea.

Difficulties in "Registering the Permanent Guests."

The United Nations' "business" and private housing problems have implications extending far beyond their earlier mere "griping" stage. It is far from being just a real estate and housing matter!

In the first place, there is the question of the World Organization' prestige, the importance of which is regarded in varying degrees by the members. While the League of Nations' $26,000,000 of buildings and Geneva's spacious park may be over-luxurious and otherwise unnecessary, still the contrast with UN's bivouacking career seems a bit too sharp. Our august international body has successively toured from a private home known as Dumbarton Oaks, to an opera house, veterans' building, and barracks at San Francisco; to Church House in London; and is now camping in a girls' gymnasium and swimming-pool in the Bronx. With this itinerary the September locus of a skating rink and gyroscope factory is not at all inconsistent.

On Sept. 3 the 52-nation Assembly will become a tenant in the colonnaded, limestone and glass New York City Building of the late lamented World's Fair. This is in Flushing Meadow, which seasoned New Yorkers remember as a tidal marsh sprouting salt hay or, as it subsequently became, an offensively smelling rat-breeding dump. Since the dismantling of this $11,000,000 pride of Mayor LaGuardia with its animated exhibits, the premises have ever since been functioning as a rink dashed around in by ice and roller skaters to the "tunes" of an organ, at 22 cents per hour (including the use of the City's skates). But even here the UN is on borrowed time. For, joining the burghers of Fairfield County and Lake Success in their "addresses of un-welcome," 200 men, women, and children skaters have formed an association to ensure the city's keeping of its promise to restore their playground to them after the UN's Fall session. Meanwhile, should any of the delegates decide to "do a Gromyko," they can swiftly roller-skate instead of walk, out of the proceedings.

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Then there is the factor of inconvenience. In San Francisco the delegations and other working units were scattered about the city, but the traveling time was mostly a matter of minutes, by special bus, cab, cable-car, or foot. The Security Council now stationed at Hunter is a good half-hour from midtown by subway-and-foot but at least once the destination has been achieved, no further traveling is necessary. Under the Long Island arrangement, however, the Assembly Hall and the Secretariat offices actually will be nine miles apart—a nuisance and cause of inefficiency for secretariat members and for all others having business at both places. From mid-town Manhattan it is 22 miles to the Lake Success plant which will house the Secretariat, and seven miles to the Meadow Assembly Hall. To reach Lake Success from Manhattan it will be necessary to use either automobile, train and bus; or subway and bus. One will be able to get to Flushing Meadow somewhat more easily by subway or Long Island Railroad, with the aid of the special World's Fair facilities being restored by both those carriers.

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The Personnel Housing Problem

The new Long Island location, if possible, aggravates further the existing dwelling problem. For many of the present secretariat live in or north of the Bronx, and will feel like re-locating nearer their new working habitat. The 5,000 prospective members of the secretariat and their families will have to be housed in a village whose prewar population was but 734 or else commute from some place like Jamaica. The present small Security Council contingent is now bivouacking about the city as best it can, on a strictly makeshift basis. Even Dr. Quo, the Council's recent presiding officer, is only temporarily checked-in at the Waldorf-Astoria Hotel.

Most of the visiting delegates are voicing considerable and increasing bewilderment over the apparent demonstration of American inhospitality. They do not understand the private and business housing difficulties, in view of the invitation extended originally by the United States Government, and in the face of the idealistic utterances lauding UN as the saviour of civilization. They feel that the Federal Government is merely hiding behind technical legal excuses in not taking over a mid-town hotel, as the Waldorf-Astoria, in toto.

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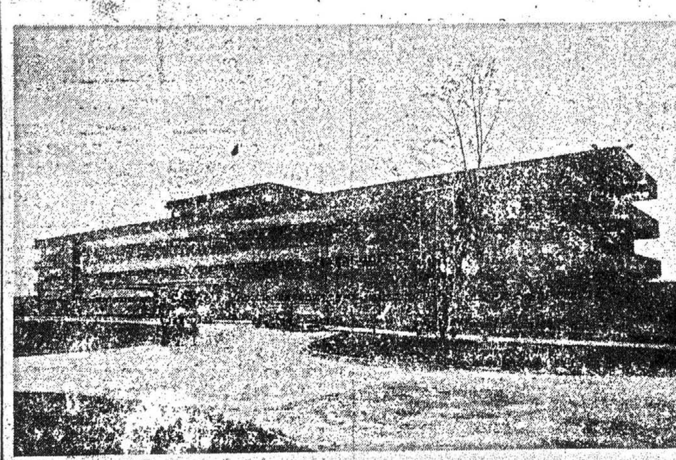
Administrative and Assembly Housing Difficulties

Even greater than in the personnel dwelling situation have been the bickerings, annoyances, and dissension connected with finding even a temporary resting place for the secretariat and for the Assembly meetings. While the $17,000,000 Sperry plant with a 647,000 foot area for UN, and with an air-conditioned floor affording space 421 feet long and 214 feet wide, and with a ceiling 40 feet high, gives adequate inside room, there have even been nasty wrangles here. Former Mayor LaGuardia is issuing continued blasts against use of the plant, because of the local county officials' insistence on collecting taxes.



The Sperry Corp. Building which will house the Secretariat

Regarding the Flushing end of the deal, as the main building comprising a 45,000 square foot area, has no facilities suitable for the press, for offices, or for eating and drinking, the City agreed to add these accoutrements at its own expense. Originally this was to involve an outlay of $1,200,000, but much to Mayor O'Dwyer's disgust, the UN officials' revised wishes for $650,000 of landscaping, and other fixings, quickly raised this by a cool million. This has since been compromised at $500,000, making a total cost to the City of $1,700,000 for its two-month guest—with a ruffling of tempers all-'round.

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New York Not Indispensable—Let's Return to San Francisco!

Apart from any dereliction of duty on the part of our Federal Government in failing to carry through on its invitation and obligations to UN, and apart from the rights and wrongs in the continuing arguments, it seems that the over-all mess has to a great extent been the result of the Organization's own selection of an already overcrowded city. The reason therefor which is now most consistently advanced, is the proximity of relevant **information** (the alleged night club motive was really never very important). But, as evidenced at San Francisco, copious information of every kind and description will be transported to the world capital wherever it may be located. Actually no logical affirmative reason has been demonstrated for the "indispensability" of New York City. Even if San Francisco is considered remote, there surely are many other suitable communities available in this sparsely settled country. And the smaller a community is the greater will be its pride in, and solicitation for, the requirements of a world capital. At best, and even apart from the present boom shortage in facilities in New York, the Organization will relatively be swallowed up there, in contrast to its preeminent importance to less cosmopolitan centers. **From this angle, as well as because of its "know-how" gained from its previous UNCIO experience, and even for sentimental reasons, San Francisco would seem to be ideal. And, of genuine importance, it still really wants**

The Press covering the Security Council's deliberations in Hunter College's erstwhile swimming pool.

the show—as is testified to by an eleventh-hour flight here made by its special pleader Jerome Pollister, last February.

Altogether logical is the veering of Mr. Stetinius' preference to the Golden Gate—although some nasty people are ascribing as the motive therefor, the greater commuting difficulty for his mentor, Secretary Byrnes.

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Political Factors Involved in Permanent Site Selection

Broad political factors are involved in the site problem, as they are in practically every other matter confronting the UN. The question far transcends the mere matter of housing. If it was a mistake to choose the United States for the permanent site, that error cannot be remedied by now merely moving across the Atlantic. **If the Organization had started its career abroad that would have been one thing; but departing from this country after once having begun here, and particularly in controversy, would greatly intensify America's tendencies toward isolationism, and more particularly, her cynicism and indifference toward the United Nations.**

Also involved are the power politics which are splitting all other major decisions. It will be remembered that the United States was chosen by the decisive factor of the Soviet vote. Britain and France preferred Europe, and the South American countries wanted a United States site. The Russians felt that a European choice would enhance British influence; they have had an aversion to the League and Geneva, and they believed that an American locale would minimize United States interest in and interference with their Eastern European doings. In the latter supposition they have found that they were completely mistaken, beginning with Mr. Byrnes' aggressive leadership in the Iranian proceedings of the Council. Hence it is understood that there have already been surprising suggestions from Soviet officials that perhaps after all Geneva would not be so bad, and that its $28 million structure ought not to be wasted. But the political controversy over the matter will be kept active by the satisfaction with which the newly-evidenced American leadership is received by the run of the other powers, particularly the smaller nations.

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Further Expansion of the Secretariat

By the end of 1946 the secretariat will comprise 1,937 employees—four times its present size—according to a report recently submitted to Secretary-General Lie. There will be nine branches of the Secretariat, including the interim London office, and the departments of Security Council Affairs, Economic Affairs, Social Affairs, Trusteeship and Information for Non-Self-Governing Territories, Conference and General Services, Administrative and Financial Services, Legal and Public Information.

These principal departments will be further subdivided. For example, the one on Economic Affairs will be organized into various sections, as Economic and Employment, Fiscal, Statistical, Transport and Communications, and a sub-division for liaison with the specialized agencies and non-governmental bodies.

Economic and Social Council to Get Started

Reflecting much preliminary organizational spade work by Assistant Secretaries-General Henri Laugier and David Owen, the Economic and Social Council will hold preliminary meetings next week. As planned by Mr. Owen of Great Britain, who is in charge of the **economic** sphere of the Council's operations, so-called nuclear committees will begin meeting Monday, April 29 on the general questions of (1) **Employment,** (2) **Statistics,** and (3) **Transport and Communications.**

As presently devised by the Council's Brain Trust, its two economic aims for a better world will focus on (a) **economic instability,** and (b) **unequal standards of living throughout the world.** Its relevant points of attack are to be through raising employment, and through securing better distribution of raw materials.

How problems such as these can be solved by international techniques is, however, quite difficult to comprehend. Non-encroachment on sovereign national practice is guaranteed both by existing conditions throughout the world, and by the very provisions of the Charter. On employment problems, for example, how can the American background behind solutions possibly be made to conform with the basic principles governing in either Great Britain or the Soviet Union, where the concept prevails that employment is an obligation of the State?

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The possibly more practicable and effective **social** segment of the Council will also get started in embryonic fashion next week. Preparatory committees to meet here next week include those on (1) **Rights of Man and Woman,** (2) **Human Rights,** and on (3) **Liaison Arrangements with UN Organizations, as FAO,** et al.

An important basic question coming up next week, will be a decision whether the Council is to function merely in an advisory and liaison capacity, or whether it can affirmatively function on its own initiative.

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The Council in full session will meet here May 25, under its permanent Chairman, Sir Ramaswami Mudaliar of India, who performed such a splendid job in incubating the body in San Francisco.

The contemplated International Trade Conference will take place, in a preliminary manner, in England in the Fall. Seemingly success here would entail more success in raising world employment than would all imaginable direct panaceas toward this laudable end.

The Spanish Issue

Far from subsiding, the Council's fires of controversy are now additionally stoked with the Franco fuel. With this matter next on the Council's turbulent agenda—the Russians will here indeed participate most fully—if not actually with a vengeance. Fortunately a breathing-space in the crisis-atmosphere has been afforded through the submission of the proposal by the Australian delegate, the non-conforming and "fact-finding" Col. Hodgson, that the Franco situation be formally investigated. Here is the text which includes the nub of the question:

W. R. Hodgson

Australia's fact-finding" delegate.

The attention of the Security Council having been drawn to the situation in Spain by a member of the United Nations acting in accordance with Article 35 of the Charter, and the Security Council having been asked to declare that this situation has led to international friction and endangers international peace and security, the Security Council hereby resolves, in accordance with Article 34 of the Charter, to make further inquiries

(Continued on page 2260)

A Compromise Silver Bill

(Continued from page 2219)

which is of considerable interest in New York commodity circles, has long been sought by Senator Pat McCarran and at one time passed the Senate some years ago. Latterly Senator Abe Murcock of Utah, another silver Senator, has been reported as favoring the repeal of those sections of the 1934 Act.

Whether the OPA will be instructed by Congress to remove all ceilings on silver is not certain. It may not remain in the Hayden amendment should that otherwise be accepted by both sides. But the other provisions—numbers 1, 2 and 4 of the above list—now seem likely to be agreed upon according to persons close to the ringside.

As to number one. The industrialists are now taking a stand on the 90 cents price and for a two year period. The miners in general are standing pat on $1.00 an ounce and for an increase to $1.29 sometime between one and two years, with the industrial consumers, pressed because of lack of supplies. The mining Senators are using as a club the factor of delay. Senator McCarran's 61 witnesses are still waiting to testify. From the standpoint of time the most that the industrial interests expect to obtain from the mining bloc at 90 cents or thereabouts is two years' access to Treasury silver.

That price a temporary ceiling for industry. The mining bloc means to make a permanent floor for itself. The present statutory floor of 71.11 cents dates from 1939 when the mints were opened to all newly-mined domestic silver in perpetuity. If as part of the compromise the 1939 statute is amended so as to raise the Treasury's buying price and no time limit for such price raise is specified the mining bloc will be receiving a permanent increase in exchange for a two-year concession to industrial consumers of silver. The 1939 legislation was itself produced by a sort of legislative legerdemain during another compromise on the Senate floor.

One feature of McCarran's bill omitted from the Hayden substitute is that which would require an applicant for Treasury silver to state his inability to buy silver elsewhere.

How the House will react to the above-described triangular Senate deal this writer cannot predict.

Mexico is reported contemplating issuance of a 5-peso silver coin.

President Praises Work of Lehman

President Truman expressed praise and admiration for the work accomplished by Herbert H. Lehman as head of the United Nations Relief and Rehabilitation Administration, in a letter addressed to the retiring Director-General on March 25. According to the text of the President's message given by the New York "Times" in a special dispatch from Washington, Mr. Truman told the one-time Governor of New York that under his guidance a structure of international cooperation had been built up "which is now bringing effective aid to millions of our liberated Allies." In closing, the President said:

"As supply ships carry to the devastated area of Europe and Asia the relief goods which UNRRA has sought in every part of the world, the people of the United Nations, no less than those receiving UNRRA aid, will be grateful to your for your part in making possible this collaboration in the interests of lasting peace."

Widening Big-Power Rift Demonstrated at UN

(Continued from page 2259)

in order to determine whether such a situation does exist.

To this end the Security Council appoints a committee of five of its members and instructs this committee to examine the statements made before the Security Council concerning Spain, to call for further written statements and documentary evidence from members of the United Nations and from the Franco regime, and to make such other inquiries as it may deem fit in order that the committee may report to the Security Council not later than May 17, 1946, on the following questions:

(1) Is the Spanish situation one essentially within the jurisdiction of Spain?

(2) Is the situation in Spain one which might lead to international friction or give rise to a dispute?

(3) If the answer to question (2) is "Yes," is the continuance of the situation likely to endanger the maintenance of international peace and security?

While the idea of an investigatory commission is generally assented to, many important and contentious details will have to be settled. Firstly, there is the question of what witnesses are to be heard; the Russians will object to the admittance of testimony by the Franco regime, and on the other hand, the American s and British will correspondingly not permit Dr. de los Rios or the rest of the Spanish Government in Exile to give testimony. Then there is the question whether our State Department files shall be made available to the committee—to meet the Communist charge that Washington is suppressing significant information. Also there is the question as to the makeup of the committee. Russia, Poland, Mexico, China, and Australia have severed diplomatic relations with the Franco Government, and hence might be ineligible to enter Spain, or otherwise to give a competent opinion on the facts.

Also the troublesome question may develop as to the real part which France is playing in the situation. Perhaps Madrid's charges that Moscow is affirmatively fomenting aggression, and together with France is planning military intervention to establish itself on the Iberian peninsula, should and will also be investigated. In any event Mr. Van Kleffens, Netherlands delegate, has already openly stated at the Council table that France's closing of the border was unilaterally motivated, was not provoked by Spain, and that Dr. Lange's estimates of Spanish troops in the vicinity are materially exaggerated. **If such thorough exploration of the subject develops—as it well may—it seems that, like the Persian portion of the agenda, the Spanish controversy may constitute a second crucial, if forensic, step toward ultimate catastrophe. For how can it be assumed that this body is merely putting on a show in a vacuum, or doing otherwise than playing with fire?**

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In any event, under the neat guise of ideological representations for the benefit of the UN's audience, there are the realistic political motivations behind the discussion. On the one hand Moscow undoubtedly wants to grasp the present opportunity—while the grasping is good—to extend its influence to the Atlantic. On the other hand, London and Washington, irrespective of their dislike of General Franco, don't want a Communist regime to replace him also. And although Mr. Cadogan may not hand out a free geography lesson in the Bronx, England assuredly can't have the Soviet at Gibraltar. The definition of "Fascism" may be obscure, but not in the least so is the London-Moscow concept of geography.

Also is there the political motivation behind France's attitude, and her apparent joining of the Russian-Polish team here—reflecting the growing encroachment of the Communist influence in French internal affairs. Conversely, the Vatican's influence against the Communists must be weighed as a most important factor with political effects.

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Our Yugoslav Parallel

The domestic agitation for us to break off diplomatic relations with Spain must be seen in the light of the policy which guided both President Roosevelt and our present Government in maintaining such relations there, as well as now with the distasteful Tito regime. In recognizing the Tito Government in Yugoslavia, and accrediting Ambassador Patterson there, the State Department's note last week stated: **"In the circumstances, the United States Government desires that it be understood that the establishment of diplomatic relations with the present regime in Yugoslavia should not be interpreted as implying approval of the policies of the regime, its methods of assuming control or its failure to implement the guarantee of personal freedom promised its people."**

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A Proposal by Spaniards to Settle Their Country's Affairs

In the opinion of a group of leading Spanish citizens residing here, the UN's proposed plan for a five-member Committee to investigate the situation on the spot must be abortive. They hence have worked out a plan for a body of 30 or 40 Spaniards of all factions to meet outside Spain and draw specifications for a representative government on a broad base representing all legitimate interests to run the country during transition back to democracy. They feel that the weight of world opinion resulting from the prestige of such a group would be effective in overcoming all opposition.

Here is a "prospectus" of the plan as given to your correspondent, and submitted, without further comment, for whatever interest it may merit:

1. "A workable compromise on 'Spain' based on a UN Committee of Five to investigate the justification of the Polish indictment is impossible. In the Russian-Polish game, why is Spain doomed to be the ball? Spaniards and the whole world must realize that the UN cannot mean serious business; that the USSR is not interested in consolidating World Peace, but in spreading World-wide Civil War.

2. "The facts supposedly to be investigated by the UN Committee—Franco's flirtation with the Axis, his persecution of political enemies, the totalitarian tendency of his economy, the lack of freedom of speech, of free elections, etc.—are either universally known, or irrelevant, or have lost all historic importance, or cannot be taken by the UN as a basis for any attack against Spain. At the end of the investigation we shall be no better informed than we are today, and a little more desperately helpless.

3. "The explanation is simple: lack of moral authority by the impeachers. **Moral authority is the only real weapon at the unlimited disposal of the UN.** Two conditions are prerequisite to its efficient use: purity of intention and equality of application. Spain is ill. Many other countries are ill. The alternative to a total abstention by the UN (which an enormous majority of Spaniards deem dangerous) is the application of a remedy adapted to the illness. The illness is the physical and political incapacity of Spaniards to meet and peacefully discuss the transition from the present unsatisfactory situation to a promising normalcy.

4. "If the world can raise itself to the necessary moral high level, it could find in the Spanish question an interesting test for a new political device capable of gradually transforming countries from allegedly being 'disturbing factors in the international atmosphere' into efficient collaborators in world reconstruction.

5. "The solution applied to the actual Spanish situation could be summarized as follows:

a. "Stop the hypocritical attitude of saying: 'We dislike Franco. The Spanish people should remove him.' **The Spanish People cannot do this, neither by means of a peaceful discussion nor through an unequal armed revolt.**

b. "Keep away from the State Department, the British Foreign Office, Quai d' Orsay, the humiliating parade of intriguing lobbyists and beggars for support. **Spain must start anew, as all political regimes have forfeited their rights and their claims.** The Monarchy voluntarily abandoned the country after hurriedly admitting its defeat in the free elections of April 12, 1931. The Republic was rapidly discredited by its inefficiency, dishonored by anarchy and weakened by internecine struggles of emigres. Franco swore his role was purely transitional.

c. "Offer to all Spaniards what they have not: a quiet and undisturbed corner to talk and try to build a bridge to peaceful, constructive normalcy. In other words, set in motion a procedure comparable, *mutatis mutandis*, to voluntary arbitration in labor conflicts. However, with one important difference: there shall not be any outside umpire.

d. "To accomplish this, prepare a list of 30 to 40 representative Spaniards from all political trends, and from all walks of Spanish life (labor, army, universities, agriculture, industry, finance, etc.). Invite them to meet—for the moment without the press, but keeping complete records to be published immediately thereafter—for carrying out the assignment of investigating whether there is a sufficiently broad basis for a transitory government capable of assuring peaceful evolution toward a normal parliamentary regime.

"In this conciliatory assembly, the votes should not carry any quantitative importance; only moral influence shall count.

6. "One condition, however, is indispensable from the very beginning: as the ghost of civil war will overshadow the first meetings and hamper the establishment of a basis for consequent discussions, Spanish pride must, on all sides, undergo the ordeal of humility. Both sides are stained with blood; regardless of which side has suffered most, each must forgive. Such a conciliatory assembly would make no sense if the Spaniards accepting the suggestion to take part in it do not seriously attempt to clear their heads and hearts of civil war souvenirs and prejudices.

7. "Is this possible? At first sight, every one must answer NO! Nevertheless, after thinking it over, we must realize that the civil war which Franco officially declared over on April 1, 1939 has not been terminated. After seven years of failure, all Spaniards, within and without the country, must turn their eyes to some other solution.

8. "The most difficult position will be that of the extremes. Franco and his Falange on one side, Dr. Negrin and his Communist friends on the other side, would—if their love for Spain is as strong and as pure as they claim—be obliged to facilitate the meeting of our proposed assembly and later on help to prepare the list for a very broad government capable of giving the Spanish people every hope for a peaceful democratic recovery.

9. "This assembly would show world public opinion whether or not the Spaniards are able to help themselves. If Franco or Mr. Giral's government, or both, would oppose our assembly, world public opinion would know where the difficulty lies, and would have the moral authority it lacks today to enforce its solutions. The sa mecould be said if other Spanish groups would intransigency show to the assembly.

10. "Many will say that the proposed scheme is a fantastic dream or stupid suggestion. What will the objectors say if such a plan is the only alternative to the perpetuation of the 'Spanish disturbance,' which is doomed to lead to another civil war? If world opinion agrees as to the necessity of such an experiment, it surely must find an efficient means of showing the Spaniards the way of reasonableness without hurting their sense of liberty.

"Spain has given so many proofs of speedy recovery that it can surprise the world again, a world so chained in darkness that it cannot afford to wilfully blow out the thinnest ray of light."

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On Understanding the Soviet

A good example of Russia's current befuddlement of her good friends is seen in a speech of Emil Rieve, general president of the Textile Workers Union of America, CIO, delivered recently before the Foreign Policy Association. After criticizing us for our 1917-1933 ostracism of Russia, he stated that "Russia herself contributed to this relationship by her preachment of world revolution and by the antics of Communists in this country and in other countries." Getting down to the present, this sympathetic CIO official continued: "Russia now chooses to throw her weight around. . . . Where does security end, and aggression begin? In the Balkans, Manchuria and Turkey, the Soviet is playing poker, using for chips the seeds of war. . . . Militancy would appear to be the official policy of the Soviet Union in Iran, in the Balkans, in Poland, and in Manchuria.

"No matter how much you need oil, no matter how indisputable your right to have it, you don't get it by marching armies into the country where it is. Not if you want peace, you don't. Neither oil nor the need for an ice-free port or a buffer state can justify Russia's belligerent attitude in Iran or its stalking out of the United Nations Security Council because the rest of the world wanted to get the facts of the Iranian mess. . . . How can the Russian people learn to understand other nations and develop a realistic foreign policy and a sense of world history if they cannot find in their own newspapers factual, uncolored news accounts of what other nations are doing and what their leaders are saying?"

Broker-Dealer Recommendations

(Special to THE FINANCIAL CHRONICLE)

ANN ARBOR, MICH. — **Alfred E. F. Steinke** has been added to the staff of **Slayton & Co., Inc.**

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS.—**Leo F. Stanley** has rejoined **C. F. Childs & Co.,** 82 Devonshire Street.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, OHIO—**K. Mitchell Dombrowski** is now with **Cunningham & Co.,** Union Commerce Building.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, OHIO — **Fritz Hultin** has become associated with **Johnson & Co.,** Engineers Building.

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, GA.—**L. H. Morrison** has joined the staff of **Courts & Co.**

(Special to THE FINANCIAL CHRONICLE)

DAYTON, OHIO, — **Annabel Ivory** has joined the staff of **Slayton & Co., Inc.**

(Special to THE FINANCIAL CHRONICLE)

DENVER, COLO.—**Thomas R. Wallace** is now associated with **Central Republic Company,** 209 South La Salle Street, Chicago.

(Special to THE FINANCIAL CHRONICLE)

DENVER, COLO.—**Charles B. Elder** has become connected with **Earl M. Scanlan & Co.,** Colorado National Bank Building. He was in the past with Sidlo, Simons, Roberts & Co.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH.—**Carl G. Fair** is with **Carr & Company,** Penobscot Building.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH.—**Harvey C. Rheume** and **Lewis Rowady** are now with **Charles E. Bailey & Co.,** Penobscot Building.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH.—**Harry J. Murphy** has joined **Chapin & Company,** Penobscot Building, after serving in the U. S. Army Air Forces.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH.—**Michael Albery** and **Murray S. Reid** are now connected with **C. G. McDonald & Co.,** Guardian Building.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH. — **Evans J. Murley** and **Harry M. Perry** are connected with **Slayton & Co., Inc.**

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH.—**Joseph D. Collins** has rejoined **Watling, Lerchen & Co.,** Ford Building, after serving in the U. S. Army.

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, CONN.—**Leo V. Dubey** is with **Cooley & Co.,** 100 Pearl Street.

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, CONN.—**Harold V. Lalley** has become affiliated with **Paine, Webber, Jackson & Curtis,** 43 Pearl Street. He was with Maples & Goldschmidt in the past.

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, CONN.—**Clarence G. Jeffers** has been added to the staff of **Henry C. Robinson & Company,** 9 Lewis Street.

(Special to THE FINANCIAL CHRONICLE)

INDIANAPOLIS, IND.—**Arthur M. Ramer** has been added to the staff of **Indianapolis Bond & Share Corporation,** 129 East Market Street.

(Special to THE FINANCIAL CHRONICLE)

INDIANAPOLIS, IND.—**William A. Neal** has become connected with Merrill Lynch, Pierce, Fenner & Beane, Circle Tower.

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, MO.—**Thomas A. Marnell** has become associated with **B. C. Christopher & Co.**, Board of Trade Building. He was formerly with Prugh, Combest & Land, Inc.

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, MO.—**Edith Freedman, Grover C. Gresham, Paul A. Hartung, Jr., George H. Myers,** and **Thomas B. Ray** have become associated with **Herrick, Waddell & Co., Inc.**, 1012 Baltimore Avenue.

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, MO.—**Leonard H. Van Horne** is with **Merrill Lynch, Pierce, Fenner & Beane** of New York City.

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, MO.—**Philipp Kuhn** and **Robert E. Weiss** have become affiliated with **H. O. Peet & Company**, 3 West Tenth Street, after serving in the U. S. Army.

(Special to THE FINANCIAL CHRONICLE)

LINCOLN, NEB.—**John F. Warner** is with **Cruttenden & Co.**, First National Bank Building.

(Special to THE FINANCIAL CHRONICLE)

LINCOLN, NEB.—**Louis W. McLennan** has rejoined **Ellis, Holyoke & Co.**, Stuart Building.

(Special to THE FINANCIAL CHRONICLE)

LINCOLN, NEB.—**Harold W. Graham** is now affiliated with **E. E. Henkle, Jr., Investment Company**, Federal Securities Building.

(Special to THE FINANCIAL CHRONICLE)

MIAMI BEACH, FLA.—**Morton Elterman** is with **Bache & Co.**, 2469 Collins Avenue.

(Special to THE FINANCIAL CHRONICLE)

OSBORN, OHIO—**Jesse H. Zabriskie** is with **Slayton & Co., Inc.**

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, MAINE — **Frank H. Fenderson** has become associated with **F. L. Putnam & Co., Inc.**, 97 Exchange Street, after serving in the armed forces.

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, OREG.—**Jack E. Danby** has become connected with **Conrad, Bruce & Co.**, 316 South West Sixth Avenue.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO.—**Christopher J. Muckerman, Jr.** has joined **Hill Brothers**, Security Building, after serving in the U. S. Army Air Forces.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO.—**Alonzo F. Stark** and **Paul Wiesner** have become associated with **Edward D. Jones & Company**, 300 North Fourth Street. Mr. Wiesner was in the U. S. Navy. Mr. Stark is rejoining the firm after serving in the Army.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO.—**Loren L. Cluster** and **William S. Simpson** have become associated with **Newhard, Cook & Co.**, 400 Olive Street, after serving in the armed forces.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO.—**Frank G. Sibley** and **John M. Dean** are with **Slayton & Co., Inc.**, 111 North Fourth Street.

(Special to THE FINANCIAL CHRONICLE)

SPRINGFIELD, MASS. — **William J. Hartt** is with **Hornblower & Weeks.**

(Special to THE FINANCIAL CHRONICLE)

SWANTON, OHIO—**J. Blair Clay** is with **Slayton & Co., Inc.**

Dealers' Views on SEC's Proposed Ban on Allotments to "Insiders"

(Continued from page 2215)

never offer them an attractive stock—Result: Customer is lost;

(c) An erroneous evaluation of the market has resulted in the existing method of selling new issues.

DEALER NO. 2

We are not in love with the SEC but in this case (allotments to insiders) they are doing a good turn to investors.

DEALER NO. 3

I would like to call your attention to the fact that these markets operate both ways. There is nothing stated in this proposed rule to protect the same trading accounts and stockholders of investment organizations from taking a trimming on the New Deal sponsored Kaiser-Frazer Corporation. As a matter of record this stock was offered at 20¼ to the public, it is now selling 14¼ bid, 15¼ asked. Those dealers, partners and stockholders who subscribed for this stock with the expectation of a speculative profit have now approximately a 3-point loss.

DEALER NO. 4

There is nothing unethical or wrong in a firm permitting member of their own organization to take down shares in new issues for their own account. It may and may not be a good policy to permit this sort of thing. Each one has to decide this for himself just as does any merchant or manufacturer when he is in a seller's market. Some favor distributing available supply of goods equitably to old customers, some try to get new accounts by serving them at expense of old patrons. There is nothing crooked about such practices one way or another.

DEALER NO. 5

I operate a retail firm but such a rule is not in the public interest. I am not able to get as big an allotment in many cases as I'd like to and in some cases I get none. However, I'd rather get a smaller allotment and see my customers satisfied because the offering has been a success, than get a larger one and find the opposite is the case which may be true much more frequently if proposed SEC rule is promulgated.

DEALER NO. 6

The whole industry should be up in arms against this proposed rule. I'm not against it per se but when is this sort of thing going to stop? Are these regulatory bodies going to continue to encroach more and more on management's prerogative until the life-blood is completely sucked from our business?

DEALER NO. 7

I, meaning my firm, a NON-MEMBER of NASD, am vitally interested in one section of this for it bears out to my mind the wrong that the NASD has done to the security industry in having (when it was formed) made it a rule that, on syndicate and allied distributions, their NASD members, be not allowed to deal with non-members, other than like with the public, in other words, no concessions.

This is a BOOMERANG, I say. You will recall that I called it unfair for NASD to make its Members gang up on non-members (friends of theirs in business before NASD ever came into being). Well, I also note that SEC wants as many trades put through as possible on a commission basis. However, if they permit the NASD to keep such a GANGING-UP rule on concessions, isn't it only common sense that they lose the distribution power of the non-member dealers, AND, isn't is also a fact that then the non-member has to go into market to buy that security on same terms as an individual, AND then he has to add his profit on top of it. Sounds silly to me to permit such a concession rule to exist for it makes bad friends amongst dealers and also hurts distribution of securities in a broad sense of the word, and also makes the public pay more, as illustrated.

DEALER NO. 8

Am opposed to such a rule. If SEC wants to help investors they should have Securities Act amended so distributing firms can advertise forthcoming issues in more detail and take orders during the 20-day "incubation period."

Lord Keynes, Noted Economist, Dies Suddenly

(Continued from page 2218)

mist in various international conferences.

In a wireless message April 21, from London to the New York Times it was stated that Lord Keynes, whose work for restoring the economic structure of a world twice shattered by war brought him world-wide influence, died of a heart attack at his home in Firle, Sussex. His age was 63. The message to the "Times" added that, exhausted by the strain of the International Monetary Conference at Savannah, he returned to Britain a fortnight ago, tired and ill. Lady Keynes was with her husband at his death. The London message went on to say:

Lord Keynes was ill when he returned in December from the financial talks in the United States on a loan to Britain. Noted as a political and social economist who influenced both specialists and general public, his name was linked with that of Adam Smith. He was a protagonist of the theory that makes full employment the overriding aim of financial policy.

From London Associated Press advices April 21 we take the following:

He [Lord Keynes] made a number of trips to the United States during the war in connection with lend-lease and other economic matters. He headed the British delegation to the Bretton Woods, N. H., monetary conference in 1944, and was co-author of the basic plan for an international monetary fund and a world bank.

Lord Keynes first attracted attention by the unorthodoxy of his economic views. During the depression he became a leading advocate of government spending to halt deflation. He visited President Roosevelt at the White House and was credited with an important role in shaping New Deal spending policies.

During the war, however, his views on government spending shifted with changing circumstances, and he argued that the government should seek to slow down inflationary tendencies.

He became an international figure through his attendance at various world monetary conferences during the last 25 years and his authorship of several books which had wide influence. He was created first Baron Keynes of Tilton in 1942.

Lord Keynes was graduated from Cambridge in 1905, and joined the civil service in the India Office. After two years he returned to the university.

From 1915 to 1919 he was connected with the British Treasury. In 1919 he attended the Versailles Peace Conference as a member of the British delegation, but resigned because of disagreement with some proposals. His criticism of the German reparations policy attracted wide attention later that year with publication of "Economic Consequences of the Peace," in which he predicted dire results from the peace treaty.

His book, "How to Pay for War," published in 1940, advocated a drastic "forced savings" plan, some features of which were adopted by the British Government.

DIVIDEND NOTICES

Southern Railway Company

DIVIDEND NOTICE

New York, April 23, 1946.

A regular quarterly dividend of Seventy-five Cents (75c) per share on 1,298,200 shares of Common Stock without par value of Southern Railway Company, has today been declared out of the surplus of net profits of the Company for the fiscal year ended December 31, 1945, payable on Saturday, June 15, 1946, to stockholders of record at the close of business Wednesday, May 15, 1946.

Checks in payment of this dividend will be mailed to all stockholders of record at their addresses as they appear on the books of the Company unless otherwise instructed in writing.

J. J. MAHER, *Secretary.*

WOODALL INDUSTRIES, INC.

A regular quarterly dividend of 31¼¢ per share on the 5% Convertible Preferred Stock ($25.00 par value) has been declared payable June 1, 1946, to stockholders of record May 15, 1946.

M. E. GRIFFIN, *Secretary-Treasurer.*

INTERNATIONAL HARVESTER COMPANY

Quarterly dividend No. 111 of one dollar and seventy-five cents ($1.75) per share on the preferred stock payable June 1, 1946, has been declared to stockholders of record at the close of business May 4, 1946.

SANFORD B. WHITE
Secretary

THE UNITED STATES LEATHER CO.

The Board of Directors at a meeting held April 24, 1946, declared a dividend of 50¢ per share on the Class A stock, payable June 15, 1946, to stockholders of record May 15, 1946.

C. CAMERON, *Treasurer.*

New York, April 24, 1946.

MEETING NOTICE

NORFOLK AND WESTERN RAILWAY COMPANY

Roanoke, Virginia, April 5, 1946.

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

The Annual Meeting of Stockholders of Norfolk and Western Railway Company will be held, pursuant to the By-laws, at the principal office of the Company in Roanoke, Virginia, on Thursday, May 9, 1946, at 10 o'clock A. M., to elect four Directors for a term of three years.

Stockholders of record at the close of business April 19, 1946, will be entitled to vote at such meeting.

L. W. COX, Secretary.

HELP WANTED

SITUATION WANTED

Securities Now in Registration

● **INDICATES ADDITIONS SINCE PREVIOUS ISSUE**

Air Products, Inc., Chattanooga, Tenn. (4/29)
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.

● **Altair Prospecting Syndicate (Ont.) (5/6)**
April 17 filed 179 units. **Underwriters**—Charles M. Levett, Summitt, N. J., who is to act as agent in the United States. **Offering**—Price to public is $50 per unit. **Proceeds**—Development and exploration. **Business**—Prospecting mining claims.

American Acoustics, Inc., New York (4/26)
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 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. Unlikely new stock will be available for public distribution. For details see issue of March 21.

American Manufacturing Co., Inc., Montgomery, Ala.
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, working capital, etc. For details see issue of April 11.

American Screw Co., Providence, R. I. (5/1)
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.

Amerian Water Works Co., Inc., N. Y.
March 30 filed 2,343,105 shares of common (par $5) plus an additional number determinable only after the results of competitive bidding are known. **Underwriters**—To be filed by amendment. 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.

● **Arkansas-Missouri Power Corp., Blytheville, Ark. (5/12)**
April 23 filed 40,000 shares common stock (par $5). Shares are being sold for the account of five stockholders. **Underwriters**—G. H. Walker & Co. and Edward D. Jones & Co. **Offering**—Price to public by amendment. **Business**—Public utility.

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.

● **Associated Grocers Co. of St. Louis, Mo.**
April 19 (letter of notification) 1,377 shares of common stock. Price to public $100 per share. No underwriters. To increase buying power of the company and to transact a greater volume of business.

Barium Steel Corp., S. E. Canton, O.
March 30 filed 350,000 shares of common stock (par $1). **Underwriters**—Laird, Bissell & Meeds. **Offering**—Price to public by amendment. **Proceeds**—Payments to and advances to subsidiaries for working capital, for purchase of equipment, repayment of loans, development, etc. For details see issue of April 4.

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.

● **Beneficial Industrial Loan Corp., Wilmington, Del. (5/7)**
April 18 filed $20,000,000 15-year debentures, 100,000 shares cumulative preferred stock (no par), and 400,000 shares common stock (no par). **Underwriters**—Underwriting group for debentures and preferred stock is headed by Eastman, Dillon & Co. **Offering**—The 400,000 shares of common stock is to be offered to holders of common stock for subscription at $12.50 per share, on basis of one share for each five shares held. Offering of common stock is not to be underwritten. Price to public of debentures and preferred stock will be filed by amendment. **Proceeds**—Of net proceeds, approximately $17,400,000 are to be used to redeem 10-year 2¼% debentures and 15-year 2¾% debentures and the balance is to be placed in the corporation's general funds. It is the present intention of the corporation to use a portion of such funds to reduce outstanding bank loans and commercial paper. **Business**—Corporation is a holding company, the subsidiaries of which are engaged in the small loan business, the acceptance business and the passenger bus business.

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.

Bowser, Inc., Fort Wayne, Ind. (5/3)
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.

● **Brockway (Pa.) Glass Co. Inc. (5/13)**
April 24 filed 10,000 shares 5% cumulative preferred stock (par $50). **Underwriting**—None. **Offering**—Price to public $50 per share. Company proposes to distribute the securities by offering them to persons living in Brockway and surrounding communities. **Proceeds**—Company proposes to use proceeds, with proceeds of loan of $1,250,000 as follows: new building, $525,000; new and used equipment, $575,000; leased equipment, $250,000, and working capital, $400,000. **Business**—General line of glass containers.

Capitol Records, Inc., Hollywood, Calif.
March 28 filed 110,000 shares of common stock (par 25 cents). Shares are being sold by stockholders (15,000 shares) Blyth & Co., Inc., and Union Securities Corp. (47,500 shares each). **Underwriters**—Lee Higginson 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). Securities 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. **Bids Invited**—Company will receive bids up to May 7 for the purchase of the bonds, preferred stock and common stock. Bids will be accepted up to 11 a.m. for the bonds, Noon for the preferred stock and 3:00 p.m. for the common stock (EDST).

● **City Investing Co., New York (5/8)**
April 19 filed $4,800,000 convertible sinking fund debentures due June 1, 1961. **Underwriting**—First Boston Corp. **Offering**—Company is offering to holders of common stock of record May 17, 1946, the right to subscribe for the debentures on the basis of $500 of debentures for each 100 shares of common stock at a price to be filed by amendment. Unsubscribed debentures will be sold to underwriters to be offered the public at a price to be filed by amendment. **Proceeds**—Proceeds will be added to working capital. Company expects that out of working capital after the addition of the net proceeds from sale of the debentures, all notes payable (outstanding on April 30, 1946, in the amount of $1,000,000) will be paid and an amount equal to the remainder of the net proceeds will be applied to the improvement of properties now owned or hereafter acquired. **Business**—Investing in real estate, principally real estate located in the City of New York.

● **Clinton Machine Co., Clinton, Mich.**
April 18 (letter of notification) 100,000 shares ($1 par). Price to public $2 per share. **Underwriters**—Smith, Hague & Co. and F. H. Koller & Co., Inc. **Proceeds**—Retirement of debt and for working capital.

● **Columbus (O.) & Southern Ohio Electric Co. (5/8)**
April 19 filed 744,455 shares of common stock ($10 par). Shares are issued and are owned by Continental Gas & Electric Corp. which is selling them. **Underwriters**—To be filed by amendment. **Offering**—Shares will be offered for sale by Continental at competitive bidding and the price to public will be filed by amendment. **Proceeds**—Proceeds will be used by Continental to reduce bank loans. Probable bidders include Lehman Brothers; Dillon, Read & Co. Inc.; Smith, Barney & Co.; Kidder, Peabody & Co.; Mellon Securities Corp.

Colorado Fuel & Iron Corp., Denver, Colo. (5/1)
March 14 filed 275,000 shares of common stock (no par). Shares are being sold by certain stockholders. **Underwriters**—Hirsch & Co. **Offering**—Price to public "at market" on the New York Stock Exchange.

● **Commercial Capital Corp., N. Y. (4/29)**
April 19 (letter of notification) 4,000 shares 7% cumulative preferred stock (par $25). **Offering**—To be offered by the corporation at $25 per share. **Proceeds**—Enlarging company's business in factoring field.

Compania Litgrofica De La Habana S. A. (5/15) (Havana (Cuba) Lithographing Co.)

rch 18 filed 19,419 shares of 6% cumulative convertible preferred stock (par $25) and 197,000 shares f common (par 10c). The 19,419 shares of preferred nd 162,000 shares of common are being purchased by he underwriters from certain stockholders. The remaining 35,000 shares of common are being purchased rom the company. **Underwriters**—Hirsch & Co., New ork. **Offering**—Price by amendment. For details see ssue of March 21.

Consolidated Gas Electric Light & Power Co. of Baltimore

arch 29 filed $44,660,000 series R first refunding mortage bonds due April 1, 1981. Interest rate by amendment. **Underwriters**—To be filed by amendment. robable bidders include Halsey, Stuart & Co., Inc.; arriman, Ripley & Co., and Alex. Brown & Sons Jointly); and White Weld & Co., and the First Boston orp. (jointly). **Proceeds**—Redemption of $20,844,000 eries N 3¼% bonds and $23,816,000 series O 3¼% bonds t 105½ and 107, respectively. **Bids Invited**—Bids for urchase of the bonds will be received by company up o noon (EST) April 30. For details see issue of April 4.

Crowell-Collier Publishing Co., N. Y. (4/29)

arch 29 filed 100,000 shares common stock (no par). hares are being sold by certain stockholders. **Underwriters**—Wertheim & Co. **Offering**—Price to public by mendment. For details see issue of April 4.

Curtis Companies Inc., Clinton, Iowa

arch 30 filed 46,050 shares common stock ($2 par). hares are being sold by certain stockholders. **Underwriters**—Cruttenden & Co. **Offering**—Price to public 12.25 per share.

Dallas Title & Guaranty Co., Dallas, Texas

eb. 21 filed 25,000 shares of capital stock (par $10). **nderwriters**—None named. **Offering**—Company has ranted holders of capital stock rights to subscribe at 20 per share to new stock at rate of one share of new or each share held. Company reserves right to sell ny unsubscribed stock at public or private sale at $20 er share. For details see issue of Feb. 28.

Davidson Bros., Inc., Detroit, Mich. (4/29)

pril 10 filed 100,000 shares common stock (par $1). hares are outstanding and are being sold for account f certain stockholders. **Underwriters**—Merrill Lynch, ierce, Fenner and Beane, and Baker, Simonds and Co. **ffering**—Price to public by amendment. For details ee issue of April 11.

DeVilbiss Co., Toledo, Ohio (5/1)

pril 12 104,138 shares common stock (par $5). **Underwriters**—Laurence M. Marks & Co., and Ball, Burge & raus. **Offering**—Price to public by amendment. **Proceeds**—Redemption of 7% preferred stock; plant expenitures and working capital. For details see issue of pril 18.

Dealers Credit Corp., Pittsburgh (4/30)

pril 18 (letter of notification) 250,000 shares of comon stock and $225,000 5% promissory notes, due in 0 years. **Offering** includes 71,425 shares common and 3,225 notes originally issued in violation of SEC reguations. Price of common, 10¢ per share; notes, par. **roceeds**—Carry on company's business in financing urchase of personal property.

Diamond T Motor Car Co., Chicago, Ill. (5/1)

arch 29 filed 60,000 shares of common stock (par $2). hares are being sold by certain stockholders. **Underwriters**—Hallgarten & Co. **Offering**—Price to public by mendment. For details see issue of April 4.

DuMont (Allen B.) Laboratories, Inc., Passaic, N. J. (4/29)

arch 29 filed 650,000 shares of class A common stock par 10 cents), of which 525,000 shares are being offered or sale by underwriters. **Underwriters**—Van Alstyne, oel & Co. and Kobbe, Gearhart & Co., Inc. **Offering**—rice to public by amendment. **Proceeds**—To expand elevision broadcasting and manufacturing facilities and perations in the low-frequency fields. For details see sue of April 4.

Eureka Williams Corp., Detroit (5/6)

pril 17 filed 17,000 shares common stock (par $5). hares being sold by officers and employees or their elatives. **Offering**—Shares may be sold from time to me upon the New York Stock Exchange or the Detroit tock Exchange by the owners of such shares. For deils see issue of April 18.

New Issue Calendar

(Showing probable date of offering)

April 25, 1946
- Sinclair Oil Corp.—Common
- Stromberg-Carlson Co.—Preferred

April 26, 1946
- American Acoustics, Inc.—Preferred and Common
- Gerity-Michigan Die Casting Co.—Common
- Panhandle Eastern Pipe Line Co.—Debentures
- Public Service Co. of Ind. (11 a.m. CST)—Pfd.
- Red Top Brewing Co.—Class A Common
- Selected Industries Co.—Debentures
- Sonotone Corp.—Preferred

April 29, 1946
- Air Products Inc.—Class A Stock
- Aro Equipment Corp.—Preferred
- Commercial Capital Corp.—Preferred
- Crowell-Collier Publishing Co.—Common
- Davidson Bros. Inc.—Common
- DuMont (Allen B.) Laboratories Inc.—Common
- Holly Stores Inc.—Preferred and Common
- Jessop Steel Co.—Preferred
- Norwalk Tire & Rubber Co.—Debentures
- Super-Cold Corp.—Common
- Utah Power & Lt. Co. (11:30 a.m. EDST)—Bonds
- Utility Appliance Corp.—Preferred and Common

April 30, 1946
- Consol. Gas, Elec. Lt. & Pow., Balt. (Noon)—Bonds
- Dealers Credit Corp Notes—Common
- Greer Hydraulic Corp.—Common
- L'Aiglon Apparel Inc.—Common
- Morris Plan Corp. of America—Preference
- National Co.—Common
- Samson United Corp.—Preferred
- Scranton Electric Co. (Noon EDST)—Pfd. and Com.
- Taca Airways—Common
- United States Rubber Co.—Debentures
- Veterans Air Express Co.—Class B Common

May 1, 1946
- American Screw Co.—Preferred
- Colorado Fuel & Iron Co.—Common
- De Vilbiss Co.—Common
- Diamond T Motor Car Co.—Common
- Hytron Radio & Electronics Corp.—Common
- Jefferson-Travis Corp.—Preferred and Common
- Keyes Fibre Co.—Bonds
- Mortgage Associates Inc.—Preferred and Common
- Peerless Casualty Co.—Common
- Puerto Rican Overseas Airways—Preferred
- Roberts & Mander Corp.—Common
- Scranton-Spring Brook Water (Noon EDST)—Bonds and Preferred

May 2, 1946
- Joy Manufacturing Co.—Common

May 3, 1946
- Bowser, Inc.—Preferred
- Firth Carpet Co.—Common
- New Haven Clock & Watch Co.—Preferred

May 4, 1946
- United Wallpaper, Inc.—Preferred

May 6, 1946
- Altair Prospecting Syndicate—Units
- Eureka Williams Corp.—Common
- Federal Mfg. & Engineering Corp.—Common
- Longines-Wittnauer Watch Co.—Common
- Mercantile Stores Co., Inc.—Common
- Minneapolis-Honeywell Regulator Co.—Preferred

May 7, 1946
- Beneficial Industrial Loan—Debs., Pfd., and Com.
- Central Maine Power Co.—Bonds (11 a.m.); Pfd. (Noon); Com. (3 p.m.)
- Midwest Rubber Reclaiming Co.—Pfd. and Com.
- Palmetex Corp.—Common
- Standard Steel Spring Co.—Preferred
- Walworth Co.—Debentures and Preferred

May 8, 1946
- City Investing Co.—Debentures
- Columbus & So. Ohio Electric Co.—Common
- Merchants Distilling Corp.—Common
- National Skyway Freight Corp.—Common
- Public Flyers Inc.—Common

May 10, 1946
- Hoffman Radio Corp.—Common

May 11, 1946
- National Bellas Hess Inc.—Common
- U. S. Airlines, Inc.—Common

May 12, 1946
- Arkansas-Missouri Power Corp.—Common

May 13, 1946
- Brockway Glass Co., Inc.—Preferred

May 15, 1946
- Havana Lithographing Co.—Pfd. and Common

May 24, 1946
- Kan. City Fire & Marine Ins. Co.—Common

Federal Mfg. & Eng. Corp., Brooklyn (5/6)

April 16 filed 116,000 shares common stock (par $1). Shares are being sold by four stockholders. **Underwriters**—Sills, Minton & Co., Inc. **Offering**—Price to public by amendment.

Firth Carpet Co., N. Y. (5/3)

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.

• **Fishman (M. H.) Co., Inc. 5c to $1 Stores, N. Y.**

April 15 (letter of notification) 2,500 shares of common stock (par $1). Not underwritten. Stock is to be sold on the New York Curb Exchange at approximate price of $31 per share. Shares being sold by Meyer H. Fishman.

• **Fleming-Hall Tobacco Co., New York**

April 17 (letter of notification) 2,700 shares (par $1). Common stock for benefit of S. C. Korn. Price $5 per share.

• **Fuller (D. B.) & Co., Inc., New York**

April 19 (letter of notification) 19,252 shares of 6% cumulative convertible preferred stock (par $5) and 19,252 common shares (par $10). **Underwriter**—Kobbe, Gearhart & Co., Inc. **Offering**—To be offered at $5.10 per unit of one share of preferred and one share of common. **Purpose**—Working capital. **Business**—Textile converting.

Gerity-Michigan Die Casting Co., Detroit (4/26)

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.

(Continued on page 2264)

Securities Now in Registration

● INDICATES ADDITIONS SINCE PREVIOUS ISSUE

(Continued from page 2263)

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.

● **Gold Hill Mines Co., Aspen, Col.**
April 17 (letter of notification) 500,000 shares common (par 10¢). Price to public 10¢ per share. Securities will be offered by following officers of the company: William Walton Moore, Robert M. Lawrence and Betty Ann Moore.

● **Gray Manufacturing Co., New York**
April 17 (letter of notification) 2,600 shares of capital stock (par $5). The 2,600 shares are to be deposited in escrow with the Bank of New York as agent for Sanborn-Raymond Corp. The bank is authorized to sell 1,300 shares about April 22 and 1,300 shares upon execution and delivery of deed of conveyance and sale and delivery of certain machinery and equipment. Price per share market (about) 22⅞ per share.

● **Greer Hydraulic, Inc., Brooklyn, N. Y. (4/30)**
April 23 (letter of notification) 88,000 shares of common stock (par 50¢) and warrants to purchase 50,000 shares of common stock. **Underwriters**—Townsend, Graff & Co. **Offering**—Price to public, $3.37½ per share. **Proceeds**—Working capital. **Business**—Design, engineering, development and manufacture of aircraft testing, service, repair and overhaul equipment of aircraft of all types.

Gulf Atlantic Transport'n Co., Jacksonville, Fla.
Jan. 17 filed 270,000 shares of common stock (par $1). **Underwriters**—Allen & Co. have withdrawn as underwriters. **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. Postponed indefinitely. For details see issue of Jan. 24.

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.

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. (5/10)
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.

Holly Stores, Inc., New York (4/29)
April 10, 32,000 shares 5% cumulative convertible preferred (par $25), and 100,000 shares of common (par $1). **Underwriter**—Carl M. Loeb, Rhoades & Co. **Offering**—Price to public by amendment. **Proceeds**—Will be added to working capital. For details see issue of April 8.

Hytron Radio & Electronics Corp., Salem, Mass. (5/1)
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 8 filed 142,967 shares of common stock (no par). **Underwriters**—To be sold through competitive bidding in accordance with ruling of State Commission. Originally underwritten by Lehman Brothers, Goldman, Sachs & Co. and The First Boston Corp., but Otis & Co. expected to bid. **Offering**—Company is offering tthe 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. (5/1)
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. (4/29)
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 (5/2)
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. (5/24)
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.

Keyes Fibre Co., Portland, Me. (5/1)
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.

L'Aiglon Apparel, Inc., Philadelphia (4/30)
March 11, 130,000 shares of common stock, par $1. Of the total 80,000 shares are being purchased by the underwriter from the company and 50,000 shares from two stockholders. **Underwriters**—Otis & Co. **Offering**—Price to public $6.50 per share. **Proceeds**—Purchase of new machinery and equipment; new plant, etc. For details see issue of April 18.

Longines-Wittnauer Watch Co., Inc., N. Y. (5/6)
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.

McGraw (F. H.) & Co., Hartford, Conn.
March 25 filed 36,000 shares of $1.50 preferred stock (no par) and 100,000 shares of common (par 10 cents). **Underwriters**—Granbery, Marache & Lord and Bear, Stearns & Co. **Offering**—Prices to public by amendment. For details see issue of March 28.

Mercantile Stores Co., Inc., New York (5/6)
April 17 filed 279,250 shares common stock (no par). The shares are outstanding and are being sold by 21 stockholders. **Underwriters**—Clark, Dodge and Co. **Offering**—Price to public will be filed by amendment.

● **Merchants Distilling Corp., Terre Haute, Ind. (5/12)**
April 23 filed 136,254 shares common stock (par $1). **Underwriters**—Not underwritten. **Offering**—Shares are being offered by the corporation to the holders of its common stock for subscription prior to 3 p.m. June 4, 1946, at $16 per share, pro rata, at the rate of one share for each five shares of common held. **Proceeds**—$1,500,000 of proceeds to reduce loans payable to banks, balance to working capital, to finance work in progress. **Business**—Distilled spirits.

● **Midwest Rubber Reclaiming Co., East St. Louis, Ill. (5/7)**
April 18 filed 40,000 shares of cumulative preferred and 31,110 shares of common stock. **Underwriters**—Shields & Co. and Newhard, Cook & Co. **Offering**—Company is offering to holders of common stock of Mid-West Rubber Reclaiming Co., a predecessor corporation, the right to subscribe to the new common stock in the ratio of one share of new common for each four shares of the predecessor corporation's common stock. Price by amendment. Unsubscribed common stock and preferred stock will be offered to public. Price by amendment. **Proceeds**—Enlargement and rehabilitation of company's manufacturing facilities, including purchase of additional tools, machinery and equipment. **Business**—Manufacture and sale of reclaimed rubber.

Minneapolis-Honeywell Regulator Co., Minneapolis (5/6)
April 17 filed 85,700 shares of convertible preference stock (par $100) and common stock to be reserved for issue on conversion of the series A preference stock. **Underwriters**—Union Securities Corp. **Offering**—New preference stock is being offered to the holders of outstanding preferred stock. Unsubscribed shares will be sold to underwriters who will offer them to the public at $108 per share. **Purpose**—To refinance preferred stock. For details see issue of April 18.

● **Modern Development Corp., Dover, Del.**
April 15 (letter of notification) 2,500 shares (par $100) cumulative, non-voting, convertible preferred stock, 900,000 shares class A non-voting (par 1¢) common stock and 100,000 shares of class B (par 1¢) voting common stock. **Underwriters** are Robert H. Malcolm, Earl M. Turner, Byron A. Johnston and Frederick M. Harris. **Offering**—To be offered in units of one share of preferred, one share of class A common and 20 shares of class B common at $101.20 per unit. **Business**—Technical engineering service, exploration, etc.

Morris Plan Corp. of America, N. Y. (4/30)
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.

● **Mortgage Associates, Inc., Philadelphia (5/1)**
April 22 (letter of notification) 5,000 shares of 5% cumulative preferred stock (par $20) and 3,500 common shares (par $10). **Underwriters**—Butcher & Sherrerd. **Offering**—To be offered in units of 10 shares of preferred and 7 shares of common at $207 per unit. **Proceeds**—Working capital. **Business**—Sale and servicing of mortgages.

● **National Bellas Hess, Inc., N. Kansas City, Mo. (5/11)**
April 22 filed 397,644 shares common stock ($1 par). **Underwriters**—Emanuel, Deetjen & Co. **Offering**—Company is offering to holders of common stock the new stock for subscription at rate of one share for each five shares of common held. Price by amendment. **Proceeds**—Net proceeds will be added to working capital, to be devoted, as conditions require and permit, to open or acquire additional retail stores and to expand and improve existing shops, etc. **Business**—Retail mail order house specializing in style merchandise.

National Co., Inc., Malden, Mass. (4/30)
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. (5/8)
March 30 filed 500,000 common share (par $1).—**Underwriters**—Bond & Goodwin, Inc. **Offering**—Price to public $5 per share. **Proceeds**—Working capital. For details see issue of April 4.

New Haven (Conn.) Clock & Watch Co. (5/3)
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. (4/29)
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 of record April 11 given right to subscribe for new debentures at rate of one $500 debenture for every 70 shares of common stock held at 101. Rights expire April 27. For details see issue of March 28.

Ohio Public Service Co., Cleveland, O.
March 30 filed $32,000,000 first mortgage bonds, due 1976; $5,500,000 serial notes and 156,300 shares of cumulative preferred stock (par $100). Interest rate on the bonds and notes and dividend rate on the preferred stock by amendment. **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.

Palmetex Corp., Pinellas Park, Fla. (5/7)
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. (4/26)
April 4 filed $50,000,000 serial debentures, dated May 1, 1946. Interest rate by amendment. **Underwriters**—First $20,000,000 maturities to be sold privately; balance underwritten by Kidder, Peabody & Co., Merrill Lynch, Pierce, Fenner & Beane, and Halsey, Stuart & Co., Inc.

Offering—Price to public by amendment. **Proceeds**—To redeem outstanding $30,250,000 bonds, prepay promissory notes and pay cost of construction work now authorized. For details see issue of April 11.

Paulsboro (N. J.) Manufacturing Co.
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. (5/1)
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. Rights expire May 1. 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.

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.

● **Phillips-Jones Corp., New York**
April 15 (letter of notification) 8,815 shares of common stock (no par). Shares will be sold to 36 executives of the company at $27.50 per share. **Proceeds** will be added to cash assets.

Public Flyers, Inc., N. Y. (5/8)
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. For details see issue of April 11.

Public Service Co. of Ind., Inc.
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. Bids for the purchase of the shares will be received by the company up to 11 a.m. CST April 26. For details see issue of March 28.

Public Service Co. of New Hampshire
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.

● **Puerto Rican Overseas Airways Corp., N. Y. (5/1)**
April 23 (letter of notification) 14,950 shares of 6% cumulative preferred stock (par $20). **Offering**—Price $20 per share. **Proceeds**—Finance airline and its equipment from New York-New Jersey to Island of Puerto Rico, working capital. Not underwritten.

Red Top Brewing Co., Cincinnati, Ohio (4/26)
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.

● **Reiter-Foster Oil Corp., New York**
April 15 (letter of notification) 50,000 shares of common stock (par 50¢). **Underwriter**—Federal Corp., N. Y. **Offering**—Price to public 90¢ per share. **Proceeds**—Working capital.

Roberts & Mander Corp., Hatboro, Pa. (5/1)
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., Toronto, Can.
March 27 filed 300,000 shares of common stock ($1 par). **Underwriters**—Not underwritten. Company has granted an exclusive option dated Feb. 20, 1946, to Morgan U. Kemerer of Toronto to purchase 500,000 treasury shares at 30 cents per share and 500,000 treasury shares at 40 cents per share, payable in Canadian exchange. Mr. Kemerer has assigned to Mark Daniels, 371 Bay Street, Toronto, in consideration of $1, the former's right and option to purchase 300,000 of the 500,000 shares optioned to Mr. Kemerer at 30 cents per share. Mr. Daniels plans to market the shares optioned to him through the medium of a registered broker or brokers in the United States. **Offering**—Price to public is 40 cents per share, U. S. funds. **Proceeds**—Proceeds will be applied to development work, etc. For details see issue of April 4.

Salt Dome Oil Corp., Houston, Texas
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. (4/30)
March 15 filed 125,000 shares of cumulative convertible preferred stock (par $8). Dividend rate by amendment. **Underwriters**—Burr & Co., Inc. **Offering**—Price by amendment. For details see issue of March 21.

Scranton Electric Co., Scranton, Pa.
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). **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. **Bids Invited**—Bids for the purchase of the bonds will be received at office of American Gas & Electric Service Corp., 30 Church St., New York, up to 12 Noon (EDST) on April 30, for the purchase of the preferred stock. Dividend rate is to be specified in the bid. 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. **Bids Invited**—Bids will be received at office of Federal Water & Gas Corp., 90 Broad St., New York, up to 12 Noon (EDST) on May 1 for purchase of the securities, the bidders to specify the interest and dividend rates. For details see issue of Feb. 14.

Segal Lock & Hardware Co., Inc., N. Y.
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. (4/26)
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.

● **Sillers Paint & Varnish Co., Los Angeles**
April 18 (letter of notification) 300,000 shares capital stock (par $1). Price to public $1 per share. No underwriting.

Sinclair Oil Corp., N. Y. (4/25)
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. (4/26)
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.

Standard Steel Spring Co., Corapolis, Pa. (5/7)
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. For details see issue of April 11.

Steep Rock Iron Mines Ltd., Ont., Can.
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. (4/25)
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 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. (4/29)
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. (4/30)
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.

● **Ten-Pin Lanes Inc., Cuyahoga Falls, Ohio**
April 18 (letter of notification) 400 shares common (par $100). Price to public $100 per share. There will be no underwriters. Proceeds will be used in acquisition of lease of bowling alleys, etc.

Tucson (Ariz.) Gas, Electric Light & Power Co.
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.

● **Tyler (C. A.) & Co., Inc., Boston, Mass.**
April 22 (letter of notification) 490 shares no par common stock. Price to public $125 per share. **Underwriters**—G. M. Rose & Co. **Proceeds**—For working capital.

Union Electric Co. of Missouri
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.

● **U. S. Airlines, Inc., St. Petersburg, Fla. (5/11)**
April 22 filed 900,000 shares common stock (par $1) and 300,000 stock purchase warrants, of which 150,000 have been issued to Harry R. Playford, President, and 150,000 will be issued to underwriters. **Underwriters**—R. H. Johnson & Co. **Offering**—Price to public $3.25 per share. **Proceeds**—To pay principal and interest on bank loan, to finance purchase of additional aircraft, equipment, etc., and for working capital. **Business**—Transporting cargo by air under contracts with shippers.

United States Rubber Co., N. Y. (4/30)
April 11, $40,000,000 2½% debentures, due May 1, 1976. **Underwriters**—Kuhn, Loeb & Co. **Offering**—Price to public by amendment. **Proceeds**—To provide additional working capital. For details see issue of April 18.

United Transit Co., Richmond, Va.
March 29, 200,000 common shares (par $1). Stock is outstanding and owned by Equitable Securities Corp., A. C. Allyn & Co., Inc., 96,779 shares each, and Paul M. Davis of Nashville, Tenn., 6,443 shares. **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.

United Wallpaper, Inc., Chicago (5/4)
April 15 filed 40,000 shares cumulative convertible preferred stock (par $50). Dividend rate by amendment. **Underwriters** — Hemphill, Noyes & Co. **Offering** — Price to public by amendment. **Proceeds**—Corporate purposes, including enlargement and equipping of a factory building at Montgomery, Ill. For details see issue of April 18.

(Continued on page 2266)

Securities Now in Registration

● INDICATES ADDITIONS SINCE PREVIOUS ISSUE

(Continued from page 2265)

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. **Bids Invited**—Bids for the purchase of the bonds will be received by company at Room 2033, 2 Rector Street, New York 6, N. Y., up to 11:30 a.m. (SDST) on April 29; the bidder to specify the coupon rate. For details see issue of March 28.

Utility Appliance Corp., Los Angeles (4/29)
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.

● **Valley View Mines, Inc., Spokane, Wash.**
April 17 (letter of notification) 200,000 shares common stock. Price to public 62½¢ per share. **Underwriter**—Standard Securities Corp., Spokane, Wash.

● **Veterans' Air Express Co., Newark, N. J. (4/30)**
April 22 (letter of notification) 173,250 shares of class B common stock (par $1). **Offering**—To be offered present stockholders at $1 per share in ratio of 35 shares for each share held on April 30, 1946. **Proceeds**—Purchase of airplanes, facilities and equipment.

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. (5/7)
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.
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 a 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. [illegible]

Prospective Security Offerings

(NOT YET IN REGISTRATION)

● INDICATES ADDITIONS SINCE PREVIOUS ISSUE

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**
April 17 stockholders approved a proposed financing plan which includes creation of 600,000 shares new preferred stock and changing common from 2,400,000 ($5 par) shares to 12,000,000 ($1 par) shares, to effect a 5-for-1 split. Probable underwriters include Emanuel Deetjen & Co. and Lehman Brothers.

American Bosch Corp.
April 16 reported that Alien Property Custodian may shortly ask for bids on 535,000 shares (77.24%) of the stock of the corporation. Probable bidders include Glore, Forgan & Co. and Lehman Brothers (jointly), and Blyth & Co., Inc., and Merrill Lynch, Pierce, Fenner & Beane (jointly).

● **American Brake Shoe Co., New York**
April 23 stockholders increased 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 Gas & Power Co.**
April 10 company (name to be changed to Minneapolis Gas Co.), under modified plan approved by SEC, reserves right to make public offering of not in excess of 874,078 shares of new common stock. Probable bidders include White, Weld & Co., W. C. Langley & Co., Otis & Co.

● **American Rolling Mill Co., Middletown, Ohio**
April 19 company reports that under a refinancing plan now being negotiated, it is expected that outstanding $15,500,000 term bank loans will be retired in near future. Probable underwriters include W. E. Hutton & Co.; Smith, Barney & Co., and The First Boston Corp.

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. Probable bidders include Dillon, Read & Co., Inc.; The First Boston Corp., and Blyth & Co., Inc.

Art-Craft Brier Pipe Co., Brooklyn, N. Y.
April 12 company has arranged the sale of 100,000 shares of common stock at $2.25 per share. Proceeds for expansion. **Underwriter**—B. G. Cantor & Co., New York.

● **Artloom Corp., Philadelphia**
July 16 stockholders will vote on increasing common stock by 300,000 shares, the new stock to be offered stockholders at $10 per share. Proceeds for expansion and working capital. Probable underwriters, Lehman Brothers.

● **Atlas Imperial Diesel Engine Co., Oakdale, Calif.**
April 19 stockholders voted to split common stock 2 for 1 and create new preferred issue of 300,000 (par $10) of which 150,000 shares would be issued and sold to finance purchase of constituent company, improvements, etc. Blyth & Co., Inc., probable underwriters.

● **Bangor & Aroostook RR., Bangor, Me.**
April 16 stockholders authorized 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. Probable bidders include Harriman, Ripley & Co., Inc.; Lee Higginson Corp., and Halsey, Stuart & Co., Inc.

● **Bridgeport (Conn.) Brass Co.**
April 23 stockholders voted to issue an additional 450,000 shares of common stock when and if new capital is needed. Probable underwriters, Hincks Bro. & Co.; Stone & Webster Securities Corp.; Hornblower & Weeks.

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.

(The) Budd Co., Philadelphia
June 11 stockholders of Edward G. Budd Co., and Budd Manufacturing will vote on merging, the surviving company to be The Budd Co. Additional capital would be provided through sale of 537,000 shares of common stock to be initially offered to stockholders on a one for five basis. New company would also sell $30,000,000 of debentures to retire existing indebtedness. Probable underwriters are Blyth & Co., Inc., and Carl M. Loeb, Rhodes & 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).

● **Chicago Milwaukee St. Paul & Pacific RR.**
Issuance by the road of new lower-coupon first mortgage bonds, proceeds from the sale of which would be used to redeem the $50,500,000 first mortgage 4% bonds now is expected to be delayed until all litigation in the reorganization is completed. Earlier plans were for the retirement of the bonds July 1. Three investment banking groups were set up to enter competition for any new offering, viz.: Kuhn, Loeb & Co.; Mellon Securities Corp., and Halsey, Stuart & Co., Inc.

● **Columbia Gas & Electric Corp., New York**
April 12 it was stated that in final step in recapitalization program, corporation is expected to sell approximately $100,000,000 debentures to pay off balance of senior securities and provide funds for property expansion. Probable bidders include: Glore, Forgan & Co.; W. E. Hutton & Co., and Halsey, Stuart & Co., [illegible]

Consolidated Edison Co. of New York, Inc.
March 18 stockholders granted management's request [illegible] mortgage system's properties said to be forerunner [illegible] refund $304,240,000 callable debentures. Contemplat[illegible] new bonds, to be sold at competitive bidding, wou[illegible] initially, it is said, involve $100,000,000. Morgan Stanl[illegible] & Co. probable underwriters.

Consumers Power Co., Jackson, Mich.
March 14 filed with Michigan P. U. Commission app[illegible] cation to sell at competitive bidding 876,568 comm[illegible] shares, after capital adjustment. Proceeds for extensio[illegible] Probable bidders include Morgan Stanley & Co.; Le[illegible] man Brothers; Harriman, Ripley & Co., and Mellon S[illegible] curities Corp. (jointly).

● **Dayton (O.) Power & Light Co.**
April 12 Columbia Gas & Electric Corp. filed plan wi[illegible] SEC to dispose of 100% common stockholding of Dayto[illegible] Columbia will sell common stock of Dayton to its co[illegible] mon stockholders and proposes, about May 11, to inv[illegible] competitive bids to underwrite the offering. Bids w[illegible] be open about May 20. Offer to stockholders would r[illegible] main open for a 14-day period ending about June [illegible] Probable bidders include Otis & Co.; Harriman Rip[illegible] & Co.; Blyth & Co., Inc.; White, Weld & Co.; W. [illegible] Hutton & Co.

Detroit Edison Co., Detroit, Mich.
March 19 committee of directors formed to consi[illegible] refinancing of $65,000,000 3½s and 4s. Probable bidd[illegible] include: Mellon Securities Corp., First Boston Cor[illegible] Dillon, Read & Co. Inc., Coffin & Burr, Halsey, Stu[illegible] & Co., Inc., and Spencer Trask & Co.

El Paso Natural Gas Co.
April 11 $40,000,000 financing through first mortgage bonds and preferred and common stock possible when expansion program has approval of Federal Power Commission and stockholders. Probable underwriters include White, Weld & Co.; and Stone & Webster Securities Corp.

• **General Finance Corp., Chicago**
April 19 reported early registration of $3,000,000 4% convertible preferred stock (par $50). Underwriter, Paine, Webber, Jackson & Curtis.

• **General Telephone Corp., New York**
April 17 stockholders approved amendment to certificate of incorporation modifying restrictions against incurring debt for capital purposes without specific stockholders' approval. Stockholders also approved amendment to authorize 175,000 additional preferred shares. Probable bidders include Paine, Webber, Jackson & Curtis.

Heyden Chemical Corp., N. Y.
May 3 stockholders will vote on financing program calling for 2½-for-1 split-up of common stock and authorization of 200,000 shares of new preferred stock (par $100). Company intends to issue from 80,000 to 120,000 shares of new preferred and use part of proceeds to retire $4,800,000 4% preferred stock now outstanding and the balance for new capital purposes. Probable underwriters include A. G. Becker & Co. Inc.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane; Hornblower & Weeks, and Ladenburg, Thalmann & Co.

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.

• **Illinois Power Co., Decatur, Ill.**
April 11 company filed plan with SEC to simplify capital structure. Plan contemplates the conversion of 5% cumulative preferred stock (par $50) into common stock on basis of two common shares for one preferred. Company states underwriting is available for this conversion program and will cover a 30-day commitment to purchase enough additional common to redeem any preferred not tendered for conversion. Company proposes issuance of 200,000 shares of new preferred (par $50) and such additional common shares to provide cash to pay dividend arrears certificates ($11,596,680). Probable bidders include Merrill Lynch, Pierce, Fenner & Beane; Otis & Co., and the First Boston Corp.

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.

• **Jersey Central Pwr. & Lt. Co., Asbury Pk., N. J.**
April 17 company filed refinancing program with SEC which, among other things, provide for the sale at competitive bidding of $34,000,000 first mortgage bonds and 145,000 shares of new preferred stock. Probable bidders include Blyth & Co., Inc.; E. H. Rollins & Sons, Inc.; Eastman, Dillon & Co.; and W. C. Langley & Co.; Merrill Lynch, Pierce, Fenner & Beane-White, Weld & Co. (jointly); Glore, Forgan & Co., and 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. Probable bidders, Halsey, Stuart & Co., Kidder, Peabody & Co., and Kuhn, Loeb & Co.

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.

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. SEC has set April 25 for hearing on plan.

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.

• **Missouri Power & Light Co., E. St. Louis, Ill.**
April 9 company announced that it is giving consideration to refinancing outstanding senior securities. Company has outstanding 50,000 shares $6 preferred stock. Probable bidders include The First Boston Corp.; Blyth & Co., Inc.; Kidder, Peabody & Co.

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).

• **Nashville Chattanooga & St. Louis Ry.**
April 24 company has under consideration plans for sale on May 9 of $15,000,000 new bonds. The new issue will be designed to provide funds for retirement of the outstanding first 4s, due 1978. Probable bidders include Halsey, Stuart & Co., and Kuhn, Loeb & Co.

• **New York Dock Co., N. Y.**
April 24 reported negotiations will be resumed within month for refunding of $10,000,000 first mortgage 4s, due 1951. New issue will probably run 25 years. Probable underwriters, Hayden, Stone & Co., and Halsey, Stuart & Co., Inc.

Northern Indiana Public Service Co.
April 17 reported that company has under consideration the refunding of its $45,000,000 series C 3⅛s with issue of about same size carrying lower coupon rate. Probable bidders, Halsey, Stuart & Co. Inc., and Harriman, Ripley & Co.

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., Halsey, Stuart & Co. and Kidder, Peabody & Co.

• **Northern States Power Co. of Minnesota**
April 23 Lehman Brothers; Riter & Co.; Lehman Corp., and Overseas Securities Co., Inc., submitted to SEC a draft of a proposed reorganization plan for Northern States Power Co. (Del.) which provides for a "stock and option to sell for cash" method of distribution. Plan provides for reclassification of common of Northern States Power of Minnesota, operating company, into 8,216,228 shares of common, all of which will be owned by the Delaware parent and distributed to the latter's preferred and common stockholders. The stock to be distributed would be equal to the call price of the preferred stock and a bonus. The offering price of the Minnesota common would be determined by negotiation between representatives of the underwriting syndicate and of present holders of the Delaware company's class A and B common stocks. Probable bidders include Merrill Lynch, Pierce, Fenner & Beane; Paine, Webber, Jackson & Curtis, and Blyth & Co., Inc.

Norway, Kingdom of
It is reported that as a result of informal discussions between representatives of Norway and American bankers, the public offering of $100,000,000 bonds in the autumn to meet that country's financial needs has become a possibility. Probable underwriters would include Lazard Freres & Co., Inc.; Kuhn, Loeb & Co.; Glore, Forgan & Co.; Kidder, Peabody & Co.; Ladenburg, Thalmann & Co., and Halsey, Stuart & Co. Inc.

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.

• **Oklahoma Gas & Electric Co., Oklahoma City**
Company contemplates at same time Standard Gas & Electric Co. sells its holding of common stock (in accordance with SEC regulations) to sell approximately 140,000 shares of new common stock, proceeds of which will be used to reimburse treasury and retire bank loan used in redeeming the 7% preferred stock. Probable bidders will include Merrill Lynch, Pierce, Fenner & Beane; The First Boston Corp.; and White, Weld & Co.

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. Probable bidders include Mellon Securities Corp., Smith, Barney & Co., Kidder, Peabody & Co., and Merrill Lynch, Pierce, Fenner & Beane.

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.

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. Probable underwriters, Blair & Co.

• **Rochester (N. Y.) Telephone Corp.**
The New York Public Service Commission has authorized the sale to Halsey, Stuart & Co., Inc., of $6,238,000 35-year 2½% first mortgage bonds at a premium of $32,000, under agreement that corporation shall offer bonds at competitive sale within 90 days, and if better offer is received, it shall reacquire and dispose of the bonds to the best bidder. Previously the Commission denied corporation's petition to sell the issue privately.

• **St. Louis (Mo.) Public Service Co.**
April 19 company has petitioned the Missouri Public Service Commission to simplify its financial structure, including reduction in interest and sinking fund changes. Company proposes to retire current funded debt ($11,640,683) and to issue up to $10,000,000 new bonds, but limited originally to $6,000,000. Probable bidders include White, Weld & Co.; Blyth & Co., Inc., and First Boston Corp.

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. Probable underwriters included Halsey, Stuart & Co., Inc.; Kidder, Peabody & Co. and Blyth & Co., Inc. (jointly).

• **Texas & New Orleans RR.**
Company is inviting bids for the sale of $15,000,000 1st & ref. mtge. bonds series B and $45,000,000 1st & ref. mtge. bonds series C. Bids will be accepted up to 12 noon (EDST) on May 6 at company's office, 165 Broadway, New York City. Probable bidders include Kuhn, Loeb & Co., and Halsey, Stuart & Co., Inc.

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 Printers & Publishers Inc., Joliet, Ill.**
April 10 stockholders voted to increase authorized common stock (par $1) from 400,000 shares to 1,000,000 shares. Company contemplates sale of 165,656 additional shares, proceeds of which will be used to redeem at $35 a share outstanding 100,000 $2 preference stock. Probable underwriter A. C. Allyn & Co.

• **United States Radiator Corp., Detroit**
April 24 annual meeting adjourned to May 15 when new plan of recapitalization and refinancing should be ready for submission to stockholders. Previous plan rejected by stockholders March 1 last. Probable underwriters, White, Weld & Co.

Western Pacific RR.
April 11 ICC conditionally authorized company to issue $10,000,000 first mortgage bonds, series B, due Jan. 1, 1981, proceeds to be used to refund a like amount of first mortgage 4% bonds due Jan. 1, 1974, and held by RFC. 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.

• **Wisconsin Power & Light Co., Madison, Wis.**
April 23 under dissolution plan of North West Utilities Co. filed with SEC, Middle West Corp. (parent), proposes to invite bids for sale of not more than 32,000 shares of common stock of Wisconsin, as would not be distributed to stockholders of Middle West. Probable bidders include Merrill Lynch, Pierce, Fenner & Beane, White, Weld & Co., Glore, Forgan & Co., and The Wisconsin 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,

York County (Pa.) Gas Co.
Directors have approved a tentative financing plan under which all present debt (Dec. 31, 1945, $2,482,300) would be retired. Plan, in addition to issuance of $450,000 bank loan and sale of 3,660 shares of Pennsylvania Gas & Electric Co. preferred now owned, calls for the sale of $1,700,000 new first mortgage bonds.

Our Reporter's Report

The tremendous success of last winter's Victory Loan Drive made decidedly encouraging reading, from a Treasury standpoint, at the time. But it appears now that speculative buying played no small part in the piling up of orders and the situation is now "ricocheting" to the detriment of the investment market as a whole.

Much has been heard recently, however, by way of complaint from investors of the prohibitive yields on corporate issues brought out since that time. So that if the net result of the current setback in Treasury bonds is to afford a slightly better basis of return, it may work out to be a blessing in disguise. But that remains to be seen.

Just now the effect of the severe slip in governments—the Victory Loan 2½s which sold recently as high as 106 17/32s are currently around 104 14/32s—is to unsettle the corporate market.

What appears to have happened, according to observers, is that the huge speculative interest which participated in the rolling up of the vast Victory Loan subscription total, is now inclined to complete its "free-ride" through sale of the bonds. Since many such traders will want to benefit by the six months' tax clause, it is possible that the bulk of the selling has yet to run its course though market observers feel that much of it has been completed.

Uncertainty on that score appears to have been keeping large institutional investors out of the market, thus making a lack of demand quite as important a factor, if not more so than the actual selling pressure.

Corporate Issues Ease

There has been a general and sympathetic easing of high-grade corporate liens in the wake of the let-down in Treasuries. Many such issues have eased a point to 1½ points.

A case in point is Great Northern Railway's recent issue of new 2¼% marketed early this month at 100. With the sponsoring syndicate dissolving this week and the bonds left to shift for themselves, they were quoted around 97½ bid.

The effect on bidding for several large new issues currently in prospect will be interesting to watch since it is widely assumed that the setback in governments will be reflected in the calculations of banking groups which will be in the running for such issues.

Three Issues Up For Bids

Among the first sizable undertakings to come up for consideration under the revised conditions marketwise, are three bond offerings slated for sale early next week.

On Monday Utah Power & Light Co. is slated to sell to the highest bidder an issue of $32,000,000 of new first mortgage bonds, due May 1, 1976.

On Tuesday Consolidated Gas, Electric Light & Power Co. of Baltimore will open sealed bids for its projected offering of $44,000,000 of new mortgage bonds scheduled to mature in 1981.

And on or about the same day, Illinois Power Co. probably will be considering bids of banking groups for its projected $54,000,000 of new issues, consisting of $45,000,000 of 30-year bonds and $9,000,000 of 20-year debentures.

Southern Pacific

Southern Pacific Co. looms as a potential candidate for entry into the money market again in the near future. The company is reported to be considering advisability of refinancing substantial amounts of its outstanding debt if it can be done at a saving of interest costs.

The project now under discussion involves the prospective sale of $60,000,000 of new bonds secured by the properties of the Texas & New Orleans Railroad Co. Southern Pacific now owns about $64,000,000 of the first and refunding bonds which are out against the properties.

Should this undertaking be launched, it is expected that the parent company would apply the proceeds from the sale of the new issue to the redemption of other and higher cost obligations of the system.

Now Heimerdinger & Straus

Curtis J. Straus has been admitted to partnership by Leonard Heimerdinger and the firm name of Heimerdinger & Romero has been changed to Heimerdinger & Straus. Antonio Romero has withdrawn from the firm.

With S. R. Livingstone & Co.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH. — **Frederick Culman, Robert E. Hinds,** and **Lee D. Walker** have become associated with S. R. Livingstone & Co., Penobscot Building. Mr. Culman was previously with L. F. Rothschild & Co. in New York; Mr. Hinds was with the National Bank of Detroit; in the past Mr. Walker was with Baker, Simonds & Co.

With Ketcham & Nongard

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—**Rowland H. Murray** has become affiliated with **Ketcham & Nongard**, 105 West Adams Street. He was formerly with Harris, Upham & Co., in Chicago for many years.

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