

# The COMMERCIAL and FINANCIAL CHRONICLE

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## The Farmer and National Debt

By MORRIS M. TOWNSEND\*

Director, Banking &amp; Investment Section U. S. Savings Bonds Div.

Treasury official, in pointing out the prospects of continued high farmers' earnings, cautions against the use of surplus earnings in purchase of farm land at inflated values or in investment in speculative securities and ventures. Says farming business is hazardous and requires accumulation of cash reserves, such as U. S. Savings Bonds.



Morris M. Townsend

The American farmer entered 1946 in the best financial shape he has ever been in. He has, in the aggregate, more money in the bank and more cash in his pocket than ever before. His mortgage indebtedness is at the lowest point since 1915. He has a reserve of more than \$5,000,000,000 salted down in War Bonds and United States Savings Bonds.

Now add to that good news the (Continued on page 2698)

\*Address by Mr. Townsend before the Mississippi Bankers Association, Biloxi, Miss., May 14, 1946.

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## Postwar Banking Problems

By F. RAYMOND PETERSON\*

President, New Jersey Bankers Association  
President, First National Bank of Paterson, N. J.

Newly elected President of New Jersey Bankers sees avoidance of inflation as chief problem ahead. Advocates balanced budget and reduction of bank Government bondholdings through debt redemptions. Points out new outlets for bank funds in financing durable consumer goods and in real estate mortgages, but cautions against taking unwarranted risks in these fields. Says problem of managing Government debt can be solved through hard work and the practice of rigid governmental economy. Warns that any attempt to solve it at the expense of banks is bound to undermine their position and urges bankers to fight any proposals based on that premise. Expresses confidence in nation's future and its ability to resolve domestic problems and to aid in restoring sound economic conditions throughout world.

The theory and methods of banking have changed drastically in the past few years, and we must study continuously to keep up with the changing economic conditions throughout the country and the world.

During the past year the United States emerged victorious from one of the greatest wars in history. This war was won by the gallantry of our men and by the tremendous productive capacity of the country. The war has demonstrated clearly the inherent strength of the system of private enterprise, because we not only produced an avalanche of war materials but also managed to produce huge quantities of commodities (continued on page 2680)

\*An address by Mr. Peterson before the convention of the New Jersey Bankers Association, Atlantic City, N. J., May 11, 1946.



F. R. Peterson

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## What Price Cheap Money?

By CLAUDE L. BENNER

Vice-President, Continental American Life Insurance Company

Insurance executive analyzes the financing of war under low money rates and points out it was accomplished by Federal Reserve banks furnishing member banks with sufficient reserves to enable them to buy Treasury bonds. Holds this policy has resulted in expansion of currency and excess of individual deposits and savings. Contends that to follow the Keynesian theory of "a vanishing interest rate" implies a continuous control of prices and rationing to hold back its inflationary force, and when these defenses break down, or public confidence in currency is impaired, it will result in a costly price for cheap money.

The world is in an era of cheap money. It began about 14 years ago. In England it had its inception in the fall of 1931 when that country abandoned the gold standard. In Germany it started in with the rise of Hitler and the rearmament of the Third Reich. In this country it came with the New Deal. Even the financing of the huge expenditures caused by the World War has not brought this era of cheap money (Continued on page 2674)



Claude L. Benner

## How Can We Avoid 'Boom and Bust' Economy in the United States?

By NEIL H. JACOBY\*

Professor of Finance and Vice-President of the University of Chicago

Dr. Jacoby sees depression threats in industrial warfare and price inflation. Contends no group or organization should be permitted to damage health, welfare and safety of nation, and says our economy has not yet demonstrated a capacity to maintain high production and employment. Cites previous depressions, and states that policies can be devised for preventing extreme business fluctuations within framework of a free market, competitive enterprise system. Holds production not an inflation antidote and that price controls ignore fundamentals. Advocates restriction on money supply and increase in interest rates, yet endorses the "compensatory fiscal policy," but only if we act vigorously in other spheres of economic policy.

### I. The Aftermath of War

You have invited me to speak to you on how we can avoid a "boom and bust" economy in the United States. I propose to take a

long view of this problem, and to suggest lines along which we may move to a solution, believing that today we need perspective above all things. Before proceeding to this task, permit me to make a few remarks about the current state of the nation.

The world's most destructive (Continued on page 2666)

\*Address by Professor Jacoby before the American Industrial Bankers Association at Chicago, May 9 1946.



Neil H. Jacoby

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## United Nations Vigorously Planning A Better Social and Economic World

By A. WILFRED MAY

Ambitious program of exceedingly wide scope is being formulated for Economic and Social Council. Selection of commission members interposes nettlesome problems. World Trade and Employment Conference to convene in Fall. UN trusteeship plans obstructed by self-interested Big Power politics.

HUNTER COLLEGE, N. Y., May 15.—In welcome contrast to the dissension which has hamstrung the proceedings of a political nature here and at Paris, much progress is being made toward formulating UN's social and economic policies. The result of the current activities will be completion of the *modus operandi* of the Economic and Social Council when it convenes here May 25.

Remarkable will it be if the Council ever is able to fulfill the extraordinarily wide frame of reference which the temporary commissions are now devising, for curing the world's ills. In addition to drafting a complete International Bill of Rights and devising



A. Wilfred May

teeth for the implementation thereof by means of an agency, the Commission on Human Rights, under Eleanor Roosevelt's chairmanship, has placed on the agenda such problems as prostitution, polygamy and euthenics. Moreover this commission is devising means of bringing about freedom of information throughout the world; which aim, as Mrs. Roosevelt has pointed out, covers a much wider field than mere press activities.

The Social Commission has found it possible to take time out from its basic aim of providing every individual with sufficient food, housing and clothing coupled with redistribution of wealth and wages; to concern itself with marriage, illegitimacy, separation and maintenance, adoption, medical care and prevention of crime.

(Continued on page 2682)

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## Trend of Interest Rates

By RAYMOND RODGERS\*

Professor of Banking, New York University

Asserting there is no parallel to the amazing accomplishment in the war's financing accompanied by reduced interest rates, Professor Rodgers contends that this will not continue and that lowest point in both short- and long-term rates has been passed. However, sees no prospect of materially higher rates because of need of protecting value of Government securities. Holds banks will not increase holdings of Government debt but will divert business to other than financing Government.

"It remains to be seen whether our methods of war financing have been a miracle or a mirage." With these words, on March 22,

1946, the Board of Directors of the Chamber of Commerce of the United States of America characterized government financing operations so magnificent and stupendous that even today, after the war has been won, hard-headed businessmen are reluctant to accept the evidence of reality. The tragic history of war finance offers no parallel to the amazing accomplishment of our bankers and our Treasury in financing a war, expensive beyond imagination, and at the same time reducing the interest rate.

Of course, it would have been better if more of the bonds had

\*An address by Professor Rodgers before the 42nd Annual Meeting of the New Jersey Bankers Association, Atlantic City, N. J., May 10, 1946.



Raymond Rodgers

been sold to non-bank investors. It would have been still better if the war had been financed more by taxation. And it would have been best of all if we had not had a war. But we did have a war and we financed it the best way we could. And I say to you in all seriousness, that "best" was unbelievably good for a democracy. It was good enough to finance the war effort of a large part of the rest of the world, as well as our own. It met the pragmatic test of the crucible of war: we won!

### The Test of Peace

Whether the war-born debt structure and financing methods can meet the tests of peace is the question now foremost in the minds of bankers. My talk today will be an attempt to answer that question.

At the end of January, the commercial banks held \$91,800,000,000 of the direct and guaranteed debt and the savings banks held an additional \$10,900,000,000. The purchase of these bonds was primarily responsible for the increase in bank deposits of \$102,700,000,000. In addition, the Federal Reserve banks held \$23,264,000,000 of government bonds, the purchase of which created an equivalent amount of deposits and reserves.

Of course, there were other factors which increased or decreased deposits and reserves, such as increase in money in circulation, gold movements, etc., but the main thing to remember is that we had an enormous increase in deposits, which can be used over and over again, as long as the bonds are in the banks. To put it another way, we have had an increase of more than \$100,000,000,000 in bank deposits due to the method of financing the war, i.e., sales of bonds to (Continued on page 2662)

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## Budget and Money Market

By MELCHIOR PALYI

Dr. Palyi points out that spectacular decline in Federal deficit has come about through ending of hostilities and not by return to financial orthodoxy. Foresees renewal of deficits should inflation gain force and only remote possibility of reducing national debt from budgetary surpluses. Predicts a further rise in bank deposits with impending commercial credit expansion and renewed inflow of gold.

### Good News?

For the first time in 15 years, the Federal budget has been in balance—nay, showed a modest excess of revenues—for a period as long as two months. Good news, indeed, if it would last. At any rate, the total deficit (including the Federal trust accounts) in the first ten months of this fiscal year amounts to \$18.9 billions as against \$43.2 billions in the same period of last year. It is instructive to realize how this "economy" had been accomplished. This is shown in the tabulation below:



Dr. Melchior Palyi

July 1, 1945 to May 1, 1946 (in billions)	
Reduction in expenditures for "war activities"	\$30.4
Reduction of Treasury revenues	\$1.7
Rise in "general" expenditures, incl. Veterans Administration	3.7
Rise in "transfers" to trust accounts	0.8 6.2
Net reduction of deficit	\$24.2

The spectacular decline of the deficit has been brought about in an "automatic" fashion by the ending of hostilities, not by any return to financial orthodoxy. As a matter of fact, every dollar less spent on war has been accompanied by 12 cents additional spending for civilian purposes. Moreover, income tax returns contracted by \$2.4 billions. From here on, war expenditures will be cut at a progressively slowed down rate, while the decline of tax revenues and especially the rise of civilian expenditures tend to accelerate. For the fiscal year as a whole, the deficit may fall short of the budgeted \$28.8 billions by as much as 7 billions, but admittedly this unusual showing is not likely to be duplicated next year.

For the coming fiscal year, the President estimates a deficit of \$3.6 billions. That takes account of the continued agricultural subsidies (up to \$2.4 billions), but not of the housing subsidy of \$0.4 billions, the \$440 pay raise for

(Continued on page 2665)

## Export-Import Bank Looks at South America

By HERBERT M. BRATTER

Officials of Export-Import Bank, just returned from a tour of South America inspecting Bank-financed projects in that region and financial needs for further development of region's resources, report general desire for economic advancement. Say work on Bank-financed projects in Latin America is being honestly, though not always efficiently carried out.

WASHINGTON, May 15.—The main impression from a circuit of Latin America is that the entire area is the equivalent of a new



Herbert M. Bratter



Herbert E. Gaston

frontier of economic opportunity, calling for American participation, according to an interview given the "Chronicle" by Mr. Herbert Gaston, a member of the board of the Export-Import Bank and formerly Assistant Secretary of the Treasury. On a trip by plane lasting from mid-March to the latter part of April, Mr. Gaston, accompanied by Mr. Norman T. Ness, visited Mexico City, Bogota, Quito, Lima, Santiago, and Rio de Janeiro. Mr. Ness is the bank's chief economist and until recently was a member of the Treasury Department's monetary research division. "Throughout Latin America the desire for the rapid development of their resources is very strong. This is not primarily a selfish

(Continued on page 2659)

## The World Ahead

By LEWIS W. DOUGLAS\*

President, Mutual Life Insurance Co. of New York

Mr. Douglas contrasts tragic situation of Europe today with close of World War I when ramparts of Western World remained intact and we languished in isolation. Urges us to strengthen England and France and assume world leadership to save civilization. He emphasizes need of determining Germany's status and recommends loosely associated federation separated from Ruhr and Rhineland.

It is often, by contrasting the times in which we live with those that have gone before, that men obtain a perspective—a view of the

course they have been pursuing—and of the sum total of the accumulated changes that have occurred. Contrast frequently provides a measure by which conduct may be reassessed and old views once firmly held may be retested and adjusted.

"All our hopes of the future," said Professor Harrison, "depend



Lewis W. Douglas

on a sound understanding of the past." Therefore, let me ask you to turn your memories backwards to the condition and the estate of Europe as it was only 25 years ago at the close of World War I.

Italy, although she was about to start on a path leading to moral corruption and disintegration, sat at the council table of the victors—a power in the Mediterranean.

Belgium—partly ravished by the invading hordes—emerged with a government intact and an

(Continued on page 2657)

\*An address by Mr. Douglas before United States Associates, International Chamber of Commerce, New York, May 14, 1946.

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## Dutch Postwar Reconversion

By J. VAN GALEN

Financial Editor, Amsterdam "Algemeen Amsterdam".

Netherlands observer reports that economic conditions there are relatively satisfactory, and that the wage-price situation is becoming balanced. Holds sound budget policy being pursued. Feels Holland's most difficult remaining problems lie in public finance and foreign exchange restrictions.

AMSTERDAM, HOLLAND — After the money purge in the Netherlands\* was completed, at the end of December, according to the Minister of Finance, Professor

Pieter Liefstink, the bank note circulation of the Netherlands Bank was fl. 1,110 million (\$420 million). The total of blocked accounts amounted to about fl. 4½ billion (\$1.7 billion), of which about fl. 2 billion (\$800 million) was locked up in the shape of 3% non-negotiable inscribed stock. It is to be used for payment of the extraordinary levies, to wipe out money purchasing power, and to lower the floating fl. 23 billion (\$900 million) government debt.

The remaining fl. 2½ billion (\$1 billion) was changed into treasury bills of rather short maturity (also to be used for tax payments) and thus at the disposal of the Treasury as Government deposit (special account) with the Netherlands Bank.

It can be said that the monetary prospects towards the end of the year were highly satisfactory. The "floating purchasing power," created during the German occupation—financing by creating

\*See "Holland's Financial Position" in the "Chronicle" of Dec. 13, 1945.

banknotes—was tightened up. Everyone was—as the Minister of Finance said—obliged to live out of one's income; it was impossible to effectuate large purchases that could cause an inflationary tendency, as money was very tight. The official ceiling prices of the rationed and other goods (still only small in quantity) were rather easily maintained by the Dutch Office of Price Administration.

### New Measures Needed

Since the beginning of 1946 however, the situation has changed in more than one direction. The money-purge and blocking of the floating money-capital were only measures to create a static equilibrium.

(Continued on page 2664)

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## Paths to Uninterrupted Progress

By EMIL SCHRAM\*  
President, New York Stock Exchange

Stating slogans or fervent phrases about preserving free enterprise will not suffice to maintain our economic progress, Mr. Schram calls attention to European drift toward collectivism, and ascribes this to "the dismal thirties" which nourished dictatorship and totalitarianism. Calls for firm fiscal policy and international economic cooperation to halt inflationary and depression dangers, and recommends (1) production of more and better goods at lower prices; (2) voluntary unity of management, labor and capital; and (3) creating sound public opinion by "making war on economic illiteracy." Looks for surprisingly large production and increase in real national income.

The next decade will be a crucial period—I might say a decisive period—in the history of this country. The times will call for hard,

realistic thinking. "Sloganism" will not suffice. By sloganism I mean the use of fervent phrases about preserving free enterprise and equally fervent exhortations to resist regimentation, Communist penetration and encroachments upon the American way of life. Sweeping social changes, strong economic and political undercurrents, cannot be halted by slogans. No, if we are in earnest about keeping the best features of what we are sure is the best type of society, we shall need more than slogans.

The times will demand performance—real performance. As

\*An address by Mr. Schram before the 42nd Annual Convention of New Jersey Bankers Association, Atlantic City, N. J., May 10, 1946.



Emil Schram

bankers, you are in a peculiarly favorable position to recognize the things that need to be done. Moreover, unusual opportunities exist for leadership because I believe you enjoy today a higher measure of public respect than in many years.

The next decade I visualize as a fascinating laboratory on a vast scale. I assume peace, albeit a troubled peace. The absence of war would provide a more suitable environment for testing and gauging the accomplishments of Communism in Russia, Socialism in England, democratic Capitalism in the United States and Sweden—in short, for appraising the kind of society which these economic and political systems create. The rest of the world will be watching with keen interest. Large areas of vast importance in future economic development, now tending inconclusively toward one system or another, will be swayed by the course of events more than by preconceived notions or propaganda. In other words, the various forms of government will have to demonstrate their essential value and competence during one of the most critical periods in history. Let me

(Continued on page 2660)

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## UN and Big Business

By TRYGVE LIE\*  
Secretary-General, United Nations

Secretary-General declares United Nations organization and business leaders have much in common, beginning with the desire for peace. Emphasizes importance of Economic and Social Council in furthering constructive non-political aims such as an expanding world economy, higher standards of living, and worldwide full employment. Underlines importance to business of coming International Conference on Trade and Employment.

Some political organizations seem to resent what they regard as the excessive interest of business in their activities.

I can tell you that the United Nations organization has no such feeling. We invite and appreciate your interest in everything that we are doing. We even invite your criticism. To use an American expression we even want you to be nosy if you will only be interested.

I feel that you as business leaders, and the United Nations organization have more in common than some people may realize.

In the first place I must emphasize that the United Nations is not only a political instrument. It is also designed to increase economic cooperation between the nations of the world.

This cooperation cannot be limited to formal discussions or agreements between governments.

It will only be complete and successful if we have cooperation between all types of economic enterprises in all parts of the world. Private enterprise of all kinds has an important role to play.

### Business and UN Are Natural Allies

Then again business and the United Nations organization are natural allies in other ways. This may sound queer, coming from a man who has been a Socialist all his life, but it is true. Then again, of course, we in the United Nations Secretariat are neither Socialists nor Capitalists. As long as we are connected with this organization we are non-political.

\*An address by Mr. Lie before the United States Associates, International Chamber of Commerce, New York City, May 14, 1946.

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and we try to be objective and we invite the support of those who have the same aims.

I say that we are natural allies because I feel that everything for which we in the United Nations are working is what businessmen want and need.

I don't need to tell anybody in this room that business prosperity requires peace. The artificial prosperity that comes from war does not last and it creates false values that damage or destroy business in the long run.

What you want is political stability so that you can develop trade at home and with foreign countries on a long-term basis. You want certainty. Every foreign land that is ravaged by war is a lost market for the time being. You want peaceful, prosperous people as your customers everywhere.

You want living standards raised so that more people will demand the modern goods which your skill and energy produce.

In time of war living standards go to pieces.

So on the issue of peace we understand one another completely.

We have another thing in common,

### Common Absence of Prejudice

Business has generally been conducted without much racial or political prejudice. The businessman who pays too much attention to the color or religion of his customers finds, after a time, that he doesn't have any customers.

This fact may enable businessmen to appreciate our position. We in the United Nations have no time for prejudice. We are as international as oil or cotton and (Continued on page 2683)

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## Taxing For Better Living

By RANDOLPH PAUL\*

Former Treasury official, in calling attention to difficulty of choosing between taxes which discourage consumption and taxes which deter investment, points out that a further problem arises from the uncertainties and inequities in burden of corporation taxes. Contends argument that corporation taxes destroy incentive and risk-taking does not hold under a system of "loss offsets," whereby Government shares business losses as well as profits. Denies also that corporation taxation works unequitably against lower income groups, since these do not constitute bulk of stockholders. Opposes abandoning corporation taxes, but proposes classifying corporations, for taxation purposes, so that those which constitute essentially partnerships may be distinguished from those in which stockholders are separated from the business.

### Introduction

It is a great pleasure to speak of tax matters to this distinguished group. The very name—Tax Executives Institute—implies a realization on your part of the intimate

relationship between our taxes and our national wellbeing. I am ready to venture that most of you share a growing conviction that good taxes have a beneficial effect upon our economy, and that bad taxes have the reverse effect. You have accepted the proposition that taxes are not neutral in their impact upon production, employment and national income. But this general proposition falls short of using taxes to make a positive contribution to living standards. If taxes are to perform their highest function as instruments of human welfare, we must explore frankly, and without prejudice, and specifically, the distinction between good and bad taxes. We must know which taxes will serve us best on particular occasions in the years ahead.

I am glad to be talking with you when we are well into the year 1946. Tax-wise, at least, this

\*Address by Mr. Paul before the Tax Executives Institute, Waldorf-Astoria Hotel, New York City, May 15, 1946.

year is giving us time to find out where we are and where we are heading. It is giving us time to examine our most grievous tax sins and judge what we must do to be saved. Best of all, it is giving us time to think. I hope you will let me do a little thinking aloud tonight.

I have only an ordinary citizen's convictions about the tax road to salvation. One of those convictions is that the lessons we learned in wartime should not be completely forgotten now. We know what happens when our economy is running at full blast. We know the consequences in human terms of a \$100 billion budget. At long last, we are beginning to realize the social and economic potentialities of our Government's taxing and fiscal policies.

### Economic Background for Tax Policy

It is now rather generally agreed that the Federal budget for the long span ahead will be in the neighborhood of \$25 billion. How much of the \$25 billion shall we raise in taxes? What kinds of

(Continued on page 2688)

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## "What Is a Liberal?"

By HON. ROBERT A. TAFT\*

U. S. Senator from Ohio

Asserting that "support of every change proposed is not a test of liberalism, but of radicalism," Senator Taft defines a liberal as one who believes in freedom and opposes measures which restrict it, unless such restriction is absolutely necessary to preserve the freedom of others. Holds Communist, CIO and special interest organizations propagate false liberalism since they advocate a government in which the few dominate the many. Stresses freedom of thought and tolerance as an attribute of liberalism, and calls present situation alarming because of drift toward totalitarian state. Cites continuation of OPA, compulsory Health and FEPC bills as evidence of this. Opposes peacetime conscription and says our foreign policies are not based on justice.

It is a pleasure to stop off in New York on my way to the Corporation meeting in New Haven and address a group which has such an



Robert A. Taft

other college. We have done so, but we can only continue to do so with the advice and guidance of men like yourselves who are active in the practice of engineering itself.

A month or more ago when asked for a title to be put on the program, I rashly proposed to discuss the subject, "What Is a Liberal?" In the field of engineering that is not difficult. Most engineers are and must be liberal as far as engineering is concerned or they can't stay in the business. Every new method of teaching, every new scientific idea must be thoroughly examined and given an opportunity for development. Scientific study cannot be otherwise than liberal without falling into a groove which can easily be recognized as humdrum and useless. And so it is fairly easy to conclude that the leaders in the

(Continued on page 2668)

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# The Americas in a Changing World Government Securities and Commercial Banks

By JOHN ABBINK\*  
Chairman, National Foreign Trade Council

Asserting U. S. influence in Latin America has suffered marked deterioration since war ended, Mr. Abbink ascribes situation to our ill-conceived and impractical measures to obtain wartime economic collaboration. Says Latin America is in an exceptionally favorable trade position, despite inflation. Points out improvement in political stability both in Brazil and Argentina, but warns that Col. Peron's election in face of Washington opposition may put Good Neighbor Policy under severe strain. In Cleveland address, he criticizes British socialization program and outlines formula for world stability.

In years to come it may well be pointed out that the period involved the people of the United States in a crisis comparable in pattern to that which existed in Civil War days, and with an analogous overtones. Seventy-five years ago we were confronted with an emergency at the national level whose eventual solution profoundly affected the



John Abbink

course of world history. Today we face overseas problems that we are reluctant and ill-prepared to resolve, and whose irresistible impact may result in home-front developments over the next decade which would have seemed sheer fantasy to most of us only a short while ago.

We know now, in retrospect, that the issue of slavery in this country was but the political symbol of sectional economic maladjustment, expediently and long

\*An address by Mr. Abbink before the St. Louis Regional Inter-American Center, St. Louis, Mo., April 23, 1946, followed by an excerpt from an address before the Cleveland (O.) World Trade Conference, April 26, 1946.

neglected because it was controversial, and little understood. Two wars in the past quarter century, together with progress in communications, have awakened us much more abruptly to the current realization that we are soon concerned with trouble anywhere on the globe, and that establishment of the kind of world we'd like to live in is beset with international difficulties, from which we have hitherto attempted to insulate ourselves by the same evasion residents of adjoining states practiced here in the middle of the last century.

The era that followed the Civil War saw a re-united nation reach heights mankind had never yet witnessed. The present world job of rehabilitation is much the same in character as that which our immediate forebears accomplished in this country, and in all of its phases, spiritual as well as economic; it differs only because its ramifications extend to the end of the earth, not alone to our physical borders. Socially, the atmosphere is almost identical. Recall that the period after Lincoln's death was crowded with national confusion and sordid maneuvering, that bitterness and recrimination abounded, that new leaders

(Continued on page 2676)

By FALKNER C. BROACH\*

Vice-President, National Bank of Tulsa, Okla.

Mr. Broach, after analyzing the war financing policy and its effects on circulating currency and bank deposits, argues that, despite reductions in national debt through use of excess Treasury balances, and despite pressure of banks and other investment institutions for higher interest yields, the wartime pattern of interest rates will be generally maintained without affecting materially present volume of bank deposits. Sees probable shifting of deposits from country banks to Reserve Cities without relieving banking system from continued dependence on holdings of Federal debt for earnings. Contends Federal Reserve and Treasury will follow orthodox policy in debt management, but predicts some increase in commercial bank loans.

Although the title assigned my talk is "Government Securities and the Commercial Banks" what I want to do is to discuss with you

for a few moments some of the problems involved in having created a national debt of over \$275 billion and in having financed the wartime increase in our debt as we did. To my way of thinking, these are important matters, for, whether we like it or not, banking has undergone some evolutionary, if not revolutionary, changes as a result of the enormous increase in our debt and the manner in which this in-



F. C. Broach

crease was financed. Moreover, we still are faced with the problem of debt management—a problem in the solution of which I can envisage still more evolutionary changes in banking.

1. Although our announced policy was to finance the cost of the war with minimum reliance on commercial bank credit, it was necessary—as it always is in time of war—to call upon the banking system to supply a substantial portion of the credit used to prosecute the war.

a. In aggregate, about 40% of our expenditures were met by taxes, 32% by borrowing from non-bank investors, and about 28% from the sale of securities to the banks, including savings institutions.

2. While the Treasury refrained almost entirely from direct financing through the banks, it did look to the banks, and rightfully so, I think, to absorb the securities not taken by non-bank investors.

a. Only in the first two drives were commercial banks allowed almost unlimited participation. (Continued on page 2684)

\*An address by Mr. Broach before the Oklahoma Bankers Convention, Oklahoma City, Okla., May 10, 1946.

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# IBA's Economic Program

As the prerequisite of a sound economy President Garland advocates balancing the budget, reforming Federal debt management, and developing an intelligent tax program to replace the existing "hodge-podge." He opposes proposed control by SEC of "insiders" underwriting participation. General Counsel Hanson advocates modification of Federal securities regulation.

Investment dealers of New York have been asked to back a national program seeking tax reforms, improved government debt management and dealing with other "aspects of national affairs which



Charles S. Garland



John C. Maxwell

apply specifically to the investment banking business."

Charles S. Garland, President of the Investment Bankers Association of America, outlined the objectives for which the organization asks "grass roots" support at a dinner meeting May 13 sponsored by the New York members of the IBA. Mr. Garland was accompanied by Murray Hanson, general counsel of the Association, who discussed Federal regulation of the securities business. John C. Maxwell, Chairman of the New York group of the IBA and a partner of Tucker, Anthony & Co., New York, presided at the meeting which was held at the Union Club.

Five projects for concentrated attention were set forth by Mr. Garland, who is a partner in the Baltimore, Md., firm of Alex. Brown & Sons. Included were:

1. Management of the Government debt and its relation to the forces of inflation.
2. The Federal budget and tax program.
3. Encouragement of small business enterprises.
4. World finance and participation of the U. S. in the international bank and monetary funds.
5. Training new personnel for the investment business.

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To help curb inflation, he advocated stabilization of the interest rates on Government securities, a determined effort to put the maximum of Government securities into the hands of non-banking investors, and leeway for the nation's industrial machinery to restock retail shelves as quickly as possible.

Referring to the proposed SEC rule relating to allotments of new security issues to so-called "insiders," Mr. Garland emphasized his conviction that the problem is a matter of business principle and ethics, and hence should not be treated by statute, or by commission administration. He stated that control, if at all in order, should be exercised in a self-imposed way by the NASD rather than by the SEC.

Mr. Garland said that the IBA is working with Government committees in the formulation of plans to aid in the financing of small business. It is also, he said, cooperating with the Government on plans to put the International Bank for Reconstruction and Development in operation as speedily as possible. He urged approval by Congress of the British loan.

Regarding Federal regulation of the securities business, Mr. Hanson said the IBA approved "soundly conceived and fairly administered" laws to protect the individual investor. However, he said, in the interest of sensible business practices, both the statutes and administrative regulations and interpretations require modification.

# Anglo-American Cooperation A Bulwark for Peace

By THE EARL OF HALIFAX\*  
Former Ambassador to U. S.

Retiring Ambassador recounts the anxious days during his five years stay in United States and problems arising from need of Anglo-American cooperation in bringing about a victorious end of war. Cautions we are still living in an uncomfortable world and are still beset by doubts whether victory in reality is won, but points to the vast joint power of British Empire and U. S. when used "as a massive weight placed solidly behind the United Nations" for means of attaining a peaceful and ordered world. Holds continued Anglo-American cooperation offers the greatest bulwark for peace.

I have been asked to say a few words to my American friends before I sail for England on Monday night and I am most grateful to those who



Lord Halifax

have given me this opportunity. During the nearly five and a half years that Lady Halifax and I have been here, we have indeed made many very good friends. We have also visited every state in the Union; and that, as British Ambassadors go, is a record—which cannot well be beaten until you add to the number of your states. And wherever our travels took us, we found a warmth and a welcome such as we had hardly a right to expect.

We cannot say goodbye to all

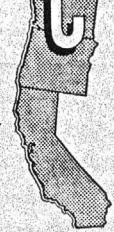
\*Address by Lord Halifax over the network of the Columbia Broadcasting System, May 11, 1946.

those we have met in all the states separately, as we would wish to do, but that, they will understand and forgive. So I would like to begin by sending a special message of gratitude and affection to them all from us both, wherever they may be tonight.

May I go on to let you into a secret? When I came here as Ambassador in January 1941, I felt very much as I did when, as a very small boy, I went to school for the first time. I didn't know if you were going to like me, or, for that matter, if I was going to like you. I only knew that I was entering a strange new world, where I was certain to find a great deal of difficult work to do. And now that my time is up, I can tell you quite truthfully that no small boy who ever went to school for the first time met with such kindness as I met with here or had so fine a time as you have given me.

Anxious Days  
After all, it might not have been like that. We passed through (Continued on page 2681)

## COVERING THE COAST



Out-of-state visitors to California entering by automobile were 569,000 in the first quarter of 1946—over 2½ times the 1938-40 average.

West Coast telephone toll load shows an increase over last year of twice the national average.

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Analysis on request

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Boston Wharf  
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Brown Co.  
Collyer Insulated Wire  
Dewey & Almy Chem.  
Dwight Manufacturing  
E. U. A. Com. & Conv.  
First Boston Corp.

First National Bank  
Heywood Wakefield Com.  
Heywood Wakefield Pfd.  
Johnson Automatic  
Mass. Power & Light  
Mass. Utilities Associates  
National Shawmut Bank  
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Nicholson Steel  
Ralston Steel Car  
Saco Lowell  
Tybor Stores

\*Prospectus upon request.

All others traded

Our own direct private telephones connect  
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Data on Request

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## N. Y. Curb Ticker Service Expanded

The New York Curb Exchange ticker service has been further expanded by installations in Pasadena, California; Denver, Colorado; Youngstown and Dayton, Ohio; Charlotte, North Carolina; Roanoke, Virginia; and Plainfield, New Jersey, the exchange has announced. The Curb ticker system now carries security quotations to 82 cities located in 22 states and the District of Columbia.

### BALTIMORE

**Bayway Terminal**  
**Davis Coal & Coke**  
**Emerson Drug**  
Common  
**Monumental Life Ins. Co.**  
of Baltimore  
**Noxzema Chemical**  
**STEIN BROS. & BOYCE**  
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Bell Telephone BA 393  
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Suffolk Downs, Mass.  
**Monmouth Park**  
**Jockey Club**  
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**New Hampshire**  
**Jockey Club**  
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Bought—Sold  
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**du Pont, Homsey Co.**  
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BOSTON 9, MASS.  
HANcock 8200 Telephone BS 424  
N. Y. Telephone CAnal 6-8100

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**Boston Edison**  
**Hollingsworth & Whitney**  
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Private New York Telephone  
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Preferred and Common  
EQUITABLE BUILDING  
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## Marx & Co. Forming In N. Y.—Exchange Firm

Marx & Co. will be formed shortly with offices at 37 Wall Street, New York City, to engage in the securities business. Partners will be Otto Marx, Jr., Edwin H. Koehler, and Raymond de Clairville, member of the New York Stock Exchange. Mr. de Clairville is a partner in Tuller, Cray & Co., and prior thereto was a partner in Gwynne Bros.

### LOUISVILLE

**American Air Filter**  
**American Turf Ass'n**  
**Girdler Corporation**  
**Merchants Distilling Co.**  
**Louisville Gas Pref.**  
**Winn & Lovett Grocery**  
**THE BANKERS BOND CO.**  
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INCORPORATED  
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**Stocks - Bonds**  
Nashville, Tennessee

## First Boston Opening Washington Branch

WASHINGTON, D. C.—The First Boston Corporation will shortly open an office in the Washington Building, 15th Street and New York Avenue. The new branch will be staffed by men formerly in the New York office headed by Lucius F. Hallett, Jr., who has been with the firm in New York for some 10 or 15 years.

## First California Company Adds Starkey to Staff

(Special to THE FINANCIAL CHRONICLE)  
SAN FRANCISCO, CAL.—Warren L. Starkey has become affiliated with First California Company, Inc., 300 Montgomery St. In the past he was with Longan, Dunn & Philleo and Bayly Brothers. Prior thereto he was in charge of the municipal bond department for Edgerton, Riley & Walter.

### SALT LAKE CITY

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**Amalgamated Sugar**  
— \* —  
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for  
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**Textile Securities**  
AND  
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**A. M. LAW & COMPANY**  
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INQUIRIES INVITED  
**MOHAWK VALLEY**  
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INC.  
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Tel. 4-3195-6-7 A Tele. UT 16

# The British Financial Agreement is Essential to World Peace

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

Secretary Vinson urges approval of Anglo-American financial agreement as a force for promoting world peace. Holds it removes economic causes of war as well as aiding in maintaining and expanding our exports. Sees seriously restricted U. S. foreign trade and collapse of Bretton Woods if agreement is not ratified, and asserts that even if no interest is paid on loan, it will constitute a good U. S. investment. Holds British will cooperate in attaining objects of loan and contends the credit will not constitute precedent, though admitting other countries will need our financial help. Asserts loan will constitute no burden to us and will not affect inflation.

I am very glad to appear before this Committee and to explain what, in my judgment, the proposed Financial Agreement with the United King-



Secretary Vinson

dom means to America and to the world. With the end of the war we in the Administration and you in Congress have a new responsibility to our people. The sacrifices they have borne will have been largely meaningless unless we do all in our power to achieve lasting peace and sound prosperity. This is the one reward of victory that our people and the people of all the United Nations ask—a world in which countries work and live together in peace and prosperity. As you are well aware, world peace and prosperity are interlinked. The world cannot have a stable, enduring peace while devastation and hunger stalk the earth. This country cannot prosper. (Continued on page 2678)

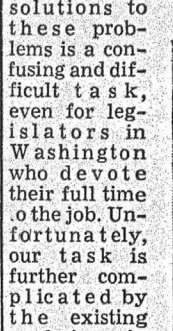
\*Statement by Secretary Vinson before the House Committee on Banking and Currency, May 14, 1946.

# Liberalism Abroad and at Home

By HON. JOSEPH H. BALL\*  
United States Senator from Minnesota

Senator Ball, in defining Liberalism as devotion to individual liberty, scores prevalent confusion of Liberalism with Radicalism. Holds Liberalism does not favor class interests or adoption of radical changes, and criticizes Administration's policies as tending toward Authoritarianism. Claims that the goal in economic field should be toward equal individual opportunity. Decries privileges given labor unions, and advocates wider education, research and housing aid.

The United States is facing today a tremendous array of complex international and domestic issues. Finding the proper and democratic



Senator Jos. H. Ball

solutions to these problems is a confusing and difficult task, even for legislators in Washington who devote their full time to the job. Unfortunately, our task is further complicated by the existing confusion in political principles and labels. It is my purpose this afternoon to define political liberalism and then to discuss the application of liberal principles to some of our major international and domestic issues. While I speak only for myself, I do believe that the principles of liberalism as I define them are those held by that large group of Americans who belong neither to the political right nor the political left, even though we may differ on their application to specific issues. If the United States is to meet realistically the vast issues we face, it is imperative that the people of America understand and agree on a few fundamental political principles which currently have become obscured and confused. This effort of mine at definition grew out of my own urgent need to develop a fundamental yardstick which I could apply to the scores of perplexing issues pending in Congress.

We speak of our Government as a democracy. Actually it is not a pure democracy, where the people decide issues directly and the (Continued on page 2670)

## STATE AND MUNICIPAL BONDS CORPORATE BONDS LOCAL STOCKS

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Established 1894

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## Vinson Cross-Examined On British Loan

Representative Crawford of Michigan calls attention to changing British attitude towards urgency of loan.

WASHINGTON, May 15.—Secretary of Treasury Fred M. Vinson appeared today before the House Committee on Banking and Cur-



F. L. Crawford

rency in support of the bill to ratify the Anglo-American Loan Agreement, on which favorable action has already been taken by the Senate. He was questioned mainly by Representative Fred L. Crawford, Republican of Michigan, who sought the Secretary's opinion on the various objections which have been raised against the loan. Paraphrasing, it should be stated that Representative Crawford stated in the course of the testimony, "I believe this loan agreement will be overwhelmingly approved by Congress."

Responding to Mr. Crawford's comment that the only way the loan can be repaid is by increased American imports of competitive goods, Secretary Vinson replied: "It's going to be incumbent on us to import more goods than we did. I haven't any doubt but that the goods imported will be competitive." Regarding the contemplated Export-Import Bank loan to Russia, Secretary Vinson stated "Russia has had an opportunity for weeks and months to negotiate for a loan. They have not availed themselves of the opportunity up to now."

In the course of the hearing, Representative Crawford called Mr. Vinson's attention to an article in the London "Times" in which doubt was cast on the urgency of the loan to Great Britain, and in which it was noted that business opinion was to the effect that the American loan could be dispensed with in case of need without disaster. The article also stated "that there is little doubt that in practice the loan agreement has a less ardent following

now than when it was first concluded" and that there was a hankering for "a degree of insulation from American competition within." The article continues: "The loan agreement originally secured its strongest business support not because it would avert a few years' austere living but because it promised to restore to some extent the ordinary methods and liberties of commerce. But some of the Government's recent deeds and words have inspired doubts whether for this country the restoration would go very far; with the result that even the support derived from economic liberalism has grown cooler."

## Detroit Bond Club Annual Golf Party

The Bond Club of Detroit announces it will have its annual golf party Tuesday, May 21, 1946, at the Meadowbrook Country Club, Northville, Michigan, for members and guests.

Golf, baseball, etc., will be the order of the day. Cocktails, dinner, etc., in the evening. A good time has been planned for all.

Guest registration fee is \$10.00. Merle Bowyer, Paine, Webber, Jackson & Curtis, 100 Penobscot Building, Detroit, 26, is in charge of hotel reservations.

Jones B. Shannon, Miller, Kenower & Co., is Chairman of the Entertainment Committee.

## New Phone for G. H. Walker

G. H. Walker & Co., 1 Wall Street, New York City, members of the New York Stock Exchange, announce that their telephone number has been changed to Hanover 2-4000 and that the trading department wire is Hanover 2-4019.

## N.Y. Federal Reserve Sees Post-War Adjustments Unbalanced

Allan Sproul, its President, releases Annual Report on "A Year of Surprises." Fears reoccurrence of conditions after World War I and points out danger of a wage-price spiral and heavy consumer purchasing. Sees antidote to inflation in a large and balanced output with rising productivity per worker. Says price controls seem indispensable in immediate postwar period.

The thirty-first Annual Report of the Federal Reserve Bank of New York recently transmitted to stockholders (member banks) by Allan Sproul,



Allan Sproul

its President, contains a review of the postwar conditions and of the factors which will determine the outcome of present uncertainties with which the nation's economy is faced. The section of the report dealing specifically with these matters follows:

The year 1945 was a year of surprises. Much economic forecasting and policy making had been based on the assumption that demobilization and reconversion would be a two-stage process. But the collapse of Japan followed with dramatic suddenness the termination of the war in Europe. The result was that in the last five months of the year reconversion hit the American economy with full force and with little or no opportunity to ease its impact.

There had been a widespread debate as to whether the war would be followed by deflation or inflation. Very plausible arguments were marshaled on each side. Those who feared deflationary developments stressed the demobilization of the armed forces and the reduction of the budget to a peacetime basis. On the inflationary side were the deferred demands for civilian goods and

and the large wartime savings in the form of currency and bank deposits and individual holdings of Government securities. Though there was a wide difference of emphasis on these conflicting factors, the commonly expected pattern of postwar experience was that of a sharp, though possibly short, downturn immediately following the war (particularly if the two wars ended close together), a recovery of output and employment as reconversion got into full swing, and a much more problematical long-run prospect after business and consumer buying had caught up with deferred demands.

The second great surprise of 1945 was the lightness of the initial impact of reconversion. It had been widely predicted that in the first six months after the war the national income would drop by 15% or more, and various official and private estimates placed the amount of unemployment to be expected by the spring of 1946 at from 5 to 10 million. Actually, and notwithstanding the wave of strikes in major industries, unemployment has at no time exceeded 3 million, and the drop in national income payments from the wartime peak to the first quarter of 1946 has not exceeded 5%. Yet in the same period the number of persons in the armed forces has been brought down from 12 million to 5 million, and the Federal budget, from a deficit that in the first half of 1945 was running at an annual rate of 50

(Continued on page 2687)

## "Toppers" to Hold Annual Spring Outing

The Toppers, an organization of municipal bond traders, are holding their annual Spring outing at the Westchester Country Club, Rye, N. Y., on Tuesday, May 21. Many municipal traders from out of town will attend. John V. Hollan, of Barr Brothers & Co., said that returns to date indicate an attendance exceeding 200, including many out-of-town traders.

## San Francisco Traders To Hold Spring Party

SAN FRANCISCO, CAL.—The San Francisco Traders will hold their Spring party at the Orinda Country Club on Friday, May 24th.

## SCHENLEY DISTILLERS CORPORATION

NOTE—From time to time, in this space, there will appear an advertisement which we hope will be of interest to our fellow Americans. This is number 126 of a series.

SCHENLEY DISTILLERS CORP.

## Stickers

By MARK MERIT

Another synthetic, "dry" campaign described as "Liquor Ad Crusade" is currently in vogue. It is done to harass newspaper and magazine publishers. The publisher receives, thru the mail, an envelope containing newspaper clippings of beer and liquor advertisements with colorful stickers pasted across them, reading: "Liquor ads must go . . . I don't like these in my paper." The stickers are printed in rolls, by the million, and sold in quantity to folk who presumably object to the existence of a legal, licensed alcoholic beverage industry.

This has elicited comment from a number of newspapers. We quote from an editorial in the Madison, Wisconsin, Capitol Times of February 26th, 1946:

"If we are now to start censoring our advertising columns, by barring liquor advertisements, to what lengths shall we go? What about cigarettes? Beer advertising, too? What about the movies? What about books? One of our correspondents, in the 'Voice of the People,' today, would even bar card playing. Shall we throw out our bridge column?"

Which gives us still another opportunity to go way back to St. John Chrysostom, Bishop of Antioch who lived in the Fourth Century A.D. In answer to the then (as now) hue and cry on the part of reformers against "deplorable excesses," he said in part:

"No, it is not the wine, but the intemperance of those who find an evil delight in abusing it. If you shout, 'Would there were no wine,' you should add, 'Would there were no iron, because of murderers; would there were no night, because of thieves; would there were no light, because of informers.' In this manner you might destroy everything."

And that's just about what the Madison, Wisconsin, Capitol Times said in modern language—1500 years later.

FREE—Send a postcard to MARK MERIT OF SCHENLEY DISTILLERS CORP., Dept. 18A, 350 Fifth Avenue, N. Y. 1, N. Y., and you will receive a 96-page book containing illustrated reprints of earlier articles.

We are pleased to announce that

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Colonel, General Staff Corps

has returned from war duty and is resuming his activities as a general partner

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MAY 15, 1946

ST. LOUIS, MO.

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\*Camden Forge Co., Common

Snap-On Tools Corp., Com.

\*Prospectus Available on Request.

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**Dealer-Broker Investment Recommendations and Literature**

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

**Comparative Insurance Stock Prices** — Tabulated figures for twelve months ending December 31, 1945—Geyer & Co., 67 Wall Street, New York 5, N. Y.

**Electric Utility Stocks as Good Income Producers**—No. 207 in Oliphant's Studies in Securities—James H. Oliphant & Co., 61 Broadway, New York 6, N. Y.

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

**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.

**Security and Industry Survey**—Analytical guide for investors—Merrill Lynch, Pierce, Fenner & Deane, 70 Pine Street, New York 5, N. Y.

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

**American Rolling Mill Company**—Analysis and outlook—Hayden, Stone & Co., 25 Broad Street, New York 4, N. Y.

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

**Amott Baker Realty Bond Price Averages**—Current news bulletin—Amott, Baker & Co., Inc., 150 Broadway, New York 7, N. Y.

**Arden Farms Company**—Special report—Maxwell, Marshall & Co., 647 South Spring Street, Los Angeles 14, Calif.

**Axelson Manufacturing Co.**—Engineers Report—Herzog & Co., 170 Broadway, New York 7, N. Y.

**Butterick Company, Inc.**—Circular emphasizing the strong position of the preferred stock which sells at a price equivalent to only three times 1945 earnings per preferred share; the net current assets position of the company shows a ratio of 3.15 to 1—lifting of wartime restrictions such as those on paper should have a constructive effect on the future earnings. Dealers may send for Circular ML on Butterick to Blair F. Claybaugh & Co., 52 Wall Street, New York 5, N. Y.

**A. S. Campbell Co., Inc.**—Analysis — New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

**Cessna Aircraft Co.**—Study of situation in view of attractive outlook for light plane industry—Sulzbacher, Granger & Co., 111 Broadway, New York 6, N. Y.

**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.; Purolator.**

**Drico Industrial Corporation**—Current situation and outlook—J. F. Reilly & Co., 40 Exchange Place, New York 5, N. Y.

Also available is the current issue of "Highlights of Wall Street" discussing the outlook for the market and the situation in several interesting issues.

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

**Eastern Engineering**—Special report—Amos Treat & Co., 40 Wall Street, New York 5, N. Y.

Also available are special reports on Automatic Signal and Northern Engineering Works.

**Fire Association of Philadelphia**—Analytical report—Mackubin, Legg & Company, 22 Light Street, Baltimore 3, Md.

Also available are memoranda on Fireman's Fund Insurance Company, General Insurance Corporation, Hanover Fire Insurance Company, Jersey Insurance Company, Merchants Fire Assurance Corporation, Pacific Fire Insurance Company, Phoenix Insurance Company, and Providence Washington Insurance Company.

**General Public Utilities Corp.**—Late data—G. A. Saxton & Co., Inc., 70 Pine Street, New York 5, N. Y.

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

(Continued on page 2691)

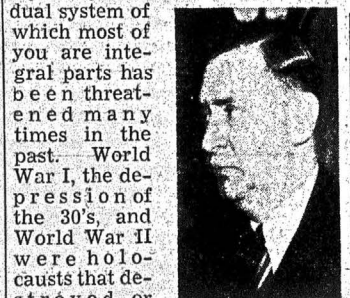
**Federal Deposit Insurance and Recent Banking Developments**

By MAPLE T. HARL\*

Chairman, Federal Deposit Insurance Corporation

FDIC head, calling attention to nationalization of banking in other countries, points out that this challenge to private banking cannot be ignored by those who hold our banking is the best system. Re-counts progress and success of Federal deposit insurance over last decade in protecting both the depositors and banks, but cautions that new problems must be faced, of which (1) the inflationary dangers of the accumulation of liquid funds by public, and (2) reduced ratio of bank capital to deposits, are most prominent. Holds high level of bank deposits will remain, and that increase in bank capital may be good public policy.

Meetings such as this are extremely important and play a vital role in maintaining the free banking system as it exists in this country today. The dual system of which most of you are integral parts has been threatened many times in the past. World War I, the depression of the 30's, and World War II were holocausts that destroyed or made unrecognizable many social institutions. Banking did not escape unscathed, but fortunately for America it has survived so far in its basic form as an independent unit system, each unit having the option of operating under Federal or State supervision, the destiny, progress, and prosperity of each unit depending upon the ability of the management, such as officers, directors, etc., selected annually by the stockholders in meetings called for the particular purpose.



Maple T. Harl

In many other countries such procedure is no longer permitted, thus chartered banking has not fared so well since the end of the war. Last July, in England, a Labor Government committed to nationalization of various forms of economic enterprise was swept into power. Socialization of the Bank of England led their list for action and is now an accomplished fact.

A more extreme form of the same sort of action has happened in France since she was liberated from the Germans. There, too, socialization of the central bank took priority and the Bank of France is now "the property of all the people of the Nation."

Not only the Bank of France, but four other huge commercial banks, in which great power had become concentrated, were socialized at the same time.

In Australia and New Zealand, relatively young countries like our own, the central banks have been nationalized and the controls to which private banks were subjected during the war have been extended into the postwar period.

**Will Our Banking Be Nationalized?**

If something of this sort were to happen in the United States in

\*An address by Mr. Harl before Illinois Bankers' Association, St. Louis, Mo., May 2, 1946.

the near future, it would come as quite a shock to all of us assembled here today. We know the job our banks have done during the war—we are satisfied that they are doing all within their power to speed reconversion and to aid civilian production.

But there are forces within the nation actively at work to achieve nationalization of our banking system, and in view of the international trend in that direction, we cannot safely ignore the challenge that these forces issue to those of us who are convinced that the present system of American banking is the best system.

You are all familiar with what happened when two parrots, one belonging to an old sea-dog, the other to a clergyman, were brought together. After listening for a long time to the wail of the minister's parrot, "What shall we do to be saved? What shall we do to be saved?" the old salt's parrot piped out, "Pump like hell or we'll all go to the bottom."

Before going on to discuss some of the problems with which we must deal during the next few years if we are to keep from going to the bottom, I want to review with you some of the developments in banking since the middle 30's, and particularly something of the development and experience of the Federal Deposit Insurance Corporation during that period.

**Federal Deposit Insurance**

As you know, the FDIC was conceived and created in 1933 after the most severe banking crisis that this nation had ever experienced. This crisis resulted in the immobilization and ultimate loss of a large volume of the nation's bank deposits in institutions which were unable to withstand the most terrific economic depression in our history. Adoption by the Federal Government of the principle of deposit insurance was intended to restore confidence in our banking structure and to provide a speedy method to thaw out and release deposits tied up in suspended banks. Restoration of the public's confidence in the stability of banks and the safety of their deposits was one of the first and major steps necessary to prepare the way for general economic recovery. Without a doubt, bank deposits are the life blood of our economy. To leave them frozen would have done

(Continued on page 2690)

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# Reasons For Further Bull Market

Brig. Gen. Ayres lists (1) general pressures of inflation; (2) high productive capacity and accumulated shortages; and (3) continuation of artificially low interest rates as factors favoring rise in prices of stocks.

In the current issue of the "Business Bulletin," published by the Cleveland Trust Co. and edited by Brig. Gen. Leonard P. Ayres, the reasons why there may be a further rise in stock prices are discussed.



Leonard P. Ayres

"According to an old, and simple, and seldom used test, prices of common stocks are now high enough to be in the danger zone, but still they are far from being unprecedentedly high," the Bulletin states. "At the foot of this page there is a diagram showing the square roots of the annual averages of the Standard and Poor index of industrial stocks over the past 51 years. The figure for 1946 is based on only the data of the first four months of the year. A narrow band connects the tops of all the bull markets, except that which ended in 1929, and a similar narrow band connects the bottoms of all

the bear markets, except that of 1932.

"During nearly all of the past half-century the upper band could properly have been considered as constituting the proper selling range for common stocks, and similarly the lower band could have been regarded as being the proper buying range. The interesting fact is that stock prices are now entering the upper band. The diagram itself demonstrates that there can be exceptions to the rule. The index entered the upper band in 1925, but the great bull market did not end until the autumn of 1929. Similarly the ensuing bear market did not terminate in the lower band in 1932, but instead dropped well below it.

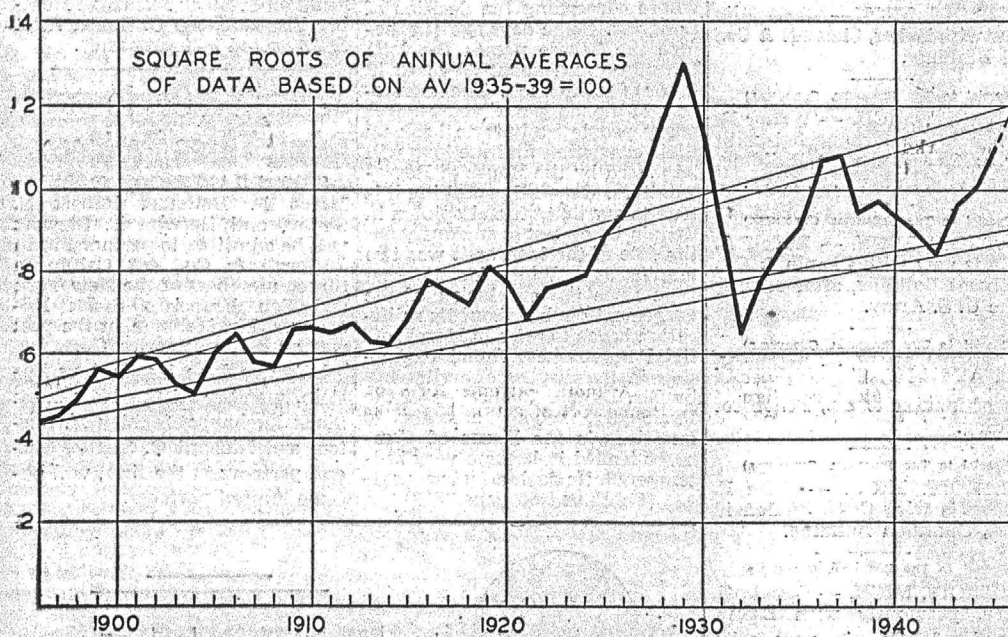
"There are at least three good reasons why this present bull market might continue after having entered the upper band which has repeatedly marked the selling range. One is the general pressures of inflation which result in speculators having money to venture, and in some cases impel them to buy stocks in the hope that these securities will prove effective hedges against inflation. A second reason why stock prices might continue upward for some period of time is that we have in this country a combination of pro-

ductive capacity and of accumulated shortages of goods which gives promise of producing a business boom. A third reason is that the continuation of artificially low interest rates is making the return on good bonds so low that stocks are given increased relative value.

"There is no reason except considerations of simplicity for making this sort of diagram on the basis of annual averages. It could be made from monthly, weekly, or daily figures. The reason for using the square roots rather than the original figures is the practical and empirical one that the square roots give better and more consistent results. The Standard and Poor stock price index is probably the most scientifically constructed of the stock indexes. It begins in 1871, but it has been carried back for many decades in the Cowles Commission Stock Price Indexes.

"These indexes are extensions of the Standard and Poor indexes using the same method of computation and including as far as possible the same companies. They cover in four separate indexes the industrials, the rails, the utilities, and all of these in combination, and they are available in monthly figures beginning in 1871."

## INDUSTRIAL STOCK PRICES



## Halsey, Stuart Sells Western Md. Equipm'ts

Halsey, Stuart & Co. Inc won the award May 14 of \$2,000,000 Western Maryland Railway Co. equipment trust certificates, series J, as 1½s, and immediately re-offered them at prices to yield from 1.05% to 1.75%, according to maturity, subject to Interstate

Commerce Commission approval. The certificates mature annually June 15, 1947 to 1956, inclusive, and are being issued under the Philadelphia Plan.

Associated with Halsey, Stuart & Co. Inc. in the offering are: Otis & Co. (Inc.); Alex. Brown & Sons; Putnam & Co.; Julien Collins & Co.; First of Michigan Corp.; F. S. Yantis & Co. Inc.; and Thomas & Co.

The certificates are being is-

sued to provide for approximately 77% of the cost of 12 new standard gauge 4-8-4 steam locomotives and tenders.

## Peerless Casualty Stock Marketed

A group headed by Herrick, Waddell & Co., Inc. and Geyer & Co., Inc. as underwriters on May 10 offered to the public the unsubscribed portion of a new issue of 50,000 shares of common stock (par \$5) of Peerless Casualty Co. The stock was priced at \$14 per share. The common stockholders who were given the privilege of subscribing for the new shares at the rate of five for each eleven shares now held, purchased 24,851 shares of the new offering.

The company, an insurance organization established in 1901 under New Hampshire laws, originally conducted its operations as a combined stock and mutual company. Since April 9, 1909 it has been a stock company. The company is engaged in a general casualty insurance and bonding business, both as a direct underwriter and as a reinsurer of other companies. Among the lines underwritten by the company are: accident, health, automobile bodily injury and property damage, collision, burglary, fidelity, surety, workmen's compensation and various other forms of liability and casualty. The company is qualified to do business in thirty-nine states and the District of Columbia.

The proceeds from the sale of the stock will be used by the company to purchase securities which are qualified as legal investments for insurance companies organized under New Hampshire laws.

## James McLean Partner In S. R. Melven Co.

James J. McLean is being admitted to partnership in S. R. Melven & Co., 2 Rector Street, New York City. Mr. McLean has recently been with Thomson & McKinnon; prior to serving in the armed forces he conducted his own investment business in New York City.

## Hemispheric Stock Exchange Parley Off

The hemispheric stock exchange conference scheduled for May 28th in Montevideo, Uruguay, has been postponed indefinitely according to word from Tomaso Rodriguez, president of the Santiago, Chile, Stock Exchange. The New York Stock and Curb Exchanges had planned to send delegates to the meeting.

**East Bay Specialties Co.**  
OAKLAND, CAL.—East Bay Specialties Company, Easton Building, will engage in the securities business. Partners in the firm are M. H. Ezell and Dr. Lester A. High.

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## Michigan Brevities

The First of Michigan Corp., heading a syndicate of investment bankers, purchased an issue of \$5,000,000 University of Michigan dormitory revenue bonds from the Board of Regents. Proceeds will be used to redeem \$1,926,000 presently outstanding 1½% bonds dated June 1, 1944, and for new construction.

Volume of trading on the Detroit Stock Exchange continued to climb last month, with sales at 413,025 having a market value of \$5,033,048. This compares with 342,592 or \$4,529,201 in the preceding month, and 326,133 or \$4,204,235 in April of 1945.

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The Detroit Stock Exchange has received an application from the Hudson Motor Car Company to list 226,973 additional shares of stock and 1,588,810 warrants which would entitle holders to subscribe to one new share for each 7 now held. Date of record and price have not been determined.

Crampton Manufacturing Co. of Holland, Mich., has registered with SEC 240,000 shares of \$1 par value common stock. Proceeds will be used for plant expansion and working capital. Baker, Simonds & Co. of Detroit is the principal underwriter of the issue.

The Detroit Stock Exchange has approved an application to list 297,937 shares of \$2 par value common stock of the National Stamping Co., subject to registration becoming effective. Trading in the stock is expected to begin the end of May.

McDonald-Moore & Co., has purchased \$16,000 Oakland Township School District No. 2 bonds. Proceeds will be used to call an equal amount of higher coupon bonds outstanding. The new bonds bear a 2% and 1¾% interest rate and mature serially from May 1, 1947 to May 1, 1954.

McCord Corp. has called for retirement on July 1 the small remnant of class A stock, and fixed May 15 as the date for closing further exchanges. Purpose of the call, according to company officials, is to eliminate the stock from the financial statement in accordance with the further simplification of the firm's capital structure. It also removes restrictions in connection with payment of common stock dividends if and when declared.

The Michigan Bank has added a new branch office at 11120 Grand River.

Joseph M. Dodge, President of The Detroit Bank, announces the appointment of G. C. Mellinger as

Assistant Vice-President in the commercial loan department. He replaces the late G. L. Wessinger. Mellinger has for several years been Vice-President of the American National Bank of Kalamazoo.

The capital stock of the Detroit-Michigan Stove Co. will be adjusted, subject to listing requirements of the Detroit Stock Exchange, so that 5 shares of common stock will be outstanding for every 4 shares presently outstanding. Distribution of the stock out of presently authorized but unissued shares is to be made June 25 on the basis of one share for each 4 held, if the shares to be distributed have been effectively registered by that date. Holders of record May 15 will participate.

**Watling, Lerchen & Co.  
To Admit W. M. Spade**

DETROIT, MICH. — Watling, Lerchen & Co., Ford Building, members of the New York, Detroit and Chicago Stock Exchanges, will admit Wayne M. Spade to partnership on May 23rd. Mr. Spade has been with the firm for a number of years.

**Michigan Personnels**

(Special to THE FINANCIAL CHRONICLE)

BENTON HARBOR, MICH. — Louis A. Holland has joined the staff of H. H. Diffenderfer & Co., Fidelity Building.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH. — Albert Ritz is now with Baker, Simonds & Co., Buhl Building.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH. — Walter R. Eis has become connected with Carr & Co., Penobscot Building, after serving in the U. S. Navy.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH. — Rudolf A. Sorlie is now with Chapin & Co., Penobscot Building, after serving in the U. S. Army.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH. — Arthur N. Blum, Jr. has been added to the staff of Marxer & Co., Penobscot Building.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH. — John E. Furlong is with C. G. McDonald & Co., Guardian Building.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH. — Claude G. Porter, previously with Baker, Simonds & Co., is now with Mercier, McDowell & Dolphyn, Buhl Building.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH. — Jack D. Gould has become affiliated with Moreland & Co., Penobscot Building. He was previously with Merrill Lynch, Pierce, Fenner & Beane.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH. — George C. Kempton and Frank W. Hackenberger joined the staff of Charles A. Parcels & Co., Penobscot Building.

(Special to THE FINANCIAL CHRONICLE)

GRAND RAPIDS, MICH. — Ralph G. Conger is with MacNaughton-Greenawalt & Co., Michigan Trust Building.

(Special to THE FINANCIAL CHRONICLE)

JACKSON, MICH. — Ross L. Omo is now connected with H. H. Butterfield & Co., Jackson City Bank & Trust Co. Building.

## Britishers Betting On American Loan

By PAUL EINZIG

Dr. Einzig reports that feeling in London is that final Congressional ratification of the loan is still uncertain, and measures are being planned to offset a possible rejection. Says this would mean British withdrawal from International Fund and Bank and continued adherence to colonial preference and bilateral agreements, and lesser degree of Anglo-American cooperation.

LONDON, ENGLAND—The concluding phases of the loan debate in the Senate were followed here with anxious interest. Very few

people over-

here under-

stand Congress

procedure, and

are much in-

trigued by the

strange de-

vices applied

in this fight

by both sup-

porters and

opponents of

the loan. Nor

are the con-

flicting con-

siderations

that influ-

ence both

camps ade-



Paul Einzig

quately understood. So the British public is following with intense attention a game the rules of which it ignores—a fact which makes the game all the more exciting, since the unexpected is often liable to happen, and it is difficult to assess the odds.

As usual when the fate of some matter of public interest is in the balance and the outcome is incalculable, a great deal of betting is being done in the City and elsewhere concerning the decision of Congress. Some days ago (i.e. before the Senate passed the bill) the odds were about 60 to 40 in favor of ratification. The narrowness of the margin of votes makes many people hesitate to back up their conviction that the loan will be passed by the House of Representatives. Generally speaking it is true to say that official opinion in Britain is now not so anxious about the fate of the loan as it was two months ago. When for the first time since the conclusion of the agreement doubts about its ratification began to arise in March, official nervousness found expression in the display of irritability by Mr. Dalton, Chancellor of the Exchequer, whose answers to questions in the House of Commons tended to become very bad-tempered. No such effect was evi-

(Continued on page 2699)

## Larkin and Danks Honored by Bond Group

Sylvester P. Larkin, of Pflugfelder, Bampton & Rust, and Robert D. Danks, of Ernst & Co., were guests of honor at a dinner tendered by the Association of Bond Brokers of the New York Stock Exchange at the Hotel Pierre. Mr. Larkin is retiring from the board of governors of the Stock Exchange, on which he served since 1940, and Mr. Danks is taking his place on the board.

Other guests included Emil Schram, President of the Exchange; John A. Coleman, Adler, Coleman & Co., chairman of the board of governors; Robert P. Boylan; Raymond Sprague, Raymond Sprague & Co.; Robert L. Stott, Wagner, Stott & Co.; Geo. F. Hackl, Jr., Laird, Bissell & Meeds; Harold C. Mayer, Bear, Stearns & Co.; Roland De Haan, Mahon & Co., President of the Association of Bond Brokers, and Sidney P. Bradshaw, of the Association of Stock Exchange Member Firms. Jacob C. Stone, Asiel & Co., acted as toastmaster.

## J. Barth & Co. to Admit Three Partners

SAN FRANCISCO, CALIF. — Marco F. Hellman, Robert E. Sinton, and Berwyn E. Stewart will be admitted to partnership in J. Barth & Co., 482 California Street, members of the New York and San Francisco Stock Exchanges. Mr. Hellman in the past was with Bankamerica Co.

Effective June 1st, Gustave Epstein, member of the New York Stock Exchange, Stanley H. Sinton, and Richard O. Simon, general partners in the firm, will become limited partners.



## NSTA Notes

### LOS ANGELES SECURITY TRADERS ASSOCIATION

The Los Angeles Security Traders Association will hold a party at Lake Arrowhead Lodge, Lake Arrowhead, Calif., on May 31, June 1 and June 2.

### BOND CLUB OF LOUISVILLE

Berwyn T. Moore, President of the Bond Club of Louisville, announces that the Association has been advised to postpone their Spring Frolic scheduled for May 17 and 18 to a later date because of possible transportation difficulties.

### SECURITY TRADERS ASSOCIATION OF NEW YORK—CONVENTION SPECIAL

The Annual Convention of The National Security Traders' Association will take place in Seattle, Wash., beginning on Sept. 17.

There will be cars leaving New York to join the special caravan on an all expense basis which amounts to approximately \$425 per person. This will include all hotels, meals and transportation. Among points of interest to be visited will be the Grand Canyon. The train will leave New York on Friday, Sept. 13, in the afternoon.

Since the number of reservations allotted is limited, it will be necessary to make applications well in advance.

Most of those who have already made their plans are arranging to take their wives. There will be special entertainment for the ladies during the Convention and trip. Mr. Win Pizzini of B. W. Pizzini & Co. has agreed to act as Chairman of this Committee, and it is suggested that members communicate with him promptly in order that they may be properly provided for.



## Connecticut Brevities

The Electric Boat Company of Groton reported net income for the year 1945 of \$2,220,976 or \$3.19 a share which compares with \$1,974,713 or \$2.75 a share for 1944. While the income account for 1945 is subject to adjustment for renegotiation of war contracts, it is believed that the net effect will not be of any great consequence. Figures for 1944 have been adjusted.

As of the first of the year, unfilled orders amounted to \$10,871,000.

The company's annual meeting has been postponed to June 2, at which time the stockholders will vote on a proposal to declare a stock dividend payable in \$2 convertible preferred stock of \$50 stated value at the ratio of one new preferred for every four shares of common held.

The company plans to manufacture several new products—among them a line of medium-sized color offset presses, an "electric pin boy" which eliminates the pin boy from bowling alleys, truck bodies of "Armorlite" plate, castings for packaging machines and air-conditioning equipment, trawlers having welded steel hulls for commercial fishing fleets, a new line of pleasure boats, and plywood bodies and trimmings for automobiles.

During the first three months of this year, Southern New England Telephone earned \$868,254, or \$2.17 a share compared with \$632,247 or \$1.58 a share for the corresponding quarter of 1944.

Total telephone revenue for the month of March was \$2,995,425, or 12.8% more than March of 1944. Net income for March 1945 was \$246,227 against \$199,133 in March 1944.

During the first quarter of this year, Yale & Towne Manufacturing Company reported a net loss of \$742,771 or a deficit of \$1.53 a share against a net profit of \$287,280 or earnings of 59c a share the corresponding period in 1944. The strike situation was responsible for this decline.

The International Silver Co. has filed a certificate for incorporation with the Secretary of State of Connecticut. The company has been operating under a New Jersey State Charter.

For the first quarter of the current year, the company showed estimated earnings of \$11.40 on the 7% preferred and \$5.29 on the common against \$4.50 and \$1.51 respectively for the corresponding period in 1944.

Peter Paul, Inc. reported net income to \$724,383 or \$4.33 a share for the year ended Dec. 31, 1945 as compared to \$778,030 or \$4.98 a share the preceding year. Results for 1945 are subject to adjustment for renegotiation of war contracts.

The balance sheet for the year end showed total assets of \$6,427,304, with current assets of \$5,234,421. Current liabilities totalled \$1,830,948, leaving net working capital of \$3,403,473.

Following approval by the stockholders, the directors of the company have authorized a four-for-one split-up which will increase the no par capital stock from 250,000 shares to 1,000,000

shares. Distribution of the new shares will be made to stockholders of record May 24, 1946.

The stockholders of Segal Lock and Hardware have authorized the issuance of an additional 750,000 shares of common stock which will be offered first to the stockholders and the unsubscribed portion offered to the public.

This new financing will provide funds for an expansion program involving the purchase of additional machinery, enlarging of export and other departments, and expansion of brass and iron foundry facilities.

Stanley Works of New Britain is negotiating for the purchase of North Brothers Manufacturing Co. of Philadelphia.

Charles Pfizer & Co., Inc., world's largest manufacturer of penicillin, has completed negotiations for the purchase of the "Victory Yard" on the east bank of the Thames River in Groton.

The Yale & Towne Manufacturing Co. will broaden its activities in a new postwar program by the addition of a line of electrical home appliances.

Due largely to suspension of work at General Electric in Bridgeport, United Illuminating Company showed a decline in sales of kilowatt hours for the months of April. Total sales of kilowatt hours were 52,510,197 or 9.1% less than in April of 1945.

Knox Glass Associates, Inc. of Knox, Pa., is conducting negotiations for the purchase of land adjacent to the Electric Boat Company yard in Groton. It is expected that a plant will be erected with sufficient capacity to fill the glass container needs for the entire New England territory.

### Paul Plowman Elected

J. Henry Schroder Banking Corporation and Schroder Trust Company announce the election of Paul Plowman as Assistant Secretary of both organizations.

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## ABA Committee on Treasury Savs. Bonds

As one of the steps in its program to combat inflation, the American Bankers Association is organizing a national ABA Committee on Treasury Savings Bonds which will assist the United States Treasury in distributing the public debt as widely as possible through the sale of United States Savings Bonds to individuals. Appointment of the new committee was announced in New York on May 7 by Frank C. Rathje, President of the American Bankers Association, who is also President of the Chicago City Bank and Trust Company, of Chicago. This committee will be headed by H. Frederick Hagemann, Jr., Vice-President of The Boatmen's National Bank, St. Louis, Mo., and it will continue the same general type of organization as the ABA Committee on War Bond Drives that functioned during the seven War Loans and the Victory Loan. The central committee has been appointed with representative bankers from each of the broad geographical regions of the United States, and State Chairmen are to be named to head up bank Savings Bonds activities in each of the States. There will also be six State Chairmen representing the six mutual savings banks associations.

Appointment of an ABA Committee on Treasury Savings Bonds was made by President Rathje in response to a request from Fred M. Vinson, Secretary of the Treasury, who said in a letter to Mr. Rathje: "The banks earned the gratitude of the Nation by their services during the years of war financing. In this difficult time of readjustment the Treasury will need more of this public-spirited aid in our continuing sale of Savings Bonds if we are to preserve

(Continued on page 2360)



H. F. Hagemann, Jr.

## Missouri Brevities

The Union Electric Co. of Missouri awarded at competitive sale on May 8 130,000 shares of no par value preferred stock to an underwriting syndicate headed by Blyth & Co., Inc., which submitted the highest of five bids. The stock is first being offered in exchange until May 20 to holders of \$5 preferred stock. Unexchanged old stock will be redeemed on or about June 24 at \$110 a share. The new unsubscribed stock is being offered to the public at 107 per share and dividends from May 15.

The Blyth syndicate designated a \$3.50 dividend for the new stock, the bid being \$107 per share less \$1.44 a share for effecting exchanges. On this basis, the interest cost to Union Electric is 3.315% and the yield is 3.271%.

Other bids were as follows:

	Price	Div.	Int. Cost
White, Weld & Co.	106 3/4	3.50	3.322
Dillon, Read & Co.	106 1/2	3.50	3.343
Lehman Bros.	106	3.55	3.392
First Boston Corp.	107.46	3.60	3.3959

Associated in the underwriting are H. F. Boynton & Co., Inc.; Clark, Dodge & Co.; Lee Higginson Corp.; E. H. Rollins & Sons, Inc.; Spencer Trask & Co.; Hawley, Shepard & Co.; The Ohio Company; Kirkpatrick-Pettis Co.; The Wisconsin Co., and Rotan, Mosle & Moreland.

Donald Danforth, President of the Ralston-Purina Co., on May 10 announced the impending sale by that company of its Denver alfalfa milling and produce division to a new firm to be known as the National Alfalfa Dehydrating & Milling Co. Floyd M. Wilson, long President of the Ralston-Purina Denver division, will be Chairman of the board of National Alfalfa. Fred Udell, also previously associated with Ralston-Purina, will be President.

The Minneapolis & St. Louis Ry. Co. on June 15 will pay a dividend of \$1 per share on the common stock to holders of record May 31, 1946.

The St. Joseph Light & Power Co. has called for redemption on June 1, next, all of the outstanding St. Joseph Railway, Light, Heat & Power Co. first mortgage bonds, 4 1/2% series due Dec. 1, 1947, at 100 and interest. Immediate payment will be made upon presentation of said bonds at the Guaranty Trust Co. of New York, 140 Broadway, New York, N. Y.

The stockholders of the Kansas City Southern Ry. on May 14 authorized the directors of that road

to merge three wholly-owned subsidiaries and also to reduce the board of directors from 18 to 15 members. The subsidiaries are: Louisiana & Arkansas Ry. Co., the Kansas & Missouri Ry. Co. and the Kansas City Southern Transport Co.

Lewis Warrington Baldwin, for 23 years head of the Missouri Pacific system, died in St. Louis, Mo., on May 14 at the age of 71, after an illness of several weeks.

### Primary Markets Bank & Insurance Stocks

\*Stromberg-Carlson Co.

\*Mid-Continent Airlines

Wilcox-Gay Corp.

\*Ampco Metal, Inc.

\*Pickering Lumber Corp.

Majestic Radio & Television Corp.

Bonus Products Co. (Units)

\*Statistical Information on Request

### White & Company

Members St. Louis Stock Exchange

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Central 8250

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### Leland Electric

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Primary Markets—Statistical Information

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Lucky Tiger Gold Mining

Pickering Lumber Corp.

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Marshall U. S. Auto Supply

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## Real Estate Securities

### Commodore Hotel

With hotel revenues for the first three months of 1946 up sharply as compared with the corresponding period in 1945, interest has begun to veer away from hotel bonds and their pre-fixed ceilings and center in hotel stocks offering better possibilities for appreciation.

Since a market in most hotel stocks is either quite restricted or non-existent, consideration must be limited to issues which offer ready marketability.

Perhaps the most attractive of the issues traded in briskly in the

over-the-counter market is the common stock of The Commodore Hotel Corporation in New York City. This stock was issued in reorganization in exchange for the first preferred, second preferred and common stocks of the old Bowman-Biltmore Corporation.

The company operates the 2,000-room, 28-story Commodore Hotel at Grand Central Station in the heart of New York, under lease from the New York State Realty and Terminal Company, subsidiary of the New York Central Railroad Company.

Its capitalization as at March 1, 1946, consisted of \$1,311,905 in Series B and C debentures, 100 shares of Class A common stock, and 489,970 4/7 shares of common stock.

Interest in the common stock stems from the probability that the debentures issues, which were reduced from \$2,168,050 to less than \$1,300,000 in the past year, may be liquidated in entirety during 1946. This eventuality would place the stock on a dividend-paying basis.

Earnings of the hotel have been exceptional during the past several years. Adjusting 1945 earnings on the basis of the presently applicable income tax rates, the common stock earned \$1.12 per share after depreciation and \$1.55 per share, before. Revenues for 1946 are running so far ahead of those for 1945 that earnings per share of \$1.50, after all charges, are not unlikely. Since, unlike an industrial enterprise, a hotel need not maintain an extremely liquid position, the larger part of these earnings should find its way to the common stockholders once the debentures are eliminated.

Finances of the hotel are strong with current assets exceeding current liabilities by over \$1,100,000. In addition, in contradistinction to other hotels of this type, a modernization fund of \$600,000 has been provided for out of earnings. Since expenditures for replacements, rehabilitation and modernization approved by the landlord may be deducted, after payment of basic rent, from gross earnings,

before division of the profits between landlord and tenant, the hotel at present is in a position to expend \$1,200,000 without making additional contributions to this modernization fund.

Since earnings per share are approximately 12% of the current offering price of the stock, with the elimination of the corporation's debenture obligation, the common stockholders may soon find themselves reaping the benefits of a liberal dividend and the concomitant market-wise appreciation of their stock.

### Col. Troster Resumes Activity in "Street"

Troster, Currie & Summers, 74 Trinity Place, New York City, specialists in Over-the-Counter securities, announce that Oliver J. Troster,

Colonel, General Staff Corps, has resumed his activities as a partner in the firm. Col. Troster was with the Army for nearly four years, serving in the office of the Commanding General, Army Service Forces, as Chief of the Movements Branch, Services Group. He also served in the Army for three years during World War I.



Oliver J. Troster

### Baker Elected Pres. of Minneapolis AIB

At the annual election of officers of the Minneapolis Chapter of the American Institute of Banking, Robert H. Baker of the Northwestern National Bank was elected President and John K. Ewing of the Minneapolis Reserve was made Vice President, said the Minneapolis "Journal" on April 23, which further stated:

"Ralph Spearing, Midland National bank, was elected Second Vice President, and Lawrence Broom, Northwestern National Bank, was elected Treasurer.

"Elected to board of governors were William Bronner, Federal Reserve Bank; Harvey Petersen, First National Bank, and Robert Lange, Northwestern National Bank.

## Public Utility Securities

### Two Plans for Electric Power & Light

Electric Power & Light filed an integration plan in December 1941, proposing recapitalization on an all-common stock basis but without specifying any formula for distributing the new stock, or determining to what extent the second preferred and common stocks (then selling at nominal levels) would participate. In August 1942 the SEC issued a "death sentence" order which was appealed to the courts and in March, 1944 the Circuit Court of Appeals upheld the Commission. The case was appealed to the Supreme Court, where it still lies; due to the death of Chief Justice Stone it may have to be reargued, but the recent decision in the North American Company case seems to leave little doubt that the Commission's powers will be upheld.

In its original plan the company elected to retain its southern electric system and also the United Gas system. It proposed to sell or dispose of Idaho Power, Utah Power & Light, the two Dallas properties and Northern Texas Company. The company has gone ahead with the latter program, but last November indicated it would not attempt to retain control of United Gas. Recently, without awaiting further developments in the Supreme Court, it filed a new plan which provided for exchanging a substantial part of its 10,108,101-share holdings in United Gas for its own preferred stocks.

This proposal was followed by a rather strange development—the parent company, Electric Bond & Share, stated that it disagreed with the plan and would file one of its own, which it proceeded to do on May 10. EBS proposed setting up a new holding company, Southern Electric System, Inc., with a capitalization of 4,400,000 common shares. The latter would take over control of Arkansas Power & Light Company, Louisiana Power & Light Company, Mississippi Power & Light Company, and New Orleans Public Service, Inc. The top company would then be dissolved. Preferred stockholders would be paid off in securities or cash, but on a less favorable basis than in the EL plan. Following would be the treatment under the two plans:

	\$7 1st Pfd.	\$6 1st Pfd.	2nd Pfd.	Common
Recent price.....	171	157	160	28
Par plus arrears.....	\$190*	\$177*	\$200	---
Call plus arrears.....	200*	187*	205	---
Offered Under Plans:				
EL Plan.....	11 UNT	10 UNT	(?)	(?)
EBS Plan.....	9 UNT	8.5 UNT	8.5 UNT	Rights to sub-
	or 7 So. EL or	6.5 So. EL or	6.5 So. EL or	scribe to UNT
	or \$190 cash†	or \$177 cash†	or \$175 cash†	and So. Elec.

\*Approximate. †Approximate (plus any unpaid dividends since Jan. 1, 1946).

Obviously Electric Bond & Shares feels that the EL plan is too generous in its treatment of the preferred stocks, for it offers only about 82-85% as much United Gas in exchange. The preferred stocks are of course, entitled to only par in dissolution, and the EBS plan provides for dissolution, but it is becoming the fashion to pay the premium on senior securities in order to avoid long-drawn-out litigation. Of course EBS' dominant interest is

in the common stock while EL's management may wish to protect all classes of stockholders.

The range in UNT this year has been about 15-21 and it is currently selling at 19½ (though it dipped from 20 to 18½ after announcement of the EL plan). Following would be the values which holders of the three preferred stocks would realize under the two plans, at varying market prices:

Price	—\$7 Preferred—	—\$6 Preferred—	—2nd Preferred—
UNT	EL	EBS	EL
21	\$231	\$189	---
20	220	180	---
19	209	171	---
18	198	162	---
17	187	153	---
			EBS
			\$178
			170
			162
			153
			145

Obviously the two plans are rather far apart and the SEC will have to play the role of umpire. The divergence between the two plans appears due to a difference of opinion between EL management and EBS officials regarding two factors, (1) the future earn-

ing power of United Gas, and (2) the advisability of encouraging arbitrage activity in connection with the exchange offer.

The management of Electric Power & Light and United Gas submitted (SEC Exhibit 5) a (Continued on page 2656)



### BLOCKS OF REAL ESTATE SECURITIES WANTED

We will pay above prevailing bid prices and in some instances above prevailing offering prices for certain blocks of selected unlisted real estate securities.

\*\*\*

### SHASKAN & CO.

Members New York Stock Exchange  
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United Piece Dye Works  
Huron Holding Co.  
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Descriptive Circular on request

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### HOTEL ISSUES

Beacon Hotel 2/4 1958 W.S. Roosevelt Hotel 5s, 1964  
Savoy Plaza 3/6 1956 W.S. Sherneth Corp. 5 3/4s, 1956 W.S.

Commodore Hotel, Inc. Com. Mayflower Hotel Corp.  
Hotel Waldorf Astoria Corp. Roosevelt Hotel Inc. Com.  
Common

### AMOTT, BAKER & CO.

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150 Broadway New York 7, N. Y.  
Tel. BArlay 7-4880 Teletype NY 1-588

### Southwestern Public Service

Common

### Southwestern Electric Service

Common

### Texas Public Service

Common

### Puget Sound Power & Light

Common

## PAINE, WEBBER, JACKSON & CURTIS

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### American Gas & Power Bonds Consolidated Elect. & Gas Pfd. Midland Realization Common

### A. E. Staley Manufacturing Common

## GILBERT J. POSTLEY & CO.

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Direct Wire to Chicago



# Who Owns the Job— Industry or Labor?

By LEWIS H. HANEY\*

Professor of Economics, Graduate School of Business Administration,  
New York University

Dr. Haney, in answering the question "Who Owns the Job?" maintains that in a free country, neither the employee nor employer owns it, and that jobs exist only for the benefit of society. Says problem is one not of ownership but of effective direction and cooperation, and that jobs are "merely discovered by enterprisers," who must choose among laborers, as laborers must choose among enterprisers.

In my opinion, the question, Who owns the Job—Industry or Labor? is completely misleading. First, I think that nobody "owns"



Lewis H. Haney

mocracy goes to seed. Remember the French Army!

I am assuming that "jobs" mean only productive work, work that is economically worthwhile, in that the product covers the costs. Thus the answer to these questions is economic.

And the answer Economics gives is clear: A job is worthwhile when it yields a product which is wanted so much that people willingly pay enough to cover the costs of making it. And, incidentally, this must mean that everybody who helps to make the product feels that his reward makes his efforts worth his while.

Thus neither labor nor enterprise has any claim, or property right, except what comes from the demand for a product, and from efficiency in making the product.

Neither employer nor employee has a "right to work," in the sense of owning a particular job at particular wages and working conditions.

Both have the human right to subsistence—a decent subsistence—and as much more as they can earn by socially-productive efforts. Both have the right to an equal opportunity in seeking to develop their productivity. That is all.

Again, neither employer nor employee has a right to "security of tenure," regardless of performance. Both have legal and ethical rights to continue exercising a

(Continued on page 2659)

## N. Y. Bond Club Stock Exchange to Be Revived At Annual Field Day

Plans for trading on the Bond Club Stock Exchange, one of the principal features of the Field Day of the Bond Club of New York to be held at the Sleepy Hollow Country Club on May 24th, were announced by Nathaniel F. Glidden, Glidden, Morris & Co., Chairman of the Committee in charge of this event. A special "prospectus" offering subscriptions in this trading venture and describing the issues to be dealt in, is being distributed to the members.

"Members who wish to continue buying new issues, for their own account, before giving their customers a chance, will have a field day at the Bond Club Stock Exchange," said Mr. Glidden.

"There are no margin restrictions—and no NASD profit limitations—and in certain sections the collateral obtained is of 90% grade."

Active trading on the Exchange will continue throughout the day of the outing. The final distribution of its assets will be the climax of the day's activities.

Assisting Mr. Glidden in the operation of the Exchange will be: Louis H. Ingraham, L. H. Ingraham & Co.; C. Russell Lea, Reynolds & Co.; Allan L. Melhado; John Nickerson, John Nickerson & Co.; Jansen Noyes, Hemphill, Noyes & Co.; and Percy N. Stewart, Kuhn, Loeb & Co.

## Green, Ellis Firm to Admit Three Partners

John V. Jewell, Archibald H. Busby and Norman S. MacMillan will be admitted to partnership in Green, Ellis & Anderson, 2 Wall Street, New York City, members of the New York Stock Exchange, as of June 1. Mr. MacMillan has been with the firm in charge of the Wilkes-Barre, Pa. office.

## Bright Outlook Seen for Canned Foods Industry

Chairman Simon of Hunt Foods predicts at least two more years of booming volume and high profit margins. Reveals tripling of his company's current sales over last year.

The canned foods industry will enjoy at least two more years of boom, according to Norton Simon, Chairman of the Board of Hunt

Foods, Inc., of California. This prosperity will not only embrace continuance of present record sales volume, but a profit margin at the abnormally high level of 10%. Thereafter, with a restoration of European food production, the impact of competition may well bring moderate recessions in both sales and profits.

Mr. Simon is in New York on a brief visit in connection with Hunt Foods' entrance into eastern markets next autumn, the advertising and merchandising related to this national expansion, and recent public financing by the company as a result of acquisition during the last year.

"Sales of Hunt Foods, Inc., in March 1946 exceeded \$3,000,000 against \$1,000,000 in March 1945. This virtual tripling of gross sales," explained Mr. Simon, "reflects the consolidated growth basis of the company as a result of its expansion program within the last year. Hunt plans further expansion."

"The 1944-45 sales of Hunt Brothers alone, before recent acquisitions and consolidations, approximated \$19,265,000. The forthcoming annual report for 1945-46, preparation of which has just started, will show sales approximating \$15,000,000. A strike at one of the company's large (Fullerton) plants, combined with the



Norton Simon

termination of government contracts, caused this decrease.

"Outlook for consolidated sales for the present year will approach \$41,000,000."

Extreme conservatism in dividend payments by his company was forecast by Mr. Simon, who emphasized his desire to maintain a rate once it has been established. Despite a net working capital of \$10,000,000, he indicated that for the immediate future at least, distributions would be largely in the form of stock dividends.

Within a year Hunt Foods, Inc., acquired: Fontana Food Products Company (South San Francisco), manufacturers of macaroni, spaghetti, and paste products; 47% of Rocky Mountain Packing Corporation, Salt Lake City, vegetable packers specializing in peas and tomatoes; California Conserving Company, one of the largest packers of pickles and condiments in the United States; and recently Guggenheimer & Co., large packer of dried fruits, such as raisins, prunes, and figs. Hunt Foods continually is considering other acquisitions that would round out its line of present products. Tomatoes, fruits, and asparagus comprise the organization's major selling items.

## R. R. Settle Promoted; McClelland Treas. of J. H. Hilsman & Co.

ATLANTA, GA.—Royston R. Settle has been promoted to Vice-President and John E. McClelland has been elected Treasurer of J. H. Hilsman & Co., Inc., Citizens & Southern Building. Other officers of the firm are: J. F. Settle, President; J. F. Durrett, Vice-President, and Frank J. Myers, secretary.

*This announcement is neither an offer to sell nor a solicitation of an offer to buy any of these  
Debentures. The offer is made only by the Prospectus.*

**\$85,000,000**

**Standard Oil Company**

(Incorporated in New Jersey)

**Twenty-Five Year 2 3/8% Debentures**

*Dated May 15, 1946*

*Due May 15, 1971*

*Interest payable May 15 and November 15 in New York City.*

**Price 98% and Accrued Interest**

*Copies of the Prospectus are obtainable from the undersigned only in States in which  
the undersigned is legally authorized to act as a dealer in securities and  
in which such Prospectus may legally be distributed.*

**MORGAN STANLEY & CO.**

*May 15, 1946.*

Who owns the job when a machinist is working for himself, in his own shop? He owns his tools, his materials, and the product. But that doesn't guarantee that the shop will have any work to do! The owner of the machine shop might starve for lack of "jobs."

Then suppose that he decides to work for a successful business which has a job to do. He works shorter hours, gets better pay, and has more real freedom, including freedom from risk, although he owns nothing but his home.

### Problem Not One of Ownership

All this is a problem, not of ownership, but of effective direction and cooperation. It is a problem of responsibility for the organization and direction of the job, and for running the risk that the product of the job may not be worth the cost.

There is a job in making clothes for all of us. But somebody has to decide what kind of clothes we will want to buy, and how much of each kind to make. And somebody has to bear the risk of loss, when things are made that we don't want. By the same token, somebody else has to follow directions and carry out orders. And those who don't want to bear losses, but to receive an assured income (wages), must recognize the power that goes with the responsibility of the loss-taker (enterpriser).

If we don't organize jobs, with lines of authority, production becomes a debating society, and de-

\* Radio talk by Dr. Haney over the CBS network, April 11, 1946.



## Present Position of Stabilization Program

By CHESTER BOWLES\*  
Economic Stabilization Director

Though asserting it is not the policy of stabilization agencies arbitrarily to oppose price or rate increases indiscriminately, Mr. Bowles urges delay in granting railroad rate increases because of tremendous economic pressures working toward inflation. Analyzes position of stabilization program, which, in view of heavier consumer and business expenditures and backlog of consumer demands, he says is "in a state of precarious balance." Holds it will be in best interest of railroads to withhold rate increases until they can be absorbed by shippers and not added to prices.

The stabilization agencies have not had adequate time to complete a full analysis of the merits of the railroads' request for a sharp and permanent increase of rates. We are not yet in a position to know whether the recently granted wage increase and the other factors affecting railroad operations make such an increase necessary or not, and if an increase is necessary, we do not know what would be the minimum increase required at this time. I should like to make it clear at the outset, however, that it is not the policy of the stabilization agencies arbitrarily to oppose price or rate increases indiscriminately at all times and in all circumstances. We feel that such decisions must be made upon the



Chester Bowles

merits of the particular cases at hand.

Since we have not developed our own view of the merits of the present case, I think the most useful thing I can do is to outline the present general position of the stabilization program itself, so that the Commission may take this position into account in making its present decision.

### Wartime Price Stabilization Successful

During the war we had much greater success in stabilizing prices than most people dared to hope. From August, 1939, the beginning of the war period, to V-J Day, the consumer price index of the Department of Labor increased 31%. The increase from May, 1943, following President Roosevelt's Hold-the-Line Order, to V-J Day was only 3%. Even when we allow for deterioration in the quality of certain types of goods, this record is vastly better than the one we achieved in the six years after World War I began, when the cost of living rose 108%.

The average of wholesale industrial prices rose 25% from August, 1939 to V-J Day and 3% (Continued on page 2654)

\*Statement by Mr. Bowles before the Interstate Commerce Commission in connection with Ex Parte 148 and Ex Parte 168, May 7, 1946.

## Carey Defends Restriction on Interest Rates

New Jersey Commissioner of Banking tells bankers extension of State law giving him power to limit maximum rates paid by banking institutions is based on large bank-holdings of Government bonds, overabundance of mortgage money and need of further strengthening of capital accounts. Urges careful consideration of New Jersey's proposed new banking code.

Lawrence B. Carey, Commissioner of Banking and Insurance of New Jersey, in addressing the New Jersey Bankers Association at Atlantic City, on May 11, defended the state law extending for another year the power of the Commissioner to limit the maximum rate of interest which may be paid by banking institutions on savings and demand deposits. In his address, Mr. Carey stated that "the opposition to the bill centered primarily in several savings banks and they exercised their sovereign rights and launched a vigorous campaign which almost defeated the bill."



Lawrence B. Carey

"While admitting that the control of the maximum interest that could be paid had been helpful to a substantial degree in rebuilding depleted capital accounts of banking institutions," Mr. Carey (Continued on page 2693)

## Strikes Intensifying Inflationary Forces

By MARRINER S. ECCLES\*

Chairman, Board of Governors, Federal Reserve System

While urging extension of Price Control Act, Mr. Eccles warns it alone cannot "hold the line." Deplores work stoppages and curtailed production due to strikes which, he says, is paralyzing industry, threatening public safety, and fostering inflation. Says price controls should be reinforced by allocations and rationing of scarce materials and condemn minority pressure groups acting in disregard of public interest.

The country is approaching the crucial stages in the war on inflation. It is futile to talk about winning if price controls are abandoned or hopelessly crippled now. At best, however, they are a last line of defense. Without reinforcements they cannot, alone, succeed. At best they can do no more than block off inflationary forces until the armies of production are fully mobilized and in action. Production—at the highest possible sustainable levels—will decide whether we win or lose this struggle. If we lose, no one can tell what may happen. Plans for economic stability, for peace and progress at home or abroad would become blueprints of a lost cause.

Today the armies of production in many fields have quit. Others threaten to quit. The danger is real and time is running out. We have already lost too much time because of paralysis of a vital industry—coal, steel, lumber, automobiles, among others. In this critical period, violent strikes between labor and management that prostrates key industries or paralyzes transportation and communication systems threaten the public safety. No group, no leaders, even have the right to inflict such injury upon the general public. Dictators assume such a right. It has no place in a democracy.

Necessary as I believe it is to extend the Price Control Act, it is hampered and with a little financial support, the public should not be misled into thinking that this is enough to hold the line. Neither this nor other devices for dealing with inflationary forces can succeed unless we reach full production without further delay. There is no other way to win the battle against inflationary forces. Failure to produce is the chief source of the danger.

If our enormous resources, actual and potential, could be rapidly reduced so as to be in reasonable balance with a state of services, damage to the country is (Continued on page 2694)



Marriner S. Eccles

\*A statement by Mr. Eccles before Senate Banking and Currency Committee, May 8, 1946.

## A Reunited Labor and Congress

By WILLIAM GREEN\*

President, American Federation of Labor

Mr. Green recounts failure of labor measures in Congress and advocates AFL members urge upon Congressmen the passage of Wagner-Elender-Taft housing bill, the new minimum wage measures and defeat of Case anti-labor bill. Holds Congressional coalition of Southern Democrats and "reactionary Republicans" is due to CIO's political action on a partisan basis, and calls for a reunited labor movement under AFL. In Asheville, N. C., address he urges crusade to organize Southern labor and again attacks CIO's civil movement as dual and Communist.

Our American democracy is frequently described as a Government by laws, not by men. But men make the laws—men elected by the people of the United States to Congress. This Fall, most members of Congress—the entire House of Representatives and one-third of the Senate—will be required to go back to the people for reelection. It behooves us, therefore, in the interests of good government and the national welfare, to study carefully the record made by our representatives in Congress and to judge whether they have deserved reelection.

In the war years, under the inspiration of patriotism and with a united public opinion calling for every sacrifice to assure victory, Congress measured up to its responsibilities almost beyond belief. But since the war ended, a remarkable change has taken place in the field of domestic affairs. Particularly, Congress has acted like a balky mule, refusing to budge on a number of vital war measures and looking for the traces on others.

To make matters worse, the groups in Congress have not only sought to destroy the free and economic safeguards of our working masses of our pay which were established in the national law after long years of painstaking effort by the American Federation of Labor.

I refer, of course, to the bill passed by the House of Representatives. This bill contained amendments which would destroy the effectiveness of price and undoubtably force the cost of living to rise another 25% in a year. It would guarantee immediate inflation and even greater depression. It would drive poverty so far around the corner (Continued on page 2695)



William Green

## \$2,000,000 Western Maryland Railway Company 1½% Equipment Trust Certificates, Series J (PHILADELPHIA PLAN)

To be due annually \$200,000 on each June 15, 1947 to 1956, inclusive

To be guaranteed unconditionally as to principal and dividends by endorsement by Western Maryland Railway Company.

These Certificates are to be issued under an Agreement to be dated as of June 15, 1946 which will provide for the issuance of \$2,000,000 principal amount of Certificates to be secured by new standard-gauge railroad equipment, estimated to cost approximately \$2,600,000.

### MATURITIES AND YIELDS

1947	1.05%	1950	1.40%	1954	1.65%
1948	1.15	1951	1.50	1955	1.70
1949	1.30	1952	1.55	1956	1.75
		1953	1.60		

Issuance and sale of these Certificates are subject to authorization by the Interstate Commerce Commission. The Offering Circular may be obtained in any State in which this announcement is circulated from only such of the undersigned and other dealers as may lawfully offer these securities in such State.

### HALSEY, STUART & CO. INC.

OTIS & CO.  
(INCORPORATED)

ALEX. BROWN & SONS

PUTNAM & CO.

JULIEN COLLINS & COMPANY

FIRST OF MICHIGAN CORPORATION

F. S. YANTIS & CO.  
(INCORPORATED)

THOMAS & COMPANY

To be dated June 15, 1946. Principal and semi-annual dividends (June 15 and December 15) payable in New York City. Definitive Certificates in coupon form in the denomination of \$1,000, registerable as to principal. Not redeemable prior to maturity. These Certificates are offered for delivery when, as and if received by us. It is expected that Certificates in temporary or definitive form will be ready for delivery in New York City on or about June 25, 1946. The information contained herein has been carefully compiled from sources considered reliable and while not guaranteed as to completeness or accuracy, we believe it to be correct as of this date.

May 15, 1946.



## Present Position of Stabilization Program

By CHESTER BOWLES\*  
Economic Stabilization Director

Though asserting it is not the policy of stabilization agencies arbitrarily to oppose price or rate increases indiscriminately, Mr. Bowles urges delay in granting railroad rate increases because of tremendous economic pressures working toward inflation. Analyzes position of stabilization program, which, in view of heavier consumer and business expenditures and backlog of consumer demands, he says is "in a state of precarious balance." Holds it will be in best interest of railroads to withhold rate increases until they can be absorbed by shippers and not added to prices.

The stabilization agencies have not had adequate time to complete a full analysis of the merits of the railroads' request for a sharp

and permanent increase of rates. We are not yet in a position to know whether the recently granted wage increase and the other factors affecting railroad operations make such an increase necessary or not, and if an increase is necessary, we do not know what would be the minimum increase required at this time. I should like to make it clear at the outset, however, that it is not the policy of the stabilization agencies arbitrarily to oppose price or rate increases indiscriminately at all times and in all circumstances. We feel that such decisions must be made upon the

\*Statement by Mr. Bowles before the Interstate Commerce Commission in connection with Ex Parte 148 and Ex Parte 168, May 7, 1946.



Chester Bowles

merits of the particular cases at hand.

Since we have not developed our own view of the merits of the present case, I think the most useful thing I can do is to outline the present general position of the stabilization program itself, so that the Commission may take this position into account in making its present decision.

### Wartime Price Stabilization Successful

During the war we had much greater success in stabilizing prices than most people dared to hope. From August, 1939, the beginning of the war period, to V-J Day, the consumer price index of the Department of Labor increased 31%. The increase from May, 1943, following President Roosevelt's Hold-the-Line Order, to V-J Day was only 3%. Even when we allow for deterioration in the quality of certain types of goods, this record is vastly better than the one we achieved in the six years after World War I began, when the cost of living rose 108%.

The average of wholesale industrial prices rose 25% from August, 1939 to V-J Day and 3% (Continued on page 2654)

## Carey Defends Restriction on Interest Rates

New Jersey Commissioner of Banking tells bankers extension of State law giving him power to limit maximum rates paid by banking institutions is based on large bank holdings of Government bonds, overabundance of mortgage money and need of further strengthening of capital accounts. Urges careful consideration of New Jersey's proposed new banking code.

Lawrence B. Carey, Commissioner of Banking and Insurance of New Jersey, in addressing the New Jersey Bankers Association at



Laurence B. Carey

Atlantic City, on May 11, defended the state law extending for another year the power of the Commissioner to limit the maximum rate of interest which may be paid by banking institutions on savings and demand deposits. In his address, Mr. Carey stated that "the opposition to the bill centered primarily in several savings banks and they exercised their sovereign rights and launched a vigorous campaign which almost defeated the bill."

"While admitting that the control of the maximum interest that could be paid had been helpful to a substantial degree in rebuilding depleted capital accounts of banking institutions," Mr. Carey (Continued on page 2699)

## Strikes Intensifying Inflationary Forces

By MARRINER S. ECCLES\*

Chairman, Board of Governors, Federal Reserve System

While urging extension of Price Control Act, Mr. Eccles warns it alone cannot "hold the line." Deplores work stoppages and curtailed production due to strikes which, he says is paralyzing industry, threatening public safety, and fostering inflation. Says price controls should be reinforced by allocations and rationing of scarce materials and condemns minority pressure groups acting in disregard of public interest.

The country is approaching the crucial stages in the war on inflation. It is futile to talk about winning if price controls are abandoned or hope-



Marriner S. Eccles

lessly crippled now. At best, however, they are a last line of defense. Without reinforcements they cannot, alone, succeed. At best they can do no more than block off inflationary forces until the armies of production are fully mobilized and in action. Production—at the highest possible sustainable levels—will decide whether we win or lose this struggle. If we lose, no one can tell what may happen. Plans for economic stability, for peace and progress at home or abroad would become blueprints of a lost cause.

Today the armies of production in many fields have quit. Others threaten to quit. The danger is real and time is running out. We

\*A statement by Mr. Eccles before Senate Banking and Currency Committee, May 8, 1946.

have already lost too much time because of paralysis of vital industry—coal, steel, lumber, automobiles, among others. In this critical period, violent strife between labor and management that prostrates key industries or our transportation and communication systems threatens the public safety. No group, no leaders, ever have the right to inflict such injury upon the general public. Dictators assume such a right. It has no place in a democracy.

Necessary as I believe it is to extend the Price Control Act unhampered and with adequate financial support, the public should not be misled into thinking that this is enough to hold the line. Neither this nor other devices for dealing with inflationary effects can succeed unless we reach full production without further delay. There is no other way to win this battle against inflationary forces. Failure to produce is the chief source of the danger.

If our enormous money supply, actual and potential, could be rapidly reduced so as to be in reasonable balance with goods and services, damage to the country (Continued on page 2678)

## A Reunited Labor and Congress

By WILLIAM GREEN\*

President, American Federation of Labor

Mr. Green recounts failure of labor measures in Congress and advocates AFL members urge upon Congressmen the passage of Wagner-Ellender-Taft housing bill, the new minimum wage measures and defeat of Case anti-labor bill. Holds Congressional coalition of Southern Democrats and "reactionary Republicans" is due to CIO's political action on a partisan basis, and calls for a reunited labor movement under AFL. In Asheville, N. C., address he urges crusade to organize Southern labor and again attacks CIO's rival movement as dual and Communistic.

Our American democracy is frequently described as a Government by laws, not by men. But men make the laws—men elected by the people of the United States to Congress. This

Fall, most members of Congress—the entire House of Representatives and one-third of the Senate—will be required to go back to the people for reelection. It behooves us, therefore, in the interests of good government and the national welfare, to study carefully the record made by our representatives in Congress and to judge whether they have deserved reelection.

In the war years, under the inspiration of patriotism and with a united public opinion calling for every sacrifice to assure victory,

\*An address by Mr. Green before the Convention of the American Federation of Labor, Philadelphia, Pa., May 8, 1946, followed by an address at Asheville, N. C., before the Southern Labor Conference, May 10, 1946.



William Green

Congress measured up to its responsibilities almost brilliantly.

But since the war ended, a remarkable change has taken place. In the field of domestic affairs, particularly, Congress has acted like a balky mule, refusing to budge on a number of vital post-war measures and kicking over the traces on others.

To make matters worse, strong groups in Congress have repeatedly sought to destroy the freedoms and economic safeguards of the working masses of our people which were established in the national law after long years of painstaking effort by the American Federation of Labor. And right now, our lawmakers are engaged in an attempted profiteering raid on the pocketbooks of every American wage earner which is shockingly reprehensible.

I refer, of course, to the OPA bill passed by the House of Representatives. This bill contains amendments which would destroy the effectiveness of price control and undoubtedly force the cost of living to rise another 50% within a year. It would guarantee immediate inflation and eventual depression. It would drive prosperity so far around the corner that (Continued on page 2686)

\$2,000,000

### Western Maryland Railway Company

1½% Equipment Trust Certificates, Series J  
(PHILADELPHIA PLAN)

To be due annually \$200,000 on each June 15, 1947 to 1956, inclusive

To be guaranteed unconditionally as to principal and dividends by endorsement by Western Maryland Railway Company.

These Certificates are to be issued under an Agreement to be dated as of June 15, 1946 which will provide for the issuance of \$2,000,000 principal amount of Certificates to be secured by new standard-gauge railroad equipment, estimated to cost approximately \$2,600,000.

#### MATURITIES AND YIELDS

1947	1.05%	1950	1.40%	1954	1.65%
1948	1.15	1951	1.50	1955	1.70
1949	1.30	1952	1.55	1956	1.75
		1953	1.60		

Issuance and sale of these Certificates are subject to authorization by the Interstate Commerce Commission. The Offering Circular may be obtained in any State in which this announcement is circulated from only such of the undersigned and other dealers as may lawfully offer these securities in such State.

HALSEY, STUART & CO. INC.

OTIS & CO.  
(INCORPORATED)

ALEX. BROWN & SONS

PUTNAM & CO.

JULIEN COLLINS & COMPANY FIRST OF MICHIGAN CORPORATION

F. S. YANTIS & CO.  
(INCORPORATED)

THOMAS & COMPANY

To be dated June 15, 1946. Principal and semi-annual dividends (June 15 and December 15) payable in New York City. Definitive Certificates in coupon form in the denomination of \$1,000, registerable as to principal. Not redeemable prior to maturity. These Certificates are offered for delivery when, as and if received by us. It is expected that Certificates in temporary or definitive form will be ready for delivery in New York City on or about June 25, 1946. The information contained herein has been carefully compiled from sources considered reliable and while not guaranteed as to completeness or accuracy, we believe it to be correct as of this date.

May 15, 1946.



## The Anglo-Portuguese Monetary Agreement

**Fixes official rate of escuda at 100 to £. Restricts transfers of capital, but provides for amendments in event either government should adhere to a general international monetary agreement. Agreement is for two years, and is subject to review or adjustment after mutual consultation.**

Despite the British adherence to the Bretton Woods Agreement and the terms imposed by the pending Anglo-American Financial Agreement, Great Britain and

Portugal on April 16 entered into a bilateral monetary agreement in which the official rate of the currencies of the two nations was fixed at 100 Portuguese escudos to the £. The terms of the treaty, as in similar previous arrangements, made by Britain with other countries, provides for restrictions of payments outside the Sterling Area and for adjustments, as well as for a review of the agreement in the event that either of the contracting governments "adhere to a general international monetary agreement."

The text of the treaty follows: Monetary agreement between the Government of the United Kingdom of Great Britain and Northern Ireland and the Portuguese Government.

London, 16th April, 1946  
The Government of the United Kingdom of Great Britain and Northern Ireland, of the one part, and the Portuguese Government, of the other part, have agreed as follows:—

### ARTICLE 1.

(i) The rate of exchange between the escudo and the £ sterling shall be 100 escudos = £1.

(ii) This rate (hereinafter referred to as "the official rate") shall not be varied by either of the Contracting Governments except after giving to the other as much notice as may be practicable.

(iii) In all territories where they have jurisdiction the Contracting Governments shall enforce the use of the official rate as the basis of all transactions involving a relationship between the two currencies.

(iv) The Bank of England and the Bank of Portugal, as agents of their respective Governments, shall fix by mutual agreement the maximum spread above or below the official rate which will be

authorized on the markets which they control.

### ARTICLE 2.

(i) The Bank of England (acting as agents of the Government of the United Kingdom) shall sell sterling to the Bank of Portugal (acting as agents of the Portuguese Government) as may be required for payments which residents of the Portuguese monetary area are permitted, under the exchange regulations in force in that area, to make to residents of the sterling area—

(a) against escudos to be credited at the official rate to the Bank of England's No. 1 Account with the Bank of Portugal, provided that the balance standing to the credit of that Account is not thereby increased above a maximum of 500 million escudos, or  
(b) if the balance standing to the credit of the Bank of England's No. 1 Account with the Bank of Portugal amounts to 500 million escudos, against gold to be set aside in the Bank of England's name at the Bank of Portugal, Lisbon.

(ii) The Bank of Portugal (acting as agents of the Portuguese Government) shall sell escudos to the Bank of England (acting as agents of the Government of the United Kingdom) as may be required for payments which residents of the sterling area are permitted, under the exchange regulations in force in that area, to make to residents of the Portuguese monetary area—

(a) against sterling to be credited at the official rate to the Bank of Portugal's No. 1 Account with the Bank of England provided that the balance standing to the credit of that Account is not thereby in-

(Continued on page 2677)

## Orrin Judd Joining Law Partnership

Attorney General Nathaniel L. Goldstein announces that Orrin G. Judd has resigned as Solicitor General of the State to form a law partnership with Lieutenant Colonel Murray I. Gurfein of New York City.

Attorney General Goldstein, in accepting the resignation, said:

"Mr. Judd has the gratitude of the people of the State for the brilliance of his achievements as Solicitor General. The Bench and the Bar have been unanimous in their commendation of his service. Whatever credit has come to the Department of Law during my regime must be shared with him."



Orrin G. Judd

He has indeed made a record which will be difficult to equal."

In further comment, the Attorney General said:

"Colonel Gurfein is one of the outstanding trial lawyers at the Bar and was formerly Chief of the Rackets Bureau under Governor Dewey, and has recently returned from over two years abroad where he served as Chief of Intelligence of the Psychological Warfare Division of SHAEF. I am happy to see these two classmates and former editors of the Harvard Law Review join together. By their outstanding public service, they have earned the confidence and gratitude of the community."

In closing the Attorney General said:

"As Solicitor General, Mr. Judd argued most of the important appeals in the United States Supreme Court and in the Court of Appeals, in addition to numerous cases in the other appellate and trial courts. Among them were:

*People v. Mailman*, sustaining the right of a State to penalize violations of OPA ceilings.

*East New York Savings Bank v. Hahn*, argued before the United States Supreme Court, upholding

the constitutionality of the 1943 statute continuing the moratorium on mortgage foreclosures.

*Twentieth Century Associates, Inc. v. Waldman*, sustaining the constitutionality of the New York Commercial Rent Laws.

*The Niagara Falls Power Company* case, involving the right of a State to impose a charge for the diversion of water from the Niagara River for power purposes. This terminated a controversy a half century old, establishing a principle of far-reaching importance concerning the public interest in navigable streams and resulting in the payment by the Power Company to the State of a rental fixed at \$1,100,000 per year.

*Matter of Fay*, in support of the constitutionality of the Legislative Reapportionment Act of 1943. The Court's decision in favor of the State in this case marked the first time that the Court of Appeals had sustained a reapportionment act on the merits."

*This advertisement appears as a matter of record only and is not, and is under no circumstances to be construed as, an offer to sell, or a solicitation of an offer to buy, any of these securities. The offer is made only by means of the Prospectus.*

### NEW ISSUES

May 16, 1946

## Illinois Power Company

\$45,000,000

First Mortgage Bonds, 2½% Series due 1976

Dated March 1, 1946

Due March 1, 1976

Price 102.54% and accrued interest

\$9,000,000

Sinking Fund Debentures, 2¾% due 1966

Dated March 1, 1946

Due March 1, 1966

Price 101.54% and accrued interest

*Copies of the Prospectus may be obtained from any of the several underwriters only in States in which such underwriters are qualified to act as dealers in securities and in which such Prospectus may legally be distributed.*

### The First Boston Corporation

Blyth & Co., Inc.	Eastman, Dillon & Co.	Glore, Forgan & Co.	Goldman, Sachs & Co.
Harriman Ripley & Co.	Kidder, Peabody & Co.	Lehman Brothers	
Mellon Securities Corporation	Stone & Webster Securities Corporation		
Union Securities Corporation	White, Weld & Co.	Harris, Hall & Company	
Merrill Lynch, Pierce, Fenner & Beane	F. S. Moseley & Co.		
Paine, Webber, Jackson & Curtis	E. H. Rollins & Sons	Spencer Trask & Co.	
Central Republic Company	Coffin & Burr	Hallgarten & Co.	Hornblower & Weeks
W. E. Hutton & Co.	R. W. Pressprich & Co.	Tucker, Anthony & Co.	
Dominick & Dominick	Hemphill, Noyes & Co.	Laurence M. Marks & Co.	
G. H. Walker & Co.	First of Michigan Corporation	Putnam & Co.	
Auchincloss, Parker & Redpath	Laird, Bissell & Meeds	Chas. W. Scranton & Co.	
Starkweather & Co.	Stein Bros. & Boyce	George D. B. Bonbright & Co.	
R. L. Day & Co.	Reynolds & Co.		

*This is under no circumstances to be construed as an offering of these securities for sale, or as an offer to buy, or as a solicitation of an offer to buy, any of such securities. The offer is made only by means of the Prospectus.*

### NEW ISSUE

May 15, 1946

50,000 Shares

## Kansas City Fire and Marine Insurance Company

Common Stock

(\$10 par value)

A portion of these shares is being offered by the several Underwriters at \$22 per share prior to the expiration, on May 24, 1946, of the subscription rights with respect thereto granted by the Company to its stockholders.

*Copies of the Prospectus may be obtained from any of the several underwriters only in States in which such underwriters are qualified to act as dealers in securities and in which such Prospectus may legally be distributed.*

### The First Boston Corporation

Stern Brothers & Co. Barret, Fitch & Co., Inc.



## Present Position of Stabilization Program

(Continued from page 2652)  
from May, 1943. The larger figure compares with a total increase of 165% in the six-year period after July, 1914.

We also achieved far greater stability in the actual cost of an hour's labor, as measured by average hourly earnings. In the first World War period average hourly earnings in manufacturing rose 149%. The increase from August, 1939 to V-J Day was 64% and from May, 1943 to V-J Day it was 7%. For class I steam railroads, average hourly earnings rose about 150% between 1914 and 1920 while in the five years from 1939 to 1945 they rose only 33%.

### Peacetime Stabilization Maintained

The stability which we achieved during this war has been maintained in peace fairly successfully so far. From V-J Day to March, the last date for which a figure is available, the consumer price index rose less than 1%. Wholesale industrial prices rose 3% from V-J Day to the end of April. While basic wage rates in manufacturing have risen, average hourly earnings in March were still at about V-J Day level and were below the wartime peak, owing mainly to the reduction of overtime and shifting of many workers out of the high paying war industries and occupations.

I say that the wartime stability has been maintained in peace so far because I want to emphasize that there is no ground whatever for being complacent about the future. On the contrary, although we can see that solid land lies ahead, we are still in mid-passage and could easily be wrecked before we make port. We are now in the most crucial period of the transition to economic safety which we are trying to make.

### Tremendous Economic Pressures

While the underlying economic pressures making for inflation, as distinguished from speculative and other psychological pressures, are gradually lessening, they are still tremendous, and they are greater than we had expected to encounter. If we are to overcome them, we cannot afford to weaken our resistance.

The economic as well as the psychological factors making for inflation are clearly shown in the markets in which prices are uncontrolled. Current increases in commercial rents run from 30 to more than 100%. Urban real estate

prices, which shot up by 60 to 65% since the Spring of 1940, have risen by another 15 to 23% since September, 1945 alone.

Farm land values have gone up 69% since March, 1940 and are climbing rapidly now. Since V-J Day, stock prices have risen about 20%, and the price of cotton has shot up more than 20%.

These increases attest to the strength of the inflationary pressures that permeate the economy. The basic fact to be recognized is that the total of current demand for civilian goods based on real needs, still far exceeds the total of current supply.

Consumer spendable income continues at \$138 billion, which is roughly the wartime peak. The sharp drop in employment which was anticipated did not materialize. While wage and salary payments at first declined, the decline was far less than expected because employment, after the first drop, held steady and then increased. As a result of this increase in employment and the increase in mustering-out pay, income payments to individuals had regained their peak war levels by March, 1946.

### Increased Consumer Expenditures Since V-J Day

The most astonishing development since V-J Day has been the extraordinary increase in consumer expenditures, which occurred even while consumer income was temporarily declining. Consumers are spending an increasing proportion of the income they receive and a greatly increased number of dollars.

During the first three quarters of 1945, consumer expenditures were at an average annual rate of \$103 billion. In the fourth quarter—the first full quarter after V-J Day—they rose to \$111 billion. In the first quarter of 1946, they are estimated to have reached an annual rate of \$120 billion. This increase has occurred before the major consumer durable goods have become available and represents mainly increased spending for food and clothing.

We know that current consumer needs are abnormally high and that liquid funds available for spending are enormous—\$145 billions in the hands of individuals alone at the end of 1945. Millions of returning veterans have had to start from scratch or near it to acquire a wardrobe, set up a household and furnish it. The im-

mediate market for shirts, for example, is estimated at 320,000,000 against a production level of 160,000,000 before the war. The market for men's suits is at least 40 million a year against a pre-war output of 21 million.

### Backlog of Consumer Demands

Consumer stocks of almost all goods are low; and distributors' inventories, although gradually increasing, are far below the normal levels.

The most acute of some of these needs may be satisfied fairly quickly. Common knowledge tells us, however, that the backlog of need for houses, automobiles, and other durable goods is huge and that it will be a long time before it is satisfied. Professor Sumner H. Slichter of Harvard estimates the backlog demand for consumer durable goods alone at \$50 billion. In our biggest year, 1941, we bought only \$10 billion worth. It will take 14 million cars simply to replace those more than nine years old. The acute demand for housing is estimated at 10 million homes with a sustained level of demand around a million and a quarter per year.

Even in the field of foods, upward pressure on prices is acute. World shortages of grains resulting partly from the war but aggravated by unforeseeable lack of rains, and in some areas, cyclones and tidal waves, have forced us to below the requirements of present scrape the bottom of our national bin for wheat and corn as well as other basic food products. We have to face the fact that this means less food for our enormous animal population, that we shall have to reduce animal numbers in this country. This means smaller supplies of some foods than we would like and continuing upward pressure on prices.

### Current Business Demand

Current business demand parallels the intensity of consumer demand and business has 80 billions of liquid assets, easily a record volume. Producers have been adding heavily to their plant and equipment and to inventories of raw materials and goods in process.

Business spending has reflected deferred demands and forward buying as well as buying to meet heavy current requirements. Manufacturers' inventories of materials and parts appear to have been built up substantially. How-

ever, there is evidence that these inventories are in many cases still high level operations. Distributors' inventories, unquestionably, are still depleted.

If we weaken our resistance to these forces, that weakening will give rise to further inflationary forces. It is sometimes said that there is no sense in restricting price rises because they are merely a result of inflationary pressures. This is a dangerous half-truth. While it is true that price rises are a result of inflationary pressures, they are not merely that. They are also a cause of further rises.

### Arguments for Curbing Price Rises

A general belief that prices are going to rise would create grave danger that manufacturers and distributors would seek to build up inventories above reasonable requirements in the hope of making speculative profits on a rising market. At the same time those who have goods would withhold them. Thus rising prices would add artificial shortages to the real one that already exist. The consumer, too, would speed up his purchases if he thought prices were going to rise. Instead of holding on to his liquid funds, he would want to spend them before their purchasing power declined. A general speculative or protective effort to turn liquid assets into goods at a time when the supply of goods is inadequate to meet even real needs, would spell disaster for the economy.

The second major reason why price increases breed further price increases is that many of our ceilings on farm commodities and therefore our ceilings on basic food products are tied to the prices farmers pay through the parity provisions of the stabilization laws. If the prices that farmers pay are raised, ceilings on many farm and food products must also be raised.

The third major reason is that a rising cost of living gives rise to demands for further wage increases. We are just completing a round of major readjustments in basic wage rates. In view of the effectiveness with which basic wage rates were held down during the war, in view also of the fact that many of the elements in gross weekly and hourly earnings, such as overtime, shifts from low to high paying industries, upgrading, extra shift premiums, and the like, were reversed after hostilities ended, a major revision of basic rates was in order. Now that we have had it, however, the job is to adjust the economy to it.

### The Wage-Price Policy

I think we are doing that and doing it successfully. Before wage and salary increases may be used as a basis for seeking price increases, they must be approved for this purpose by the Wage Stabilization Board or other appropriate agency. Standards for determining whether and to what extent wage increases may be taken into account in the determination of price ceilings were laid down in Executive Order 9697, issued on Feb. 14. These standards have been and are being further developed in the course of their administration by the National Wage Stabilization Board. While they are necessarily broader than those of the wartime executive orders, they furnish guarantees that price controls are to be accompanied by adequate restrictions and limitations on the wage and salary increases upon the basis of which price increases may be sought. Under this policy thousands of wage rate increases have been made. Some have resulted in higher prices, many others have been without price consequences, but information reaching me from the operating agencies indicates that a large percentage of applications for approval of wage and salary in-

creases have been within the limits of approvability. This indicates that the indirect limitation of wage and salary increases via price ceilings is proving to be effective.

So far there has been no substantial objection to the present standards of approvability of wage increases. These standards, however, could not be maintained in the face of a serious increase in prices and the cost of living. It is vital to avoid an increase in the cost of living that would set off another major round of wage increases before the one just past has been fully absorbed and before we know what the cost picture will look like under normal operating conditions.

Thus we have not only the immediate and direct pressures created by the underlying supply-demand relationships, but also other pressures ready to exert themselves and to aggravate the difficulties on both the supply-demand side and from the side of costs should resistance to upward price pressures weaken.

### Program in State of Precarious Balance

So long as these pressures continue, the stabilization program is in a state of very precarious balance. It is essential for its continued success that requests for price and rate increases, in whatever area of the economy, be examined to the fullest extent possible without actual interference with the necessary production of essential goods and services, and that the necessity for such increases be clearly established.

This is particularly true because if we can weather the present critical period of the transition the prospects are bright for a general relaxation of inflationary pressures during the coming year. When this relaxation takes place, price readjustments can be made, without damage to the economy, which just now might be disastrous.

Until the effects of the coal strike were felt, total civilian production was at record levels. When the strike is settled, the upswing in production will be resumed. Thus far, however, the increase in production has been concentrated in the earlier stages of the productive process—in plant, raw materials and goods in process. From here on, an increasing proportion of production will be in the form of finished consumer goods, available to take the edge off the most acute of unsatisfied consumer demand. As volume increases, moreover, and the supply of goods begins to flow more normally, the present bulge in production costs will subside. The economy will then be in a position to absorb, without serious effect on prices, increases in costs which now would create a dangerous tension.

### Importance of Transportation Costs

In this connection transportation costs are especially important. They touch every phase of production and distribution and add to costs at every level. As Mr. Porter will testify, increases in freight rates will in many cases require increases in price ceilings.

It is important to keep in mind the importance of the timing of any readjustments of freight rates. Their effect upon prices will depend in great part upon the margins available for their absorption. I think it probable, as I have already suggested, that the margins for absorption indicated in the recent profit statements will prove to be about the lowest that we shall see during the transition period. Since the second half of 1945 the gross national product has been declining. It fell from an annual rate of 206 billion dollars in the second quarter to 183 billion in the fourth quarter. In the first quarter of 1946

*This advertisement is not, and is under no circumstances to be construed as, an offering of these securities for sale or as a solicitation of an offer to buy any of such securities. The offering is made only by the Prospectus.*

## 200,000 Shares BOWSER, INC.

**\$1.20 Cumulative Preferred Stock**

(Par Value \$25 per Share with Stock Purchase Warrants for the Purchase of Common Stock Attached)

**Price \$25 per Share**

*Copies of the Prospectus may be obtained in any State only from such dealers participating in this issue as may legally offer these securities under the securities laws of such State.*

**BLAIR & Co.**  
INC.

May 10, 1946.



the annual rate was 182 billion, and during the quarter the decline was reversed, the physical process of reconverting our plants and machinery to the production of civilian goods has been practically completed. Although the coal strike is assuming the proportion of a major setback we may confidently expect that when it is settled the volume of production will regain March levels and continue to rise steadily. By the end of the year the total national production should be substantially above present levels. Productivity, too, may be expected to rise quite generally throughout the economy, and especially in manufacturing, with resulting improvements in profits.

In considering the necessity for price adjustments resulting from higher freight rates, as well as in considering the necessity for the higher freight rates themselves, we are likely to be unduly impressed with conditions prevailing in the months immediately past. In my opinion any decision that might require immediate readjustments throughout the economy should be postponed until we can get a better perspective on prices, costs, and the margins available for absorption of cost increases.

#### The Interest of the Railroads

The true interest of the railroads in this respect is identical with that of the economy as a whole. If increases in rates which could be absorbed at a later stage of the transition would do serious damage to the economy now, then it is in the interest of the railroads to do everything possible to postpone the increase until it can be absorbed. The stability of the economy in my judgment would be seriously jeopardized by a substantial increase in costs at this particular juncture. There are solid indications, on the other hand, that the ability of business to absorb such an increase will steadily improve in the months to come.

It is sometimes said that increases in transportation costs are small in magnitude when translated into the cost of commodities to the final users. Our experience makes it perfectly clear that whether the added cost for any commodity is great or small per unit, it is nevertheless felt and, when added together, produces an effect which cannot be lightly dismissed as negligible. However it may be divided, the total immediate effect amounts to hundreds of millions of dollars.

In view of the delicate situation of the stabilization program and for the reasons I have outlined, I urge the Commission to examine thoroughly the railroads' need for a permanent increase before granting any rate adjustments at all.

#### Allen B. Whitney to Be Gammack Partner

Allen B. Whitney, member of the New York Stock Exchange, will become a partner in the Exchange firm of Gammack & Co., 40 Wall Street, New York City, on May 29th. Mr. Whitney has been active as an individual floor broker.

Leon Fletcher, Jr., Exchange member, will retire from the firm on the same date.

#### Hartwell Morse Heads Cohu & Torrey Dept.

Cohu & Torrey, 1 Wall Street, New York City, members of the New York Stock Exchange, announce that Hartwell P. Morse, formerly a Major in the Air Corps, has joined their organization as head of the firm's wholesale department.

## Our Reporter's Report

It is natural to want to lead the parade and corporations, as represented by their officials, are really no different in their temperaments than individuals. That probably explains why Standard Oil Co. (N. J.) stood "pat" on its 2 3/4% interest rate for the \$85,000,000 of new debentures brought out yesterday.

There had been some talk of a possible slight increase in the coupon, presumably to take cognizance of the mild hardening in short-term money rates and the let-down in Treasury bonds in recent weeks.

But a corporation the size of Jersey Standard is unquestionably proud of its credit standing and felt, presumably, that at a slight discount, the issue would give a good account of itself. At the same time by holding the rate initially fixed, the company gave the investment market its first industrial loan to carry that coupon.

Bankers brought the issue out yesterday priced at 98 to yield about 2.48%. Dealers reported that the big insurance companies, who have been extremely cool to new issues running appreciably below 2.75% in yield basis, were not especially receptive.

However, there was no apparent

concern in banking quarters over ability to place the 25-year debentures. Consensus in such circles, it was said, was that some of the major funds, presumably including several of the Rockefeller sponsored foundations, would probably absorb a goodly portion of the issue.

It was the contention in such quarters, that these organizations could still realize a slightly better rate of return than is possible in comparable governments.

#### Illinois Power Co.

With a fair-sized slate of new issues coming on the market this week, the big refinancing of Illinois Power Co., involving \$54,000,000 in new securities, brought out bids from only two groups on Tuesday.

Split into two issues, \$45,000,000 new first mortgage bonds and \$9,000,000 of debentures this financing disclosed that bankers competing for the business were thinking pretty much along the same lines. Bids for both issues were fairly close with opposing forces fixing the same coupons, 2 3/4% for the debentures and 2 7/8% for the bonds.

The successful group was expected to proceed with reoffering today, pricing the bonds at 102.54 and the debentures at 101.54. Preliminary inquiry indicated a substantial reception for both undertakings.

#### International Telephone

If the bankers had been inclined to hope that the situation market-wise might entice International Telephone & Telegraph Corp., to refinance its \$28,701,000 of twenty-five year 4 1/2% debentures through normal channels, such

hopes appeared to fade this week.

The company is reported giving consideration to plans calling for the sale of a new issue to a group of insurance companies. Some months ago it had given thought to a bank loan as the medium for retirement of the issue.

Once this operation is out of the way the company doubtless will proceed with plans for refinancing an issue of \$43,500,000 of 5% debentures which it has outstanding.

#### New Issue Roster Grows

With the Securities and Exchange Commission having approved the sale of new securities involved in its projected refinancing, Ohio Public Service Co. is expected to issue a call soon for bids on the issues to be sold.

The schedule calls for \$32,000,000 of new first mortgage bonds, \$5,500,000 of serial notes and 156,300 shares of \$100 par cumulative preferred stock.

Helping to swell the list, Gulf States Utilities Co., of Texas, has filed with the Commission for authority to sell, via competitive bidding, \$27,000,000 of new bonds. It also would borrow \$2,000,000 from banks.

With such funds it proposes to redeem \$27,300,000 of series D bonds which are now outstanding.

#### Form Wagner, Gerdes Co.

Wagner, Gerdes & Co., Inc. will engage in the investment business from offices at 233 Broadway, New York City. Officers are Frank E. Gerdes, President, and Gerhardt Wagner, Secretary-Treasurer.

## Speakers at Meeting Of N. Y. Bankers Group

Marcus G. Christ, County Attorney of Nassau County and President of the Bank of New Hyde Park, will speak on "Underground Water Resources of Long Island" at the afternoon session of the 49th annual meeting of Group Seven, New York State Bankers Association, which will be held May 23 at Bethpage State Park, Farmingdale, according to an announcement by John C. Cochrane, Chairman of the Group. Mr. Cochrane is Executive Vice-President of the First National Bank and Trust Company of Bay Shore. Hugh H. McGee, Vice-President of the Bankers Trust Company and Chairman of the Bank Credit Group of New York City, will address the session on "Operation of the New York Bank Credit Pool." At the dinner session in the evening, George E. Sokolsky, well known journalist and foreign correspondent, will speak on "Civilizations at War." Group Seven consists of banks located in Kings, Queens, Nassau, Suffolk and Richmond Counties. Officers of the Group, in addition to Mr. Cochrane, are J. Paul Taylor, Brooklyn Trust Company, Vice-Chairman, and Richard H. Crowe, Manager of the Stapleton (Staten Island) Branch of the National City Bank of New York, Secretary-Treasurer.

#### In New Location

LOS ANGELES, CALIF.—Clarence Hunter Staples announces the removal of his offices to 448 South Hill Street.

*This is under no circumstances to be construed as an offering of these Securities for sale, or as an offer to buy, or as a solicitation of an offer to buy, any of such Securities. The offer is made only by means of the Prospectus.*

#### New Issues

## BENEFICIAL INDUSTRIAL LOAN CORPORATION

**\$20,000,000 Fifteen Year 2 1/2% Debentures**

Dated May 1, 1946

Due May 1, 1961

Interest payable May 1 and November 1

Price 100% and accrued interest

**100,000 Shares Cumulative Preferred Stock \$3.25 Dividend Series of 1946**  
(Without Par Value—Convertible Prior to June 1, 1956)

**Price \$105 Per Share**  
and accrued dividends from May 1, 1946

*Copies of the Prospectus may be obtained from such of the undersigned as may legally offer these Securities in compliance with the securities laws of the respective states.*

**EASTMAN, DILLON & Co.**

**SMITH, BARNEY & Co.**

**THE FIRST BOSTON CORPORATION**

**GOLDMAN, SACHS & Co.**

**HARRIMAN RIPLEY & Co.**  
Incorporated

**KIDDER, PEABODY & Co.**

**UNION SECURITIES CORPORATION**

May 15, 1946.



## Railroad Securities

Last week stock holders of Pere Marquette voted approval of the proposed merger of their road with the Chesapeake & Ohio. Stock holders of Chesapeake & Ohio had voted in favor of the plan at their annual meeting late in April. Under Michigan law it was necessary to get an affirmative vote of a majority of the amount outstanding of each class of stock of Pere Marquette, while under Virginia law it was necessary to have an affirmative

vote of a majority only of the Chesapeake & Ohio stock actually voting. Actually, holders of 59.3% of the Chesapeake & Ohio stock outstanding favored the plan and less than 1% voted against it. Some 40% of the stock was not voted.

Voting was heavier by Pere Marquette stock holders. On an over-all basis holders of 76.3% of the three classes of Pere Marquette stock voted in favor of the plan, 9.3% was voted against the proposal and less than 15% of all outstanding stock was not voted. The main objection came from holders of the Pere Marquette plain preferred, with 24.2% of the outstanding shares voting against, and 58.9% for, the terms. Directors of the two roads have the right to withdraw the merger proposed unless holders of at least 98% of each class of stock of both roads accept the terms. However, it is generally expected that they will not avail themselves of this right but will seek consummation. The merger is also subject to approval by the Interstate Commerce Commission and hearings have already been held before that agency. Approval by the Commission is generally anticipated.

Although the required majorities of stock holders have approved the plan and favorable action by directors and the I.C.C. is looked for it will obviously be a number of months before the merger can actually be consummated. Nevertheless, on announcement of the favorable vote by

Pere Marquette stock holders, the plain preferred and prior preference stocks of that road immediately pushed forward to new 1946 highs. The common stocks of both roads were also strong in a generally desultory rail market, although neither stock duplicated its earlier 1946 high.

Under the plan the Pere Marquette prior preference is to receive 1 share of new Chesapeake & Ohio preferred and 1/3 share of Chesapeake & Ohio common. The plain preferred is to receive 0.8 shares of new preferred and 0.4 shares of common. Pere Marquette common is to receive 1/2 share of Chesapeake & Ohio common. The new preferred will carry a 3 1/2% dividend and will not be callable before November 1, 1950 at which time the call price will be 105 plus accrued dividends. The preferred will be convertible into 1.6 shares of Chesapeake & Ohio common or at a price of 62 1/2. At the time of the present writing Chesapeake & Ohio common is selling at 61 1/2 and earlier this year sold nearly a point above the conversion parity.

At the close of last week Pere Marquette prior preference and preferred stocks had retreated slightly from the highs established earlier in the week, to 126 1/2 and 103 1/2, respectively. Taking Chesapeake & Ohio at its recent price of 61 1/2, Pere Marquette prior preference reflects a potential value of 106 1/2 for the new Chesapeake & Ohio preferred. Similarly the Pere Marquette reflects a potential value of around 98% for the new preferred. It must be borne in mind, however, that the prior preference will presumably continue to collect its regular 5% dividend in the interval to consummation of the plan while the plain preferred will not. The Pere Marquette common is also selling a couple of points below its indicated value under the plan.

Many rail men feel that the new Chesapeake & Ohio preferred will sell substantially above the price of 106 1/2 reflected by Pere Mar-

quette prior preference. They point out that purely on an investment basis it should command a price above par. To this will be added the value of a conversion feature not far from the present market and the freedom from danger of call until late 1950.

## Public Utility Securities

(Continued from page 2650)  
number of charts of United Gas customers, sales and revenues showing 1938-1945 as "past experience" and 1946-50 as "company forecast." This forecast was apparently prepared on an ultra-conservative basis, and before the highly favorable results for early 1946 became available. They assumed that future earnings would tend to flatten out—or at least would not continue to advance from the 1945 level. Thus the company forecast for 1950 apparently worked out at about \$1.25 per share. This failed to emphasize the trend of earnings since 1939 as revealed by recomputation of actual earnings on the basis of 1946 Federal taxes. A projection based on this trend line (as shown in the chart) would carry 1950 earnings to around \$1.68.

Evidently Electric Bond and Share felt that greater recognition should be given to the large potential growth factor in UNT earnings. They perhaps felt that the overly-generous offer in the EL plan would not necessarily stimulate a rise in EL preferred, but would tend by semi-arbitrage transactions to pull down the price of UNT—and this is exactly what happened, UNT dropping about 1 1/2 points following announcement of the EL plan. More recently, with publication of the EBS plan, the stock has recovered over a point to 19 1/2.

## Financial Employees Union Holds Convention in NYC

The New York Stock Exchange and Financial Employees Independent Association is holding a four-day constitutional convention at 54 Broad Street, New York City. The convention attended by delegates from all metropolitan security and commodity exchanges, and including representatives from brokerage firms and several banking, insurance and building employee groups is launching a membership campaign.

The name of the group has been changed to The United Financial Employees (Independent).

## New York Stock Exch. Elects New Officers

At the annual election of the New York Stock Exchange the following officers were elected:

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

For the term of three years: Richard M. Crooks, Thomson & McKinnon; Robert D. Danks, Ernst & Co.; William B. Haffner, Wilcox & Co.; Irving D. Fish, Smith, Barney & Co.; Murray D. Safanie, Shearson, Hammill & Co.; Howard Butcher, Jr., Butcher & Sherred, (Philadelphia), and Russell E. Gardner, Jr., Reinholdt & Gardner (St. Louis).

For the term of two years: Joseph Hinshaw, Watling, Lerchen & Co. (Detroit).

Two members of the Gratuity Fund, for the term of three years: Clinton S. Lutkins, R. W. Pressprich & Co., and William D. Scholle, Scholle Brothers.

Five members of the Nominating Committee, for the term of one year: William B. Bohen, Baker, Weeks & Harden; Benjamin H. Brinton, Brinton & Co.; Frank J. C. Weinberg, Newborg & Co.; A. Glen Acheson, Lazard Freres & Co., and William Bayne, F. S. Moseley & Co. (Boston).



John A. Coleman

**Austin Nichols**  
\$1.20 Prior Cumulative  
Convertible Preferred  
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**Alabama Mills, Inc.**

**Arden Farms**  
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Cons. "A" 5s, 1927

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We offer subject to prior sale and change in price

\$250,000

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Dated Jan. 1, 1943 Due Jan. 1, 1983

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# The World Ahead

(Continued from page 2639)

environment shaken, but unchanged.

Holland—and the Dutch Empire—remained unscathed, with the lines to her overseas possessions unstretched and unfrayed.

France—tired—with hundreds of thousands of her young men lying beneath their crosses—about to experience a monetary inflation which was destined further to reduce her middle class and to shrivel the moral strength of her people—emerged from the conflict as the greatest military power on the continent of Europe. Russia was caught in the throes of a revolution that was to reduce her to impotence for more than a decade.

Germany—if defeated on the field of battle—remained undismayed, undestroyed—the integrity of her productive facilities fully preserved.

If England was exhausted—if the blood of the best of her younger generations had drenched the soil of France and Europe from Mons to the Dardanelles—she remained the greatest creditor nation on earth—the greatest exporter—she was still the mistress of the seas.

**Western World Remained Intact**  
Thus, though cracked and showing signs of wear, the ramparts of the western world remained intact.

And we—with superficial justification—unsupported by substance or by logic—lapsed back and languished in our continental isolation—confident that the pillars of western civilization in Europe—though weakened—were still strong—assured that the bastions of our continental defenses remained to be assaulted, scaled and demolished, before any hostile force could reach out across the seas to molest our tranquil lives.

Now these pillars have been razed to the ground. Now these ramparts have been demolished. Now Europe lies in ruins.

**Now Europe Is Devastated**  
Throughout that vast stretch of the Continent—from the Urals to the Pillars of Hercules—I venture the assertion that there has been a visitation of devastation, destruction, and desolation—economic, financial, political, and moral—unparalleled in the long and tedious history of the human race.

Everywhere—in varying degrees—in France, in Holland, in Belgium, in Switzerland, in Italy, in the Balkans, and in the Danubian Basin—the physical destruction of productive facilities and transportation has been necessarily accompanied by shocking deficiencies in food and coal—the bare necessities of human life.

Sources of supply—of the essentials of living—have been shifted, if not extinguished. Production languishes, and populations face the grim specter of starvation.

Within Germany great metropolitan areas have been reduced to piles of rubble. Industries—the providers of Europe—have been destroyed. That intricate transportation system—encompassing a web of railways and far-flung arteries of water commerce—have been smashed. Food is inadequate for physical effort—fuel is insufficient for warmth and production. No vestigial remains of government are to be observed.

That delicate, complicated, and sensitive system—at its best the throbbing industrial heart of Europe—is still.

Financially—Throughout most of Europe each national monetary and fiscal system—differing in degree only—is uneasy—quivering on the shifting sands of accumulated debts and heavy expenditures.

Politically—Almost everywhere governments have been exterminated by the evil forces of Hitler's occupying armies. And the tidal wave that swept over Europe after those evil forces were driven out—has not yet—in many countries—receded far enough to reveal the form and structure of legitimate political institutions.

## Moral Destruction

Morally there exists a deep schism between two mutually hostile codes of human behavior; the one which holds, as Acton put it, that, "Enforced command should be confined to fixed limits and that which was done by outward discipline and organized violence should be committed to the intellect and conscience of free men," and opposed to it the one which Fisher has so elegantly and subtly described as, "The tyranny of the State gilded by the ethical beauty of sacrifice."

## The Exhaustion of England

Across the Channel on the island whose brave people—all alone—unaided—unsupported except by their own resolution and the stubbornly held view that, "to die well is to wear the victor's crown"—stood off the greatest military machine in history until our powerful ally to the east became committed to the war, and until at last we plunged into the conflict.

Across the Channel—in Britain, the center of the Commonwealth of Nations, and Empire—still powerful, but exhausted—exhausted by five years of living under the muzzle of the enemy's guns—exhausted by privations, by sacrifices of which we have no full comprehension—most of her foreign investments from which she drew such strength liquidated by the sheer necessity of ob-

taining exchange with which she might buy the essential sinews of war. Her foreign trade—on which she lived—stripped from her by the primitive needs to preserve her national integrity and the moral values for which she stands. A large part of her shipping—in the use of which she was so skilled—and without which she could not successfully have risen to her position of power—lies on the bottom of the seven seas.

Suffering from high costs she is no longer an exporter of coal—one of the central and essential items for all of Europe—

Transformed from the position of one of the world's greatest creditors to one of its heaviest debtors—

Determined as she may be—enjoying the strength of stubborn individual character—she faces the task of rebuilding her position—unavoidably weakened by the immeasurable exactions of war.

Thus, the margins on which we formerly relied—the bastions which twice within the short span of a quarter of a century protected us and provided us with that amount of precious time in which we successfully mobilized our strength—have been destroyed.

The problems created by the holocaust of war are incalculable in their magnitude and significance.

## We Must Deal with Germany Promptly

I venture the assertion that we will find no adequate answer unless we deal forthwith with the central point of the European economy—Germany. And I suggest that only through a loosely associated federation under a central government of limited and meager powers, with the Ruhr and Rhineland separated from her politically, can we avoid the impossible administrative task of controlling her production. Only under this general sort of a recon-

structed system can Germany's peacetime productive energies be safely released and encouraged for the benefit of Europe as a whole.

I venture the suggestion that without a France rebuilt in concert with our ideals there will be no return to tranquil living and that to this end this great country should in its own interests extend that reasonable amount of support which will give her the opportunity to heal the wounds caused by war and a humiliating occupation.

Nor will this disjointed world be restored to order unless we extend to Britain in full measure that amount of aid—preferably not dressed up in the raiment of a loan—with which she may recapture most of the strength she has necessarily lost in her gallant struggle to defend the basic ideals of Christendom.

## U. S. Must Support UN

The United Nations to which we pin our faith may mature to that stature necessary for it to become the preserver of the peace only if it be supported by a United States resolutely committed to the role of the greatest power on earth. Confronted with confusion and disorder, in the face of an overpowering need, can we fail to give to the outside world the one unmistakable symbol of our resolution—the one unimpeachable evidence of our determination to exercise our strength, to nourish the United Nations during its infancy wherever that strength may be necessary. Can we fail to approve without equivocation or qualification the extension of the Selective Service Act?

But no purely mechanical schemes for the restoration of order, no mobilization of military strength however great can long preserve the peace unless it commends itself to the conscience of mankind.

Production and distribution of the essentials of life—unrestrained by government interference—unhindered by trade obstructions—unshackled by nationalistic monetary barriers—alone can solve the problems of scarcity—this, supported by that amount of force necessary to preserve order, alone can slowly establish the bases of an enduring peace.

Trained as we have been in our continental tradition—will we possess the understanding, the sensitiveness to our own welfare and security, so to discharge our new responsibilities irrevocably associated with our status as the mightiest power on earth, that we will hew out of this disordered world a lasting peace among us and all nations?

The stakes are high—higher perhaps than they have ever been in history.

Time and our own resolution guided by a light that remains undimmed will cast the dice.

## Stockton & Co. of N. J. Formed in Newark

NEWARK, N. J.—Formation of Stockton & Company of New Jersey, with offices at 24 Commerce Street, Newark, is announced today by J. P. LeMaster, First Vice-President of Telfair Stockton & Company, Inc., the parent company. The new company will specialize in mortgage loans, insurance, real estate investments and construction loans.

Edward A. Judge, a former officer of Commerce Management Company and Lincoln Mortgage Company, is President of the new corporation. He has been engaged in real estate operations in Newark for several years.

Telfair Stockton & Company, Inc., also owns the Ponte Vedra Beach development in Florida.

*This announcement is not to be construed as an offer or solicitation for the sale or purchase of these Securities.  
The offering is made only by the Prospectus.*

*Not a New Issue*

May 15, 1946.

271,250 Shares

## Mercantile Stores Company, Inc.

Common Stock  
Without Par Value

Price \$33 Per Share

*Copies of the Prospectus may be obtained only from such of the undersigned as may legally offer these securities in compliance with the Securities Laws of the respective states.*

Clark, Dodge & Co.

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Kidder, Peabody & Co.

Smith, Barney & Co.

Stone & Webster Securities Corporation

Lee Higginson Corporation

Merrill Lynch, Pierce, Fenner & Beane

White, Weld & Co.



## Mutual Funds

### Most Favored Industries

Industries with the greatest relative profit possibilities and the least relative price risk, according to **Hugh W. Long & Co.**'s May issue of the New York "Letter," are **Building, Metal and Oil**. Other industries with good profit possibilities but having greater price risk are **Aviation, Machinery, Railroad Equipment and Steel**.

Two other items of particular interest are discussed in this Letter. The first is the summer "seasonal" movement of stock prices. "Stock prices rarely go down between June and September. More frequently, they record an advance of varying proportions."

#### Price Change, S. & P. Composite Average June to September\*

1945	+5.2%	1940	+ 9.1%
1944	-0.4	1939	+10.9
1943	-1.6	1938	+13.9
1942	+3.9	1937	- 7.0
1941	+6.4	1936	+ 3.5

\*Change is between average price for June and that of the third week in September.

The second item has to do with the decline in real income from investments. A \$20,000 fund, half in triple-A bonds and half in common stocks is considered. As compared with 10 years ago, the bond income from such an investment would be down 29%, the stock income up 6%. Adjusting for the 26% rise in living costs in the interim, the "real-income" producing value of these savings has been reduced by approximately 50%.

"Is it any wonder that more and more investors are 'profits-minded' in planning their investment programs?"

#### Favorable Earnings Outlook

**Keystone Co.** surveys the outlook for corporate earnings in its current "Keynotes." "There is hardly any question that a high level of business is indicated for several years to come," writes this sponsor. "The principal factor of uncertainty has been whether industry would be allowed to make a reasonable profit."

"The 50 companies in Barron's Stock Price Index had average earnings in 1937 of \$7.60 a share, and paid average dividends of \$6 a share. For 1945, earnings were \$6, and dividends were \$4.20. As compared with 1937, earnings declined 21% and dividends were down 30%.

"In contrast, national income has risen from \$72 billion to \$158 billion, an increase of 120%.

"A high level of national income means a high level of business activity. With every indication that business volume will be far above prewar levels, it is a reasonable assumption that corporate earnings and dividend payments will improve from the depressed levels of the past four years."

#### Undervaluation in Steel Stocks

In a current Steel News, **Distributors Group** demonstrates the undervaluation in a representative group of leading steel stocks.

From Jan. 1, 1939 through Dec. 31, 1945 these stocks on average have increased their intrinsic value by \$71.60 per share. Yet on May 1, 1946 their current average market price was only \$68.39 a share.

In other words, during a period when these stocks have added over \$70 a share to their intrinsic value, their market prices have advanced only \$10 a share. And their current market price is still less than the amount of their wartime gain in intrinsic value!

#### Low-Tax Inflation Hedge

In a current issue of "National Notes" **National Securities & Research Corp.** compares the net income results of a \$1 million investment in high grade municipals with that of a similar investment in **First Mutual Trust Fund**. The income from the municipals, which is non-taxable amounted to \$29,821.07 net. Total distributions from the Fund, including \$45,892.20 of net long term capital gains, amounted to \$79,669.28 before taxes and to \$39,831.96 after taxes (assuming total taxable income of \$150,000). Thus the Fund afforded about one-third more after taxes than the municipals.

In addition, last year the net increase in market value of the investment in the Fund amounted to \$243,609.52, as compared with only \$34,662.50 for the investment in municipals.

This sponsor's current issue of **Investment Timing** analyzes the outlook for commodity prices. Here are the conclusions:

"Whatever degree of price control is finally adopted by Congress, higher commodity prices appear to be in prospect at least for the next year, due partly to the fundamental effect of increased public purchasing power; higher incomes mean greater demand for consumers' goods, both of the immediate consumption and durable or semi-durable type, and the sustained level of industrial production anticipated for some time, together with urgent foreign needs, means a high demand for materials of all kinds. We look for an increase of approximately 15% in commodity prices this year."

#### Question and Answer

When is the right time to invest in **Fundamental Investors**? asks **Hugh W. Long & Co.** in a new memorandum on that Fund. Answer—"Investors who held shares of **Fundamental Investors** any time in the last decade benefited from alert and successful management." This statement is supported by performance figures on **Fundamental Investors** going back for five different periods, the longest one nine and one-half years. In every period **Fundamental** did better than the **Dow-Jones Composite Average** and also did better than the average of similar funds.

#### A Question for Fathers

"Do you encourage your wife and children to develop a sense of responsibility about money or

investments?—or are they like most dependents who do not know the difference between a stock and a bond?" After posing this question, **W. L. Morgan & Co.**, the sponsor of **Wellington Fund**, proceeds to outline a method whereby a father can give his wife and children proper investment experience through the use of trust funds. Gifts of shares of **Wellington Fund** are recommended in setting up such trusts.

"Gifts of Fund shares may be made outright or in trust. The terms of the trust should conform to the individual needs of the donor and his family and should be prepared with advice of counsel. However, a short form of an irrevocable declaration of trust prepared by our counsel, which might suit the needs of some donors, will be forwarded on request."

#### Philip Morris and Affiliated Fund

**Lord Abbett** in the current issue of **Abstracts** discusses the decline in the common stock of **Philip Morris** from 74 to a low of 41 1/4 recently. After citing the improvement in that stock's position subsequent to the developments which brought about its decline, this sponsor makes the following comment:

"It will be of interest to dealers to know that **Affiliated Fund, Inc.** held no **Philip Morris** in the portfolio at the time of the drastic decline mentioned above, but beginning at a level around 50, a program of accumulation was instituted and the Fund now owns 10,000 shares."

#### Dividends

**Group Securities, Inc.**—The following second quarter dividends payable May 31, 1946 to shareholders of record May 17.

	For 2d Quar.	Reg. Ex. Tot.
Agricultural	.10	.10
Automobile	.04	.06
Aviation	.04	.02
Building	.025	.035
Chemical	.045	.035
Elec. Equip.	.05	.05
Food	.045	.025
Fully Admin.	.06	.04
General Bond	.10	.10
Indus. Machinery	.05	.04
Institutional Bond	.08	.01
Invest. Company	.10	.10
Low Priced	.05	.06
Merchandising	.065	.075
Mining	.025	.015
Petroleum	.05	.04
Railroad Bond	.04	.01
Railroad Equip.	.04	.02
Railroad Stock	.07	.07
Steel	.04	.03
Tobacco	.04	.04
Utilities	.04	.04

#### Mutual Fund Literature

**Lord Abbett**—Composite Summary folder for May on all **Lord Abbett Funds**; **Investment Bulletin** discussing Federal tax status of dividends received by a corporation. . . . **National Securities & Research Corp.**—Current Information folder for May on all **National Trust Funds**; A letter re fiscal year-end distributions; Memo showing portfolio changes during April. . . . **Distributors Group**—Monthly price comparison for May on **Group Securities**; reprint of an article on steel orders from **Steel Magazine**. . . . **Keystone Co.**—Current Data fold-

er for May on all **Keystone Custodian Funds**; current issue of the **Keystone Investor**. . . . **Hugh W. Long & Co.**—Current monthly portfolio folder on **Manhattan Bond Fund**.

## Officials of Fund and World Bank

### CAMILLE GUTT

General Manager of the Fund

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

In 1944 Mr. Gutt, then Belgian Minister of Finance and Economic Affairs, attended the Bretton Woods Monetary and Financial Conference as chairman of his country's delegation. He participated in the Savannah inaugural meeting of the World Fund and World Bank as his country's governor of the Fund. At Savannah, M. Gutt was selected executive director of the Fund and also of the Bank. He was the only one to be thus elected to both institutions.



Camille Gutt

Mr. Gutt served only momentarily as executive director, since at the first meeting of the executive directors of the Fund he was made its General Manager, upon the nomination of the United States. The same week Mr. Gutt resigned his executive directorships, which were temporarily taken over by Mr. L. A. Goffin, counsellor of the Belgian Embassy in Washington and Mr. Gutt's choice as his alternate.

Born in Brussels in 1884, Camille Gutt graduated in political sciences in 1903 and became a Doctor of Law in 1906. Serving at the front during the first two years of World War I, Mr. Gutt was made secretary general to the Belgian War Material Purchase Commission in 1917 and two years later, secretary general to the Belgian Delegation in the Reparations Commission. His next post was as first assistant to the Finance Minister until 1924, when he was appointed Belgian assistant delegate on the Reparations Commission.

In 1926 Mr. Gutt was again first assistant to the Finance Minister and in 1929-30, Belgium's representative on the Young Committee. Thereafter he was successively Plenipotentiary for the Belgian Government (1930-31), Finance Minister (1934-35 and 1939-45), and Minister of State (1945).

## Dart and Sindoni Are Marvin Co. Partners

PHILADELPHIA, PA.—George W. Dart and William Francis Sindoni are being admitted to partnership with Frederic H. Marvin in the firm of Marvin & Co., Lincoln-Liberty Building. Both have been with the firm for some time.

## F. P. Hamill to Be A. W. Snyder Partner

HOUSTON, TEX.—Fred P. Hamill will be admitted to partnership with Alva W. Snyder in A. W. Snyder & Co., Bankers Mortgage Building. Mr. Hamill has been recently with Rotan, Mosle & Moreland.

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### Fundamental Investors, Inc.

The Directors of **Fundamental Investors, Inc.**, have declared quarterly dividend No. 50 of \$22 per share payable on the Corporation's capital stock June 15, 1946 to holders of record at the close of business on June 1, 1946.

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## Export-Import Bank Looks at South America

(Continued from page 2639)

money-making aspiration, but more a sincere interest as a matter of national pride in modernizing the economy, increasing the national income and raising the standard of living, as was emphasized to us in country after country during our trip," Mr. Gaston said. "Naturally they want some financial help from this country, but we may also anticipate that a considerable amount of their local capital will become available for these purposes as the success of our investments there becomes apparent."

Mr. Gaston was very much impressed with Brazil's iron ore resources, greater than this country ever had. During the war the Export-Import Bank lent money for the construction of a railroad to tap some of these resources. The railroad is still not completed, but will soon be.

The Export-Import Bank officials were especially interested in the steel mill which, with the Bank's help to the extent of \$45,000,000, the Brazilians now have at Volta Redonda. "The mill is modern in every sense and is an extremely creditable job," Mr. Gaston remarked. The Brazilians figure on an output of 350,000 tons of steel a year. The mill has a 1,000-ton blast furnace and three open hearths now operating; also a by-product coke plant. "It was an American planned and supervised job from start to finish," Mr. Gaston said.

Both Mr. Gaston and Mr. Ness emphasize that American technicians get along very well with the Latinos and so constitute a most effective good-will force. Said Mr. Gaston: "I suppose that Export-Import Bank loans have been one of the most important influences in stirring the Latin Americans to develop their own resources and local industries. And this on the American pattern, with the help of American engineers and American money."

### Effect of Latin American Accumulated Balances

It might seem that with the greatly increased Latin American gold and dollar balances accumulated as a result of the war, Latin Americans could do more to develop their own resources with their own money, but this overlooks the fact that the balances do not generally belong to the authorities or the private interests who have the development plans, according to Mr. Gaston. Latin America in many respects is very much like our West a few decades ago, with very high interest rates and heavy demands for capital. "It's my notion that the investment of a moderate sum of American dollars through the Export-Import Bank in Latin America may provide a very considerable stimulus to local investment."

### Interest Charges on Export-Import Bank Credits

In view of the high interest rates prevailing in Latin America, one may wonder whether the extension of Export-Import Bank credits there at 4% interest does not constitute a subsidy by the American Government, even after allowance for the fee which the ultimate borrower must pay to his government for guaranteeing the credit. But this is not regarded in Washington as a fair interpretation of the situation. In Latin America there is not a good market for local government securities. While Latin American governments and others borrow from the Export-Import Bank on their bonds, in some cases at least the borrower does so with the intention of turning the project over to local interests in the form of common stock.

For example, in Chile—which

was the main point of interest for Messrs. Gaston and Ness—several enterprises originally Export-Import-Bank financed and now privately owned were pointed out to the visitors. There the "Fomento" aids private enterprises in covering their dollar costs and sells out as soon as possible. Among the plants visited in Chile was the Madeca, where every kind of copper wire and cable is manufactured. This was an Export-Import Bank project.

The matter of financing the newly-discovered oil field in the south of Chile was discussed, but no progress was made thereby. It is well known in oil circles that there is ample American capital and talent available to develop the new oil field, but this is not possible because of Chile's law preventing use of private capital in this field. As for the Export-Import Bank, it is its general principle not to compete with private capital, when it is obtainable on reasonable terms. The trend of thinking in U. S. Government circles is that in the highly competitive oil business, governments operate at a disadvantage. Mexico is a good example of the poor economic results of government oil operation. The business is a highly specialized one. Good people are hard to get. Mexico has been losing money on its oil since nationalization, when they could so easily be making money on it.

The Chilean "Fomento" has borrowed from the Export-Import Bank some \$28,000,000 for a steel mill and \$33,000,000 for other purposes. Gaston and Ness looked at the Sauzal hydroelectric project, financed with the Bank's help. American engineering help and American equipment, much admired in Latin America, were used in this project. The visitors also saw the beneficial results of the education of Chileans in American engineering methods during the war.

As to whether projects on which the Bank has been lending will prove self-liquidating, Messrs. Gaston and Ness are believed to have gotten a very favorable impression. Many of the projects being promoted by Chile's "Fomento," for example, will take the form of the Bank's "exporter credits," it is pointed out. The record of these credits of the Bank in the past has been very good, with only a negligible amount of defaults.

Despite Chile's failure to date to interest the Export-Import Bank in financing the development of the new oil field, it is known that Chile has been able to apply some of its wartime borrowings here to that end—a wartime oil exploration credit. The purpose of the wartime credit was to help locate strategically located oil reserves.

In general, Mr. Gaston said, the work on financed projects in Latin America is being honestly, if not always most efficiently, carried out.

In all the Latin American capitals visited, the Bank's officials noted marked real estate inflation and building booms, especially in Rio de Janeiro.

"Our main impression," concluded Mr. Gaston, "is Latin America's wealth of resources and the great impatience to finance its development."

### To Address Cashiers

H. K. Kenner, General Manager of the Better Business Bureau of N. Y. C., will address a dinner meeting of the Cashiers' Association of Wall Street, Inc., on May 16, at the Savarin Restaurant, 120 Broadway. His topic will be "Safeguarding Wartime Savings."

## McCoy Acting Director Of Domestic Commerce

Under-Secretary of Commerce Alfred Schindler announces that H. B. McCoy had been designated Acting Director of the Office of Domestic Commerce.



H. B. McCoy

ment of Gen. Browning's successor.

## Hans S. Rothschild Dead

Hans S. Rothschild, senior partner of Sutro Brothers & Co., 120 Broadway, New York City, died at his home in Greenwich, Conn. at the age of 57.

Born in Germany, Mr. Rothschild came to the United States 38 years ago. He was associated with the firm of Baruch Brothers until shortly after his marriage in 1913 to May Sutro, daughter of Richard Sutro, who was then senior partner in Sutro Brothers & Co. Mr. Rothschild was a second partner of the firm until the death of his father-in-law in 1930, at which time he became senior partner.

He was a member of the New York Stock Exchange, New York Curb Exchange, Chicago Board of Trade, the Commodities Exchange, Incorporated, of New York and the New York Cotton Exchange.

## Who Owns the Job— Industry or Labor?

(Continued from page 2651)

function, or "doing a job," as long as (1) the job yields products that are worth more than they cost, and (2) their efficiency and cooperation in performing it prove them to be as fit as any competitor. But neither owns his job, in the sense of a right to hold it regardless of the demand for the product or his efficiency as a producer.

**Who Controls Hiring and Firing?**  
If we oversimplify, and reduce all claims on "the job" to those of enterprise and labor, the practical issue comes down to this:

What limits are there on the rights of each with reference to employment, or to put it bluntly but honestly, who controls hiring and firing?

The answer again is, Neither. As to the employer, he does not control the hiring and firing, because he can not:

1. Refuse to hire a competent man who needs work which the employer has available.
2. Discriminate in employment on purely personal grounds.
3. Fire men for the purpose of smashing unions.
4. Refuse to bargain collectively, thus refusing to recognize the rights of labor, as such.

As to the employee, he does not control the hiring and firing, because he can not:

1. "Sit down" on the job, as a striker or otherwise.
2. Engage in violence or intimidation by mass picketing to keep other bona fide job seekers out.
3. Declare jurisdictional or general strikes.
4. Adopt "featherbed" rules which destroy the job.

Thus nobody can really own jobs in a free country. Jobs exist

for the benefit of society. They are merely discovered by enterprisers, and organized and directed to gratify the social demand. The job has to have labor. But it also has to have enterprise and approximated in practice—is a condition in which, in order to do a job, enterprisers choose among laborers, and laborers choose among enterprisers, neither having rights to the job except those based upon efficiency and cooperation in doing the job. No ownership!

## Day Off Without Pay For SEC Staff

PHILADELPHIA—All employees of the Securities and Exchange Commission must take a day off without pay between May 31 and June 14 because of a lack of funds for the agency. In a memorandum to its 1,194 employees, of whom 871 are in Philadelphia, the Commission stated that its appropriations for salaries and expenses for the current fiscal year, which ends June 30, "would be over-obligated on the basis of present salary commitments, fixed charges and other items of expense" and that "it is now necessary that action be taken to realign these commitments and obligations to make certain that the actual expenditures therefor will not exceed the amount of the appropriation."

Rather than make permanent reductions in staff or furlough about fifty employees for periods of less than thirty days, the compulsory furlough was decided upon, the Commission said.

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## Union Electric Company of Missouri Preferred Stock, \$3.50 Series

\*The Company is offering to the holders of its outstanding 130,000 shares of \$5 Preferred Stock the prior right of exchanging such stock for Preferred Stock, \$3.50 Series, on a share-for-share basis, with a cash adjustment, as set forth in the Prospectus.

Price \$107 per share

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Kirkpatrick-Pettis Company

Rotan, Mosle and Moreland

May 14, 1946.



## ABA Committee on Treasury Savs. Bonds

(Continued from page 2649)

for the people the benefits of the investments that you bankers helped us sell to 85 million Americans. . . . The banks' part in this program will require leadership of the same high capacity as the American Bankers Association gave to War Finance through your splendidly effective ABA War Bond Drives Committee and State ABA Chairmen."

In reply to Secretary Vinson's letter, President Rathje said: "I am happy to acknowledge your letter calling on the bankers of the country for continuing aid and to act for the Treasury as issuing agents for United States Savings Bonds. I recognize, with you, the importance of the task and the necessity of keeping the public debt as widely distributed as possible through the sale of these bonds to individuals. . . . It will be our purpose to continue the same general type of organization, operating through State ABA Chairmen, that functioned so effectively during the war years."

The ABA Committee on Treasury Savings Bonds and State Chairmen will cooperate with the United States Treasury in an intensified sales promotion program for the sale of U. S. Savings Bonds which will begin on June 6, the second anniversary of D-Day in France. This promotion is not intended for the purpose of increasing the public debt but is aimed at maintaining widespread ownership of Government obligations as one of the most effective anti-inflationary measures.

The ABA Committee on Treasury Savings Bonds will include, besides Chairman Hagemann, the following: James G. Hall, Executive Vice-President, The First National Bank of Birmingham, Ala.; J. L. Driscoll, President, First Security Bank of Idaho, N. A., Boise, Idaho; Burr S. Swezey, President, LaFayette National Bank, LaFayette, Ind.; E. Chester Gersten, President, The Public National Bank and Trust Company of New York, N. Y.; George R. Martin, Vice President, Security-First National Bank, Los Angeles, Cal.; Henry J. Nichols, Vice-President, National Shawmut Bank, Boston, Mass.; Edward H. Winton, Presi-

dent, Continental National Bank, Fort Worth, Texas; Thomas J. Groom, President, Bank of Commerce and Savings, Washington, D. C.; Robert W. Sparks, Vice President, Bowery Savings Bank, New York, N. Y.; Allen Morgan, Executive Vice - President, The First National Bank of Memphis, Tenn.; George R. Boyles, President, Merchants National Bank, Chicago, Ill.; William R. Kuhns, Editor of "Banking," 12 East 36th Street, New York, N. Y., Secretary.

## Gen. Drum Elected By Lawyers Trust Co.

Lieutenant-General Hugh A. Drum has been elected a member of the Board of Directors of Lawyers Trust Company.

General Drum has seen active service in the Spanish American War, the Philippine Insurrection, World War I and in the last war.

He is the recipient of many medals and honors including the Distinguished Service Medal with Oak Leaf Cluster, and the Silver Star. He is a Commander of the French Legion of Honor and a holder of the Croix de Guerre.

Among the honorary degrees that General Drum has received are: Doctor of Science, Manhattan College; Doctor of Military Science, Georgetown University; and Doctor of Laws, Columbia and Rutgers Universities.

General Drum is a member of the New York Chamber of Commerce and is now President of Empire State, Inc., the corporation controlling the Empire State Building. He is also Commanding General, New York State Guard.

## Edward Wagener Resumes Duties at Foster Bros.

TOLEDO, OHIO — Edward G. Wagener has returned to his former position with Foster Bros., Young & Co., 410 Madison Avenue, after an absence of eighteen months due to illness. Mr. Wagener who has been in the securities business for nearly thirty years spent most of his time with Snyder, Wilson & Co., the name of which was recently changed to Foster Bros., Young & Co. He began his career with E. W. Wagener & Co. in 1917 and was later with J. S. Bache & Co.

## Blair & Co. Offers Bowser Preferred

Blair & Co., Inc., headed an underwriting group which offered to the public, May 10, 200,000 shares of Bowser, Inc., \$1.20 cumulative preferred stock, par \$25, with common stock purchase warrants attached, at \$25 per share. Each warrant gives the holder the right to purchase one share of common stock for each preferred share held at prices ranging from \$18 per share between May 15, 1946, and May 14, 1948, to \$24 per share between May 14, 1950 and May 14, 1952, after which the warrants will be void.

Proceeds from the sale together with proceeds from the sale of detached warrants for the purchase of 50,000 shares of common stock which the company is selling to the underwriters will be applied to the redemption of outstanding first mortgage 5% sinking fund bonds, 5% sinking fund debenture bonds and first preferred stock. The balance of proceeds will be added to working capital to be used to finance inventories and accounts receivable and for general corporate purposes.

Bowser, Inc., is an Indiana corporation which succeeded to the business founded in 1885 by S. F. Bowser, inventor of the gasoline pump. The company was incorporated in 1899 under the name of S. F. Bowser & Co., Inc., and is one of the oldest pump companies in the United States.

The company and its subsidiaries are engaged in the manufacture and sale of liquid control devices such as meters, pumps, filters, lubricators, stills and related equipment, domestic incinerators, industrial low temperature equipment, gears, automatic screw machine products, miscellaneous locks and screws, fare boxes, electric coin changers and coin counters, testing and servicing equipment for internal combustion engines, and battery chargers and a general line of builders' hardware.

The company's consolidated net sales in 1945 amounted to \$39,809,896 and net income was \$1,846,307.

## Paths to Uninterrupted Progress

(Continued from page 2640)

say here that I am confident that the American system will make the grade, although, as I have said, we cannot do so by anything less than maximum performance.

I shall try to describe briefly some of the characteristics of the leading forms of society, not as they exist in textbooks or in the minds of their protagonists, but as they function at present.

### The Russian Economy

In Russia, state ownership is the rule, private ownership is the exception, as we all know. Common use of agricultural land and implements was general in Russia over the centuries and cooperatives in the small villages that made up Russia's economy to a very large degree were part and parcel of their way of life. But enforced collectivism had to be revised to make it operate and produce grain and other farm products to support the population.

Industrially, the Soviet Union long ago abandoned the idea of operating industry through a strict application of political equality. Technicians now occupy an important place in the scheme of things. Differences in pay are very considerable. Earnings of technicians have been reported as much as twenty times as high as those of many workers. Prizes and bonuses are offered and there are non-monetary advantages accruing from special skills and ability, such as better housing facilities and vacations in choice resorts. It is interesting to note that, according to Soviet sources, 67% of the total savings deposits as of Jan. 1, 1937, were held by 10% of the depositors.

The turnover tax, which is the main source of revenue, is imposed on almost all consumer goods. It is reported that the tax often amounts to more than the cost of production. In 1941, for example, the tax on wheat and rye amounted to about 75% of the price, and the tax on sugar as high as 35%. It is easy to understand how much a tax can be used, when the authorities wish, to divert savings for the expansion of capital goods, which is exactly what was done in the pre-war years. A profits tax is an important part of the national budget, accounting for almost 12% of the 1940 revenues. The profits represent the earnings of the great industrial trusts. Recently it was announced that the reconstruction loan of 20 billion rubles (nominally \$3.7 billion) was a success. The people were called upon to invest a month's pay. This was a lottery loan; previously Russian loans have borne 4% interest.

In a study of public finance before the second World War (and I would say that if there has been any change since, it was for the worse) it is stated that, on an inheritance of 500,000 rubles, the inheritance tax amounted to 238,540 rubles, plus 90% of any excess over 500,000. One cannot resist the comment that this is almost as high as the combined Federal and State inheritance taxes in our own country on a comparable estate.

Income and inheritance taxes, public loans, profits taxes—all are a far cry from the early theory of each according to his need, with some form of labor certificate to be used instead of money. The Russians have found that an industrial economy must have a price basis, that modern methods require accounting systems and accurate measures of costs, and that if labor were to receive the whole product, it would be impossible to maintain industrial plants, let

alone provide for increases in equipment.

What I wish to emphasize is that centrally planned production and distribution is not the solution of the many complex problems inherent in a modern economy. While the differences between the Russian economic system and our own are vital and obvious, there are similarities. The greatest difference is the absence of political freedom in Russia.

The plain fact is that the Russian worker in the Stalingrad tractor plant or the great steel works at Magnitovorsk depends for his income on the amount of work he performs, which in turn depends in large part on the efficiency of his direction and the equipment at his disposal. Professor Colin Clark, a well-known British economist, has estimated that the real income of the Russian in the prewar decade, measured by the amount of goods and services which could be purchased for a dollar in the United States, or an amount of interchangeable income, was less than one-third the average real income in the United States. Allowing for some improvement, it is apparent that complete state ownership of the means of production and distribution still has failed to prove itself as a formidable competitor of American industrial enterprise.

### The Wave of Collectivism

Yet, in all candor it must be conceded there is great danger that a wave of collectivism of one kind or another may sweep over Europe. Movements of such magnitude cannot be dismissed as the whims of politicians or the aberrations of groups that suddenly crop up out of nowhere to capture the enthusiasm of large multitudes.

In England, the home of political individualism, the Labor government moves ahead with a program of collectivism. Czechoslovakia, the Continental state most closely wedded to our form of political institutions, has embarked on a broad program of state ownership. The proposed French constitution contained provisions whose significance probably was lost in the recent crowded events. Article XXVI read: "Every man has the duty to work and the right to obtain employment. . . ." Article XXIX was made up of one sentence: "Everyone has the right to rest and leisure." And another article guaranteed everyone who, because of his economic situation, found himself unable to work the right to obtain from the community suitable means of existence. The constitution was turned down, not, I daresay, because of these provisions. The French Assembly has nationalized the gas and electric industries, the deposit banks, the coal mines and forty-five of France's largest insurance companies.

Why countries with democratic traditions are willing to risk statism which has elsewhere involved the loss of political liberties for which they have stood fast, cannot be understood without a close examination of the economic and political tendencies prevailing in these countries, which time does not permit.

In general, the spectre of large-

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## Holly Stores, Inc.

32,000 Shares  
5% Cumulative Convertible Preferred Stock

(Par Value \$25 per share)

Price \$25 Per Share

plus accrued dividends from May 1, 1946

100,000 Shares  
Common Stock

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Price \$10.50 Per Share

Copies of the Prospectus may be obtained in any State only from such dealers participating in this issue as may legally offer these securities under the securities laws of such State.

Carl M. Loeb, Rhoades & Co.

May 14, 1946



scale unemployment, general deprivation and despair may be held responsible. The hungry forties of the last century were followed by social changes and revolution in Europe; the dismal thirties of the present century nourished dictatorship and the totalitarian state.

What do these things mean to us? I have no fear of a prolonged period of unemployment if we in this country will but use our economic potential to avoid further inflation. We must, however, create a better understanding of how our economic society works, what it produces and how the rewards are distributed.

#### The Inflationary Danger

I have on a number of occasions voiced my sentiments about the futility of shadow boxing with inflation. In the annual report of the New York Stock Exchange recently, I pointed out the danger of doing nothing about the continued monetization of the public debt and advocated a national commission to investigate the problems of debt and taxation. Since then, the monetary authorities, because of the public's interest, have taken the first step in discontinuing measures adopted during the war to promote the Treasury's finance program. Moreover, a committee has been formed to make a thorough study of our fiscal problems, and the nature of its sponsorship assures its findings of serious attention, although it, unfortunately, is an unofficial group. I heartily endorse the anti-inflationary program adopted recently by the executive council of the American Bankers Association. The approval of the use of war loan accounts in banks to repay government debt, although this practice will reduce the earning assets of the banks and to some extent their earnings, is the kind of courageous thinking we must have.

Although the inflationary pressures today are great, we must look ahead. If a firm fiscal policy is followed, with the budget balanced and restraint upon the flow of goods removed as soon as possible, it probably will be not more than two years before the problem of finding markets for our vast economic productive machine will be commanding our attention. Already, there are a few signs that the veritable seller's paradise of the past four or five years is about to give way gradually to a more competitive market. Scarcities are not the long-term trouble of our economy.

Judging by the history of highly industrialized societies during the twentieth century, it is after our immense productive capacity has been released that we will enter a critical period; for a long period of unemployment is the door through which statism, of the right or left, will march. Unused productive facilities, idle men and idle plants, do not make sense. I am inclined to think we have learned from the past. If we have, the prospects for a period of prolonged prosperity, on a scale far surpassing any we have yet had, seem to be not only a pleasant prospect, but within our reach.

#### International Economic Cooperation

I look for greater international economic cooperation, in which we must take the lead. The World Bank and the International Monetary Fund have shown the way. When they begin to function, they will inspire confidence. The credit to England, debated too long and delayed by a poor display of tact in both England and the United States, will be exceedingly helpful. Let us see if we can draw a lesson from economic history. In less than twenty-five years, the price of wheat and of jute has during three one-year periods been reduced by one half, the price of cotton has suffered such a decrease three times in periods

of less than 18 months. On one occasion the price of coffee was cut in half in eight months, on another the price of sugar trebled in four months. Among the metals, the price of copper and of lead was halved four times within periods of two years and doubled three times even more rapidly. The report of the Delegation on Economic Depressions of the League of Nations paints a vivid picture of the effects of these fluctuations. "Farmers in many areas were unable to purchase clothes or boots, were unable to send their children to school for lack of them, were unable to obtain food other than that procured on the farm; debts were unpaid and banks forced to close their doors on their depositors; savings, large and small, were lost and the plight of the paid labor on the farm or in the mine was often such as to make the incomeless farmer seem fortunate." International economic collaboration is necessary to eliminate or at least modify these examples of extreme mal-organization.

The world, as Professor Clark observed in 1940, is found to be indeed a wretchedly poor place. It is even more so today. An average real income below \$10 a week per worker is the lot of 81% of the world's population. A standard of living of \$1,000 per worker per year (1936 prices) or more is found only in the United States, Canada, Australia, New Zealand, Great Britain and Switzerland.

#### Crying Need Is More Production

The crying need of the world at large today is more production; our immediate concern is not the distribution of income. The capital needs of China alone stir the imagination if only international good sense prevails. Production per capita is pitifully small; so perforce is income. National prejudices are sticky. The dwindling of distances through speedier travel and the opportunities of intellectual exchange cannot erase the obstacles to international investment and trade at once. However, if we are successful in bridging the difficult period ahead, I have confidence in the capacity of peoples of good will to conquer the devils of misunderstanding and suspicion.

#### A Better Understanding of Economic Organization Needed

Reverting to the domestic situation, a better understanding of how our economic organization functions is imperative. The worker has to have demonstrated graphically that increased production is the soundest source of increased wages. That has been the story of economic progress and will continue to be the story of the spreading of economic benefit over a larger area.

The present government in England, having inherited the teachings of leaders who preached that it is only necessary to capture the so-called surplus value or profits, is now caught in a dilemma. The authorities have had to exhort the miners to provide more coal for necessary reconversion and for the export trade which England so urgently requires. Nationalization is no magic formula—this has been learned everywhere it has been tried.

I am impressed by the number of corporations which, through annual reports addressed to both their stockholders and employees, are beginning to describe interestingly, and with a wealth of factual material, the anatomy of business organization and economics. To undermine economic fallacies and eradicate economic illiteracy, these concrete facts are probably the most cogent weapons.

I would point out that our form of society is based on voluntary cooperation, i.e., individualism that must respect the general welfare. Increasingly, leading enterprises are considering methods to convince their employees of the

community of their interests and that of the business in which they are earning a living.

Labor leaders who demand wage increases solely because the increase can be passed on to the consumer are likely to price the industry out of business. Bituminous coal is an example, for with the experience we are going through, we may be sure that more economic fuels will capture a large part of the market which has been using coal.

#### No Apologizing for Profits

Let me add one thought in conclusion. I abhor the practice of apologizing for making a reasonable profit. The fact is that the best wages and best working conditions have been the rule in the profitable businesses rather than in those which were economically backward or weak. Incidentally, improvement in working conditions and wages did not begin in 1932. From 1914 to 1930 hours per week were reduced approximately 15% and real weekly earnings in manufacturing industries increased 22%. Profits in competitive industry are the rewards of efficiency and of service to the

general community. We can rely on competition to bring profits down if they become unreasonable. It has been our national policy to regulate industries that are natural monopolies.

Our competitive enterprise system has no rival anywhere. It has given us the highest standard of living ever attained by any people. Under this system, spiritual and human values are recognized and respected as nowhere else. In spite of numerous setbacks, our progress, over the years, has been such that, as a nation, we are today the most powerful in the world. How are we to make sure that this progress is not interrupted?

#### Recommendations

I would answer the question this way:

To follow faithfully the historic pattern of American industry, which is to produce more and more goods of better and better quality at lower and lower prices, if I may paraphrase a statement by Mr. Ford.

To strive ceaselessly for a voluntary unity of management, labor and capital.

To make war on economic illiteracy and thus strip away layers of prejudice and fallacy, thus creating sound public opinion based upon a broader understanding and appreciation of how our society does its work.

I am not given to making prophecies, but believing as I do that the sound common sense of the American people will assert itself, I look for a surprising volume of production and increase in real national income. With the cooperation of government, industry, finance, labor and agriculture (a cooperation I believe to be attainable), we can move ahead to new high levels of production, which means a higher standard of living and the preservation of our precious heritage of personal freedom. This achievement is bound to have a powerful attraction for all nations, for no people is irrevocably committed to any form of government or economic organization, as history since the first World War has amply proven. As the last best hope of a bewildered world, we must set an example of democratic capitalism upon which confused and unhappy people everywhere may look with faith.

*This is under no circumstances to be construed as an offering of these securities for sale, or as an offer to buy, or as a solicitation of an offer to buy, any of such securities. The offer is made only by means of the Prospectus.*

#### NEW ISSUES

May 10, 1946

## Central Maine Power Company

### 220,000 Shares Preferred Stock 3.50% Series

\$100 Par Value

Subject to prior rights of present holders of certain classes of Preferred Stock under the Company's Exchange Offer which expires at 3:00 P.M., E.D.S.T., May 20, 1946.

Price \$101.50 per share

### 373,832 Shares Common Stock

\$10 Par Value

Subject as to approximately 8,330 Shares to the preemptive rights of holders of the Company's 6% Preferred Stock and Common Stock which expire at 3:00 P.M., E.D.S.T., May 20, 1946.

Price \$28 per share

*Copies of the Prospectus may be obtained from any of the several underwriters only in States in which such underwriters are qualified to act as dealers in securities and in which such Prospectus may legally be distributed.*

#### The First Boston Corporation

Stone & Webster Securities Corporation	H. M. Byllesby and Company	Harris, Hall & Company
H. M. Payson & Co.	E. H. Rollins & Sons	Schoellkopf, Hutton & Pomeroy, Inc.
The Wisconsin Company	Blair & Co., Inc.	F. S. Moseley & Co.
Whiting, Weeks & Stubbs	Baker, Weeks & Harden	Maynard H. Murch & Co.
Maine Securities Company	Putnam & Co.	The Illinois Company
R. L. Day & Co.	Weeden & Co., Inc.	Bacon, Whipple & Co.
Phelps, Fenn & Co.	Riter & Co.	The Robinson-Humphrey Company
Bond & Goodwin	Bosworth, Chanute, Loughridge & Co.	Farwell, Chapman & Co.
J. J. B. Hilliard & Son	Clifford J. Murphy Co.	Rauscher, Pierce & Co. Inc.
Auchincloss, Parker & Redpath	Ballou, Adams & Company	H. F. Boynton & Co., Inc.
Alex. Brown & Sons	Chace, Whiteside & Warren	First of Michigan Corporation
Charles H. Gilman & Company	Gordon B. Hanlon & Company	Kirkpatrick-Pettis Company
F. L. Putnam & Co., Inc.	Reinholdt & Gardner	George D. B. Bonbright & Co.
Richard W. Clarke Corporation	Harold E. Wood & Company	



## Argentine Loan to Spain

Just when the administration of the Franco regime is under consideration by the United Nations, Argentina has announced the granting of a credit to Spain of \$7,500,000 for the purpose of buying food supplies from the lending country, a United Press dispatch from Buenos Aires stated on April 26. The same advice also reported that legislation recommending the resumption of diplomatic relations with the Soviet Union is on the agenda of the new Chamber of Deputies, which is expected to convene next month.

## Bothwell & Kilpatrick Form New Partnership

AUGUSTA, GA.—Warren Bothwell, Lt.-Col. AUS, recently released from active duty, and A. J. Kilpatrick, Jr., have formed a partnership under the name of Bothwell & Kilpatrick. Warren Bothwell, prior to entering the Service, was a member of the firm of Carey & Bothwell, established in 1910. A. J. Kilpatrick, Jr., has been in the investment business since 1928.

## C. Lester Emmert & Co.

HARRISBURG, PA.—C. Lester Emmert is forming C. Lester Emmert & Co. with offices at 207 Pine Street, to engage in the securities business. Mr. Emmert was formerly with the U. S. Navy. Prior thereto he was manager for the Harrisburg area for Warren W. York & Co. In the past he conducted his own investment business.

## EQUIPMENT TRUST CERTIFICATES

### Offerings Wanted

Immediate firm bids on practically all issues.

### Weekly List

Gladly furnished upon request.

### Semi-Annual Valuation and Appraisal

Complete dollar appraisal issued each June 30 and December 31.

### Monthly or Special Appraisal

Our experience and facilities at your disposal.

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## "Our Reporter on Governments"

By JOHN T. CHIPPENDALE, JR.

The Government bond market is now entering the so-called "test period" as the Victory Loan 2½s and 2½s from now on will be long-term holdings for tax purposes. . . . Likewise, other issues, in particular the 2½s due June 1959/62, and the 2½s due June 1967/72, bought along with, and in some instances in place of, the Victory Loan obligations in order to participate in the sharp price rise, will also be completing the required six months holding period that makes profits from these purchases taxable at a lower rate. . . . The period that most of these speculative purchases become long-term tax holdings extends from May 15 through June 5. . . .

### CAUTION RULES MARKET

Since the market turned down on April 8 and went into the spin that erased a substantial amount of the recent price rise, there has been a cautious and waiting attitude among dealers and investors. . . . This attitude is based largely on the belief that it would be advisable to withhold large-scale purchases, until there was an opportunity to gauge the amount of selling that might take place, once these securities became long-term tax holdings. . . .

The market is now face to face with this problem and it will be interesting to see what develops in the next month or six weeks, since many of the appreciation-minded holders of Government obligations can dispose of their issues, and pay taxes, on the basis of a long-term capital gain. . . .

In anticipation of the six months' holding period coming to an end, the market turned dull last week, with dealers and investors largely on the sidelines. . . . The bank eligibles and restricted obligations drifted lower, with losses ranging from a few thirty-seconds to about one point. . . . The market was orderly and volume light, with business confined principally to small purchases by large buyers and purchases by small investors. . . . Some firmness was evident following announcement by the British of a reduction in the long-term coupon rate. . . .

### LARGE BUYERS ON SIDELINES

The large institutional buyers have not yet entered the market in a sizable way, although they have done some scale buying and are definitely watching price movements very closely. . . . It is quite likely that these institutions will be interested in listening to offerings, near these levels, but may defer sizable purchases until there is more evidence that there may not be more panicky selling by some of the speculative holders of the restricted obligations. . . .

### RESTRICTEDS SEEN ATTRACTIVE

The restricted bonds have had a sharp sell-off from their best levels of the year, and despite the larger floating supply, which may temporarily carry them lower, they are in an accumulation area. . . . Scale buying should give investors a very satisfactory income. . . . The technical condition of the market will continue to improve as speculative holdings of these issues are taken over by investors. . . . Interest rates will continue low and funds in the hands of non-bank investors are more than large enough to absorb the increased floating supply of these bonds. . . .

Price weakness from present levels should be taken advantage of because this will be a good buying opportunity. . . .

### TAXABLE ELIGIBLES HARD-HIT

While there has been a great speculative rise in the Government bond market since the Victory Loan Drive, the recession from the highs of early April has brought prices of some of these issues back to levels that are even lower than those prevailing at the time of the large public offering of Treasury obligations. . . . The first issues to be affected by the debt retirement and refunding program of the Government, which brought about a slight firming of short-term rates were the taxable bank eligibles, particularly the intermediate-term obligations. . . . The larger return available in certificates relieved the pressure of bidding up these middle-term issues in order to obtain income. . . .

As a result the bank eligible issues, with maturities of less than 10 years, have been adjusting to the new conditions more than two months now. . . .

This is indicated by the following price trend:

Issue	All-Time High Bid Price and Date	Closing Bid	Bid Price	Bid Price
2% due 12/15/49/51	104.0 (3-1-46)	102.22	103.4	103.5
2% due 3/15/50/52	104.2 (3-1-46)	102.21	103.7	103.9
2% due 9/15/50/52	104.7 (3-7-46)	102.24	103.12	103.14
1½% due 12/15/50	102.16 (3-8-46)	101.11	101.16	101.16
2% due 9/15/51/53	104.18 (3-11-46)	103.1	103.23	103.24
2% due 12/15/52/54	105.1 (3-11-46)	103.13	103.31	104.3
2½% due 3/15/56/58	110.22 (2-8-46)	107.24	108.14	108.17

### INTERMEDIATE BANKS IN GOOD POSITION

If there was speculative buying at the time of and during the Victory Loan in the intermediate-term bank eligible issues, then the holders of these bonds have either taken short-term gains, or will be eligible for long-term losses, when one compares present prices of these issues with those prevailing at the time of the last public loan. . . . It seems as though speculative positions in the intermediate-term bank eligibles is now very small, which means there is not the same problem to contend with in these obligations as there is in the restricted securities. . . . While non-bank investors are still large holders of the taxable bank eligibles, these securities will not be pressing for sale as will the speculative holdings of restricted bonds that were bought purely for price appreciation. . . . While the excess reserve position of the commercial banks will no doubt be kept within limits to prevent these institutions from buying too many of the outstanding eligible issues, there will most likely be a continuation of the movement into the bond classification in order to maintain income. . . .

In view of the adjustment that has already taken place in the intermediate-term taxable bank eligibles these obligations are definitely in a buying range. . . . Institutions that are in a position to do so should now be acquiring these securities on a scale basis, taking advantage of price weakness to build up their holdings of these obligations. . . .

The longest bank eligible bond, the 2½% due Sept. 15, 1967/72,

has also moved down quite sharply from its recent top. . . . Price movements of this issue since the Victory Loan have been as follows:

Issue	All-Time High Bid Price and Date	Closing Bid	Bid Price	Bid Price
2½% due 9/15/67/72	109.19 (4-6-46)	106.25	106.29	107.19

This obligation, although a bank eligible issue, followed more closely the pattern of the restricted obligation in its recent price advance, making its all-time high at the same time as the ineligible 2½s. . . . This could have been due in some measure to speculative buying. . . . However, if that were the case, then these purchases for gain made during the Victory Drive have netted present holders very little. . . . The 2½s due Sept. 15, 1967/72 is a small issue, outstanding only in the amount of \$2,716,000,000, with the latest Treasury figures (Jan. 31, 1946) showing that \$1,606,000,000 were owned by the commercial banks. . . .

### OTHER HOLDERS

The other large holders of this security were other investors, with \$472,000,000, life insurance companies \$301,000,000 and Government agencies and Federal \$238,000,000. . . .

Undoubtedly changes have taken place in these positions since the end of January, with the belief that the deposit banks, added to their holdings, despite the rising market for this obligation. . . . Even the holdings at the close of January showed a potential increase in the floating supply of only \$1,110,000,000, if every holder (other than the commercial banks) fully eliminated his position in this security. . . .

The complete liquidation of these holdings in the 2½s due Sept. 15, 1967/72 would not be too sizable to be absorbed by the commercial banks even under present conditions. . . . Such is not likely to be the case since a substantial amount of these bonds will not be sold by present owners. . . .

### IN BUYING RANGE

Because of the favorable technical position of the 2½s due Sept. 15, 1967/72 and the recent price recession, this issue is in a buying range. . . . Commercial institutions that need income to cover expenses of savings accounts should be doing scale buying of this bond. . . .

## Trend of Interest Rates

(Continued from page 2638)

banks for book credit. This tremendous increase in the supply of money, and the policies of the Reserve authorities, caused interest rates to drop continually, and all along the line. The spectacle of ever higher prices for government bonds became a commonplace. Those who had insisted that mounting deficits and mounting debt totals inevitably would lead to higher interest rates at last became converted, albeit reluctantly, to the reality of lower interest rates. . . .

And then, what happened? Government bonds began to drop in price and the interest rate began to show signs of life and vigor. What does it all mean? Is the interest rate getting ready to return to those dizzy heights of 4, 5 and 6% of blessed memory? Has the Treasury lost the close control of the money market which it has had since the war started? . . .

### Decline in Bank Deposits

The answer is quite simple. During the first three months of this year, we have had a reversal of the process whereby these deposits were created. For the first time since 1934, the demand deposit total turned downward. The Treasury deficit for the year will be less, by several billions, than anticipated. The outlook is for a balanced budget in 1946-47, if the Congress will only give a little cooperation. This all means that the Treasury can safely use a part of its heavy cash balance to retire selected portions of the debt. The Administration is worried about the possibility of inflation arising from the expansion of bank deposits so it is the most natural thing in the world for this money to be used to redeem securities held by the banks and the Federal Reserve banks. In March the Treasury redeemed \$2,800,000,000 of securities, concentrating on issues held by banks. Actually, 87% of the total of securities paid off was held by banks. Deposits in the reporting member banks in 101 leading cities dropped \$2,457,000,000 during the three weeks covering the March redemption. The New York member banks had to increase their borrowings at the Federal Reserve banks by some \$300,000,000 to partially offset the \$379,000,000 decrease in Federal Reserve System holdings of Gov-

ernment bonds. The decreases in reserves and deposits reduced the demand for Government securities and caused the market to tighten. . . .

The full import of this little demonstration of the control which the Treasury can exercise over the money market through selective redemption must not be underestimated by bankers. By deliberate retirement of issues held by the Federal Reserve banks and the commercial banks, the Treasury reduced reserves and deposits which in turn reversed the upward price trend of Government bonds! . . .

Debt retirement has thus become a powerful instrument of quantitative credit control and this power is in the hands of the Treasury. Furthermore, the Treasury has great flexibility in this respect as there are many issues, and maturities of Government issues and the Treasury knows where they are held. The recent exercise of this power and the resulting decline in reserves and deposits clearly indicates that the "honeymoon" in Government bonds is over. But does that mean that the end draws near; that we should don mourning clothes? I hasten to answer my own question in positive terms. Certainly not! . . .

### Debt Retirement Only Part of Debt Management

If debt retirement were all that there is to debt management a counsel of despair might be in order. Certainly it would be a bitter paradox for the bankers of America if the more conservative the Government became, the more debt it paid off, the lower the market price of Government bonds would fall! To paraphrase "Lil Abner" of the comic strips, that would be "confoosin'" but certainly not "amoosin'!" . . .

But, as you well know, the monetary authorities, including the Treasury, have many other money market weapons and controls at their disposal. While there might be argument about the efficacy of some of the qualitative controls they have available, surely there can be little argument about the quantitative effect of reducing or increasing member bank reserves at the Federal Reserve banks, and the Federal Reserve system now holds nearly



\$23,000,000,000 of Government securities.

It is my considered opinion that the monetary authorities are genuinely worried about the inflationary dangers inherent in the huge increase in the volume of bank deposits and currency in circulation. Whereas during the war, open market operations were utilized to provide the commercial banks with adequate reserves, so that the ever-increasing volume of Treasury securities could be absorbed without borrowing and so that the increase in currency in circulation and the decrease in the monetary stock of gold could be offset, now the aim is to help prevent inflation.

The public has become restive under wartime restrictions still in force a full year after V-E Day. Business men have become very vocal in their opposition to bureaucracy, benevolent or otherwise. The OPA is having harder and harder sledding in the legislative halls, in the courts, and in the black markets. Under these circumstances, the monetary authorities reason, what could be more logical, what could have a greater psychological effect, than the redemption of Government securities on a selective basis which reduces reserves and deposits, tightens the money market, causes Government bonds to drop and brings about a moderate increase in short-term rates?

The ending of Treasury deficit financing through the sale of bonds to the banks and the consequent ending of the constant increase in deposits, has had a profound effect on the money market. The Treasury policy of redeeming securities held primarily by banks, which causes an actual reduction of reserves and deposits, naturally has had an effect on interest rates. Clearly, the classic inflation weapon of contraction of the credit base and increase of the interest rate to reduce the volume of bank credit has been invoked, although to a very limited degree. Now, undoubtedly, the question uppermost in your mind is whether this all means that the policy will be continued, and whether we should expect a material increase in money rates in the near future. In this connection, I think it is safe to say that, unless the Treasury and Federal Reserve authorities sharply change their policy, we have already passed the lowest point in short-term rates, and that the decline in the longer-term interest rates has come to an end or is very near it.

#### No Prospect of Materially Higher Interest Rates

This does not mean, however, that we are confronted with the prospect of materially higher interest rates. Such a development would be contrary to the interests of the Treasury, which would have to weigh the effects of such a change on the debt burden and on refunding operations. Obviously the Treasury cannot want a materially higher interest rate pattern; and let me assure you that if the Treasury doesn't want it, we will not have it!

From another standpoint, a material increase in money market rates and consequent drastic decline in the price of Government securities at a time when commercial banks and savings banks hold more than 45% of the total debt of \$275,000,000,000, and the insurance companies hold another 10% would have a serious effect on many of these financial institutions. Clearly, the Reserve authorities cannot adopt the quantitative measures of credit control which they used in the past, because the consequences of a material increase in rates would be far more serious than is generally realized. Other methods of a qualitative nature will have to be utilized.

To be sure, the problem of how to counteract the forces of infla-

tion inherent in the \$177,000,000,000 of deposits and currency in circulation will vex the monetary authorities for years to come. Nonetheless, it is my opinion that they will be forced, whether they like it or not, to adopt measures which will maintain money rates fairly close to present levels and at the same time prevent further increases in the volume of bank credit through the acquisition of Government issues. The actual reduction of the swollen volume of deposits can then be accomplished through a carefully managed selective redemption program on the part of the Treasury.

#### Banks Will Not Increase Holdings of Governments

The net effect of the developments I have described is that the commercial banks of the country have ceased to be buyers of Government obligations; that is, while the banks will continue to make changes in their portfolios, on balance they will not be able to buy additional Government securities as in the past. This means that from now on the capital market will be on an investment basis which makes an analysis of demand and supply factors necessary. So, let us now take a look at the probable supply and demand in the capital market to see if a substantial increase in the level of interest is indicated by the economic developments which are "just around the corner." Everyone agrees that unquestionably the volume of funds seeking investment will be enormous. So, we do not have to waste any time on the supply side. The probable demand for the swollen supply of investment capital is the \$64 question. Let us survey the larger potential demands, one by one.

1. **Corporations.** The business outlook is good and there will be some new issues. But, the demand will be relatively small because corporations, in general, have large cash balances and large holdings of securities in various unused reserves. And even if they do issue new securities, they may very well be common and preferred stocks. With a-boiling stock market, the proportion of bonds issued will probably be small.

2. **Construction.** The shortages of materials and skilled labor which now plague and retard the building industry will not be solved overnight. Higher construction costs and selling prices will undoubtedly act as a brake on volume, also. Of course, ultimately there should be a substantial demand for mortgage money. But may I remind you that the competition will be very keen for these mortgages. Savings banks, insurance companies, private lenders and the Federal Savings and Loan Associations will be right in there fighting for the available supply.

3. **States and Municipalities.** Deferred construction will have to be financed at higher price levels. This will require more borrowing than would be necessary at the pre-war price level. But, I must point out that political subdivisions in general hold a substantial backlog of surplus funds, including large holdings of United States Government bonds, acquired with surplus tax revenues during the war. Of course, to the extent that the new highways, public buildings, etc., are financed by the sale of present holdings of Government bonds, there is a demand for capital. In this respect, it is immaterial whether these political subdivisions sell their own issues or previously acquired United States issues.

4. **Shift of Government Securities.** Likewise, corporations and individuals have substantial holdings of Government securities which were purchased for temporary investment. These have not come into the investment market

as rapidly as expected. The steadily rising prices which characterized the Government bond market until about a month ago, prevented anticipated developments in this respect. In fact, it now seems clear that the sale of the Government bonds held for specific purposes by corporations and individuals will be, in general, a gradual process; certainly it will be, as long as prices hold up on Government bonds. It is, however, quite possible that in the near future, when the six-months tax period on the Victory Loan has elapsed, a number of the free riders will liquidate their holding and cause further unsettlement in the market.

5. **Foreign.** Foreign loans will be largely channeled through the International Bank for Reconstruction and Development. By the end of 1946, the Bank should begin to offer its own issues, or foreign securities bearing its guarantee, in the capital market. If the international political situation can be stabilized on a basis which will give world confidence, this demand on our capital market may total several billions of dollars. But that is a big IF. The whole thing is problematical, and it is quite a way in the future.

6. **United States Treasury.** Higher tax revenues, reduced expenditures, prospects of balanced budgets and unexpectedly slow sale and redemption of Government bonds by the public and corporations, have removed the necessity for further Treasury borrowing in the near future. Even more important from the standpoint of the banks, the

Treasury is in a position to use surplus cash to retire a part of its maturities and to either refund the balance into (a) short-term issues or into (b) long-term issues. Refunding into short-term issues would place heavy pressure on long-term yields and cause a possible further increase in the price of the longer issues. If, on the other hand, conversion is into 2½% issues, long-term rates will not change very much. To go a step further, refunding into long-term 2½% coupon issues would probably cause a moderate drop in the price of present Treasury issues ineligible for bank purchase.

#### Conclusion

Parenthetically, I do not foresee a great demand from business or industry for bank credit of a conventional character. There will be a considerable demand for consumer loans, but the keenest competition you have ever known will keep these rates down.

A careful study of all the factors involved in the foregoing summary indicates that the supply of capital and credit relative to the probable demand will be very large. It also indicates the almost complete dependence of the market on Treasury debt retirement and refunding policies. As to what these policies will be, the Treasury cannot now say. Secretary Vinson and other Government financial and monetary authorities have made it clear on numerous occasions that the Government will not now, in fact, cannot now commit itself to a long-range policy with respect to interest rates, redemption, refund-

ing and other aspects of debt management. They very properly reserve the right to "cut their cloth to fit." It is increasingly necessary, therefore, for bankers to continue their close study of developments in Government finance and the money market.

In closing, may I emphasize that, at present, changes in supply, demand, and credit policy factors are taking place. In the entire situation, however, there is one thing of which we can be certain: **The Treasury does not want materially higher interest rates—and it is still in complete control of the money and capital markets.** Therefore, the rate pattern on Government securities will continue to range from ⅞ of 1% on certificates to 2½% on long-term non-bank eligible bonds.

#### Samuel J. Story Now Is With Blewer, Heitner Co.

(Special to THE FINANCIAL CHRONICLE). ST. LOUIS, MO.—Samuel J. Story has become associated with Blewer, Heitner & Glynn, 320 North Fourth Street. Mr. Story in the past was with Dempsey-Tegeler & Co. for a number of years.

#### New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following weekly firm changes: Daniel G. Condon retired from partnership in Garvin, Bantel & Co. on March 31st.

*This is not an Offering Circular. The Offer of these Bonds is made only by means of the Offering Circular, which should be read prior to any purchase of these Bonds. This is published on behalf of only those of the undersigned who are registered dealers in securities in this State.*

NEW ISSUE

May 10, 1946.

\$15,000,000

## The Nashville, Chattanooga & St. Louis Railway

### First Mortgage 3% Bonds, Series B

Dated February 1, 1946

Due February 1, 1986

*Principal and interest unconditionally guaranteed by endorsement by Louisville and Nashville Railroad Company.*

The issue, sale and guaranty of these Bonds are subject to authorization by the Interstate Commerce Commission.

Price 100% and accrued interest

*Copies of the Offering Circular may be obtained from any of the several underwriters only in States in which such underwriters are qualified to act as dealers in securities and in which such Offering Circular may legally be distributed.*

#### The First Boston Corporation

Eastman, Dillon & Co. Kidder, Peabody & Co. Lazard Frères & Co.

Merrill Lynch, Pierce, Fenner & Beane Salomon Bros. & Hutzler

Stone & Webster Securities Corporation

Hornblower & Weeks

Paine, Webber, Jackson & Curtis

L. F. Rothschild & Co.

Schoellkopf, Hutton & Pomeroy, Inc.

Riter & Co.

R. S. Dickson & Company.

Incorporated

The Robinson-Humphrey Company

Stein Bros. & Boyce



## Securities Salesman's Corner

By JOHN DUTTON

Theodore Roosevelt is quoted as having once said, "I'll pick a man up, but I'll be damned if I'll carry him!" This shrewd aphorism can apply to many different circumstances that all of us are bound to meet up with as we journey through life. But there is one place where a man can't be a leaner and make good—that's in a sales organization.

The world is full of people who would like to do something only they never get around to it. If you have one of them in your office you won't have any trouble discovering him. You'll be so busy helping him get started that your own day will be half over before you know it. The best thing to do with such a person is let him go, and the sooner the better. Selling is one line of endeavor where a man must be his own self-starter. If he can't work out his own campaigns, and see to it that he follows them through, the best sales manager in the world won't be able to do it for him.

There are also customers that want you to carry them around on your back. If you acquire too many of them they'll break your back. There are people who expect a salesman to cater to them in a manner which is out of all proportion to the value of the business which they can offer. If you rendered the service to all your customers which they believe is coming to them you would need 48 hours in every day to do it. Again, the best thing here is, get rid of such an account. Time is much too valuable—and peace of mind likewise—to be constantly under fictitious obligations to anyone.

They say money isn't the only thing in life that counts, and of course no one doubts the truth of this old saying. But a salesman's time is a pretty important asset. The way he uses, or abuses his time, adds up very neatly to the sum of the pleasure, and the money, that he gets from his job. That's why it's important that no one else around the office abuses YOUR TIME by making selfish demands upon it. It is one thing to be cooperative and friendly, but there are times when a man has to say NO and say it with a capital N.

Time that is spent in constructive thinking is not wasted. The top producers in every sales organization will verify that their best days have been when they planned their work. A new approach, a constructive idea which has been considered from every angle, and thoroughly thought through, before it was attempted in actual practice, has sometimes meant more effort and solid concentrated work, than has been involved in consummating the transaction itself. If you are sitting at your desk trying to figure out an important deal, and right in the middle of what you are doing, some pest comes up to you and asks you to do him an inconsequential favor, that bird is stealing your valuable time and your money. That's why you don't want leaners around if you are a sales manager—your good men are too important to you. And if you are a salesman you certainly don't want them around—they have a habit of contaminating others. A man who has developed strong work habits can lose them easily—all he needs is a little encouragement. It won't be long until one of these fellows will have you doing what Teddy said he wouldn't do—you'll be carrying him and you won't be getting any stronger while you do it.

## New Board to Handle Tax Refund Requests

Commissioner of Internal Revenue, Joseph D. Nunan, announced on May 7 establishment of a new board to handle applications for refunds of excess profits taxes under Section 722 of the Internal Revenue Code, the Associated Press reported from Washington. Many large taxpayers have contended that Section 722 has been almost inoperative because of excessive administrative caution. Mr. Nunan admitted that about

10,000 cases still await disposition at this time. The Associated Press also said:

The new board will be composed of 15 members, one of whom will serve as Chairman. Mr. Nunan said it will consist "primarily of persons with broad experience in accounting, tax law or economics and will be appointed from existing bureau personnel as well as from other sources." He said it would take over functions now exercised by the audit review divisions of the income tax unit, and in addition review field recommendations in unagreed cases.

(Continued from page 2639)  
librium. To guarantee dynamic equilibrium it is necessary:

- to balance the budget;
- to keep the money income in accordance with the available goods;
- to abolish gradually the foreign exchange restriction and the control of prices.

Let me review the development regarding these three factors. It is easy to understand that a balancing of the budget in a totally looted country as the Netherlands, devastated in the east and the south, 10% inundated in the north and the west, is an immense task. Apart from this the administration was totally disorganized, as the country was for more than a year cut in three parts by war circumstances.

Not before December last was the Minister of Finance able to give a review of the financial situation, which showed a deficit for 1944 of fl. 2,186 million (\$800 million) on a total expense of fl. 3,712 million (\$1,400 million). On June 30th, 1945, the floating debt amounted to fl. 9,500 million (\$3,850 million), the provisional budget for the second half-year of 1945 was fl. 3,000 million (\$1,200 million), compared with fl. 1,600 million (\$600 million). The deficit had to be covered by the increase of savings-deposits with the Postal Saving Bank and postal accounts. As for the year 1946, the budget has still to be presented to Parliament.

The aim of the Minister of Finance is to cover the budget deficit of 1946, 1947, and 1948, by the savings of the people. But on the other hand the Treasury subsidies (as is the policy of other countries, as England, France and Belgium), the rationed foods with about fl. 600 million (\$150 million) a year, in order to keep prices low and thus to prevent price-wage increases that would otherwise become inevitable.

The base of this budget policy is weak, but one has to keep in mind that far above the financial problem ranks the aim to restore as soon as possible—even sacrificing orthodox budget and financial principles—the economic life of the so greatly damaged country and to repair her industrial equipment.

### Economic Progress Relatively Good

Owing to the traditional sense of the Dutch people to put its house economically in order, and through the efforts of the Ministry of Reparation, headed by the world-famous engineer, Dr. Johannes A. Ringers, builder of Amsterdam harbor and of the famous dike through the Zuyderzee, it may be said that one year after the liberation, the economic revival in the Netherlands has made more progress than in any other occupied country. Industry is working 60% of normal capacity with good prospects to increase production substantially this year. The food situation has improved so much that the country this year could be independent of overseas imports with the exception of grains, imports of which will take less than fl. 100 million (\$40 million) a year.

There are good prospects that the subsidies on foods can be decreased this year, contrary to other countries where these are still an increasing burden for the public finances.

The emergency measures of the Ministry of Reparation have been immensely costly. In the reclaiming of the isle of Walcheren, for instance, an amount of about fl. 100 million (\$40 million) was involved—as Minister Ringers told me lately—and the total costs were a heavy burden for the Dutch Treasury. The fact that the com-

ing budget will show a large gap between receipts and expenditures is thus not disturbing; but of more significance is the direction in which the public finances develop. After the first year of emergency finance and money purge, the financial as well as the economic aim meet on this main issue: to put the house in order and to live out of income; this to be accomplished by the administration as well as the man in the street.

But as long as the Treasury spends more than its means, either from taxes or from private savings, the money-income will be greater than the real national income, causing an increasing influence towards higher prices, that must be met by more desperate and therefore less efficient price-control.

### Bureaucracy Must Be Reduced

The banknote circulation per December 1945 amounted to fl. 1,100 million (\$420 million), has since increased to fl. 2.2 billion (\$840 million) on April 1st, against which the Government deposits with the Netherlands Bank diminished from fl. 2,500 million (\$1 billion) to fl. 1,500 million (\$600 million). This deficit-financing cannot go on. The Minister of Finance in his message to the Parliament, which by a large majority urged the utmost economy, admitted that during the transitory period with important deficits, the monetary situation needs more attention than in ordinary circumstances. The first period after the liberation needed a large bureaucratic apparatus. Thus the Military Administration, an emergency government, established for the period of occupation of the country by the Allied forces, caused an expense estimated at nearly fl. 70 million (\$25 million). This administration is now liquidated and the Minister promised in a short time the liquidation of 27 departments. Considering that the Commercial Department on May 1st 1940 employed 1963 officers, on July 1, 1945, 14,000, and on January 1, 1946, 11,772 officers, one can guess in what manner the bureaucratic apparatus—which involves a cost of fl. 1,200 million (\$485 million) a year (that is about twice the total budget 10 years ago)—has grown. It is of the utmost importance that this be reduced to a level that the impoverished nation can bear. It must be said that even the socialistic cabinet is working, although perhaps not hard enough, to reduce this bureaucratic apparatus. The socialistic Labour Party (Partij van den Arbeid) is urging, no less than other parties, a less bureaucratic system. It is highly desirable that the cabinet succeed in this action. If not, the results of the money purge may be endangered, and in consequence, a new and more dangerous inflationary movement may be the result.

		1945					1946
		Sept.	Oct.	Nov.	Dec.	Jan.	
Wholesale prices	1938/39						
(gen'l. index)	= 100	194.7	205.6	211.4	216.7	—	—
id. (raw materials	1938/39						
& semi-products)	= 100	202.6	202.3	202.8	203.1	—	—
id. (finished	1938/39						
products)	= 100	199.6	217.6	222.4	231.1	—	—
id. (food)	(1924/29						
= 100)		133	138	143	153	—	—
Wage-index	(May 1940						
= 100)		132	132	140	140	145	—

As to the costs of living there is no general index for the whole country: the average of 6 individual cities in September last was 161.8. The Statistical Bureau of Amsterdam publishes a monthly review of the real expenses of a family of four persons:

		EXPENSES OF A FAMILY OF 4 PERSONS		
		Food	Other Expenses	Total
1945 Oct.	fl. 19.96	fl. 13.875	fl. 33.835	
Nov.	18.61	21.33	39.94	
Dec.	18.47	22.09	40.56	
1946 Jan.	15.02	25.40	40.42	
Feb.	15.42	25.825	41.245	

These figures are highly interesting. They show that the ex-

### The Increase in Circulation

The increase of the banknote circulation is often said to be caused by the preference of the public for cash above deposits after the money purge.

This cannot be the reason for the increase of the circulation as the sum paid into the savings banks showed an important increase during recent months.

	Paid into		Paid into
	Post. Sav.	Oth. Sav.	
	Banks	Banks	
	(in millions florins)		
October, 1945	2.1	10.	
November	5.8	13.1	
December	9.3	12.7	
January, 1946	20.1	26.5	
February	22.9	22.6	

These figures are also an indication of the confidence of the public in the stability of the medium of exchange.

Notwithstanding that all stocks are depleted and that there is a real scramble for goods, one cannot say the typical inflation psychology prevails: i.e., when people refuse to hold cash and try to buy commodity values to safeguard themselves against the diminishing purchasing power of money.

On the other hand, there is no tendency to save money. The saving campaign of the Minister of Finance, inaugurated along the British pattern during the war, is meaningless in a looted country like Holland with a population that is highly individualistic and eager to replenish its wardrobe. The desire for a well-filled wardrobe—and generally to fill up private equipment—was and is characteristic of the mentality of the Dutch people.

A more imminent cause of an inflation—consisting of an enhancement of the general price level—lies in the wage increases last year. Owing to the shortage of skilled labor and the rise in the costs of living, wages increased. This was partly necessary. The expenses for the weekly rations (of about 2,200 calories) plus the cost of dwelling, gas, electricity and other necessities of life were for an average family of four persons at Amsterdam about fl. 40 (\$16), without consideration for any expense for textiles, shoes or other clothing. The wage of an adult in a non-skilled job was only about fl. 30.- (\$12). The general output however was still on too low a level to make even these wages fully usable.

Owing to the lack of coordination in the wage policy, the wage-situation was as chaotic as the price-situation. Since the beginning of this year however there is more stability in the wage-situation and there have been no major wage conflicts.

The prices of many products are lowered under control by the Office of Price Administration, but prices are still far above their pre-war level. This is shown in the following table:

penses for food are indeed declining. Other expenses are rising. As wages have risen by 10% since October, the rise of the total expenses by more than 20% means that the average adult workman cannot buy the allotted textiles and shoes. This is a serious social problem. The decline of the costs of food however is a satisfactory phenomenon and very promising for the general outlook of the development of the price-level. This is especially so if one keeps in mind that in the coming months the agricultural production will be so abundant that export of

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vegetables and fruit will be necessary.

The OPA policy has up till now been to control the fixing of prices; it allows price calculation along economic lines, trying to narrow the margins (which is feasible if sales increase) to urge standardization and other measures to obtain lowering of prices.

A natural downward trend of the price level can only be achieved by a greater output as a result of an increase in the productivity of labour and capital under maintaining the actual level of wages.

#### Relaxing Price Control

Now the OPA policy has somewhat changed: it is the intention of the OPA to let prices be free, if possible. The first experiment in this direction met with great success: in mid-April prices of vegetables were free, the result being a sharp decline. Such measures are to be greeted as the first steps towards a more free commerce and to natural equilibrium.

The lessening of price control is the best measure against the black market which has diminished in the sphere of food, but remains in textiles, shoes, cigarettes and luxuries as diamonds and furs, where prices are far above prewar. Partly this is a worldwide phenomenon, partly the result of the foreign exchange restrictions which prevent import and spending abroad. The prospects for the abolition of these restrictions are still far off as foreign exchange is very scarce. The Minister of Trade, Hendrik Vos, plans for 1946 an import of fl. 3 billion (\$1.2 billion), an export of fl. 1 billion (\$400 million), but it is very doubtful whether this aim will be achieved. The Dutch industries, with exception of a few specialized companies such as Philips Works, are only on a small scale able to export; and the difficulties for the Treasury to obtain foreign loans are great, notwithstanding that there are signs that foreign loans for purely commercial purposes are available.

#### Stock Exchange Reopens

The Minister of Finance is willing to use for his financing a part of our investments in American securities and of our dollar deposits by voluntary liquidation. Therefore he allowed the Amsterdam Stock Exchange to reopen on May 10 for trading in shares and foreign securities, but the obstruction against liquidation is great: the transfer of our dollar-deposits, mainly the working capital of our overseas trade, would deprive the latter of the means to participate anew in international commerce.

It would mean reinvestment in Dutch industry, that has only small chances on the international markets. This makes capital much less profitable than it could be if used in international trade, for centuries the main source of the income of Holland. A revival of international trade as planned by the International Trade Organization will be heartily welcomed by Holland as this will create the possibility of an expansion of world trade.

The economic conditions in Holland are relatively satisfactory; economic life shows a recovery; the price and wage situation seems to reach an equilibrium on a level that is in accordance with the rate of exchange and international standards. The most difficult problems are in public finance and in foreign exchange restrictions.

The return to a sound budget policy brings a three-fold reward: it promotes a stable internal position and it enlarges the international confidence in the final restoration of the Netherlands, thus paving the way for abolishing foreign exchange restrictions in the future.

## Budget and Money Market

(Continued from page 2639)

every enlisted man, nor of the fact that the number of civilian employees does not decline in proportion to the raise of their payrolls, and other unforeseen items. What is involved in the pending Wagner-Ellender-Taft housing bill alone might have been enough for a "normal" deficit. Postponement of public works is one factor in cutting the current deficit; but their accumulation adds to next year's disbursements, and at rising costs at that, witnessed by hundreds of recent contractors' bids on municipal projects averaging 20% to 50% above the cities' own estimates. Also, the outlays for "international finance" as planned for 1946 and 1947 (\$2.5 and \$1.7 billions, respectively) are scarcely commensurate to the foreign emergencies and requests for funds—\$800 millions needed to feed Germany and Japan only—to say nothing of the cost to disperse the gathering Russian clouds which might involve vast new expenditures.

#### Inflation and Deficit

Potentially, the most important factor affecting the budget is the tempo of price increases. Already, they keep the national income on the dizzy \$160 billion level, and might raise it further. That means substantially greater tax revenues than expected, in spite of reduced tax rates, and substantially enhanced expenditures, too. In an inflationary race between the two sides of the budget, the spending side wins invariably, the more so, the faster prices rise. (With labor troubles thrown into the bargain, revenues might lag far behind expenditures.) As the price structure is being distorted by the unevenly progressing inflation, and one losing income or consumer category after the other yells for relief: more subsidies, higher pay, better parity prices, bigger public works, etc., will be the unflinching answer. The budget has to be strained accordingly, and also to overcome the obstacles which the inflation puts in the way of full production.

That is the curse of inflation: it is born out of deficits; once it grows to "maturity" it necessitates more deficits to correct the inequities and frictions it creates, thus causing in turn more inflation. The vicious circle can be broken by a ruthless deflationary policy only, which is not likely to occur in the next 14 months. In the meantime, the deficit might be mitigated by this or that economy measure of Congress, by invigorated surplus sales, and (as mentioned before) by automatically increasing tax revenues, perhaps even by some new taxes (?). A balanced budget is possible for a short while, but beyond that its chances are pretty low. Good enough, under the circumstances, if the deficit is kept in narrow confines.

#### Nominal Debt Liquidation

At any rate, the possibility of reducing the near-astronomical debt out of current budgetary surpluses is rather remote. It is being reduced by drawing on the Treasury's cash balances—"like drawing on one's savings account to meet an overdraft on the checking account," to quote Senator Bridges. The nonsensical Morgenthau policy of hoarding unneeded bank balances, and paying interest on the loans which produced them, is being gradually reversed. In the course of March and early April the gross national debt has been cut by \$5.9 billions (2.1%). How far will this nominal debt-deflation go? And how does it affect the financial set-up, especially the banks?

The answer to the first question is easy enough. The Treasury is not in the position of a banker who has to keep a substantial liquid reserve against its current liabilities, since it always can borrow—in ultimate resort from the central bank. There is no need, therefore, to hold cash balances beyond what was usual before the war. Even so, the prospective deficit limits the margin available for further debt redemption in the next 14 months to another 8 billions or so.

#### Deposit Deflation?

The consequent reduction of bank deposits must be limited accordingly, with no repercussions to be expected in the trend of commodity prices. The amounts at stake are too small in comparison to the monetary volume: a shrinkage of total Treasury balances so far (between Jan. 2 and May 3) of \$6.8 billions, which can be barely more than duplicated without exhausting the Treasury balances available for this purpose, brings about a negligible "deflation." The impact of their loss on the banks is reduced by the fact that they hold no reserves against those balances; as to the Fed, with its virtually unlimited lending capacity, the impact is nil. But even such a nominal deflation might affect the money market, depending upon the procedure of the debt liquidation, and other circumstances, such as the coincident tax payments, rise or decline of commercial loans, etc.

Four procedures may be distinguished:

(A) If the Treasury pays for maturing certificates held by the Reserve System by drawing on its balances with that same system, then of course, the money market is not affected, since both the assets and the liabilities of the member institutions remain untouched.

(B) If on the other hand, the payment is made by transferring Treasury balances from the banks

to the Fed, then the banks lose reserves and the money market will be tightened.

(C) The same happens if the "redeemed" securities are taken from non-bank portfolios and paid for with the war loan accounts; in this case the shift of deposits from governmental to customers' accounts compels the banks to put up fresh reserves. They may lose additional reserves to the Fed if the customers pump bonds out of the Fed, using their check deposits for payment. The shrinkage of excess reserves may drive the banks into selling certificates or borrowing from the Fed.

(D) If the Treasury applies its account at a bank to finance the payment of debt to the same or another commercial bank, then the banking community loses deposits but not reserves; and the money market is not affected.

The reduction in Government security portfolios "and the accompanying withdrawals by the Treasury of war-loan deposits from the member banks caused a general tightening of bank reserve positions," the National City Bank comments. To be sure, the tightening was caused less by these operations per se, as rather by the roundabout shifting of deposits (as under B and C above). At any rate, the temporary "deflation" was of little more than speculative relevance to the interest rate structure in a highly manipulated monetary system, even though member banks lost 33% of their excess reserves, which fell from \$1.22 to \$0.82 billions between early February and April 10, while deposits declined by \$2.9 billions, and their Government bond portfolios by \$3.03 billions (=6%). Since, demand deposits have gone up again, and so did excess reserves.

#### Deposits Likely to Rise Again

As mentioned before, this process has not a long way to go from here any more. Should in the meantime (a) the deficit rise unexpectedly, or (b) a great deal of cash return from circulation, (c)

the net redemption of savings bonds accelerate substantially, and (d) the impending commercial credit expansion get started—while the authorities still debate whether or not to check it—bank funds may resume soon again the long-run trend that has trebled net deposits since the 1929 peak and multiplied them by almost 4,000% since 1890. Briefly, the deposit "shrinkage" cannot be more than very moderate, and a temporary one at that; short of a real monetary deflation, it should be reversed before the end of fiscal 1947. But the effect on individual banks' current earnings may be appreciable, since a relatively small number of big city institutions will bear the brunt of this "deflation."

#### More Gold in Sight

Then, too, the prospect of rising gold imports is worth consideration. The recent flash of fantastically rich fields in the Orange Free State (South Africa)—allegedly over 60 ounces of gold per ton of ore, as against ½ ounce at Hollinger's, Canadian mine of highest grade ore—is only one, if most spectacular, example. In Canada and Latin America, as in Transvaal and partly even in this country, feverish and often successful prospecting is under way; Russia and Australia announce the prospects of greatly expanding production. Of course, it may take years before even the most favorable prospects are actually producing in quantities; shortage of machinery and labor, and higher costs in general, may delay the rise of output (unless subsidies, early devaluations or gold sales on free markets come to its aid). But rise it must, thus adding fuel to the world-wide inflationary trend, and it has few places to go other than the vaults of the U. S. Treasury. That flow might be delayed, too, by our generous credits abroad, and shortages and inflated prices at home (or by a new war). But in the long run, gold imports loom on the horizon—and further growth of our bank deposit volume.

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# How Can We Avoid "Boom and Bust" Economy?

(Continued from first page)  
peace treaty has not been made, and no one would claim that there is peace in the world today. Palestine seethes with the hatreds of contending groups. There is armed unrest in Egypt and British India. Chinese and Russians are at each other's throats in Manchuria. One hundred and fifty million Europeans and countless millions of Chinese and Indians stagger on the verge of starvation.

At home, the nation faces slow paralysis for lack of coal. Railroad workers threaten to stop the trains. Airline pilots ask salaries up to \$16,000 a year for flying four-motored transport planes. Black markets flourish and tax evasion is rampant.

We are reaping the grim and inevitable harvest of war—unrest, disillusionment, cynicism, and a low determination to "get as much as possible and get it now." Clearly, this is the psychological aftermath of war. It is something that cannot be explained purely in economic terms. But it profoundly affects the curve of business activity and the economic welfare of the people.

## Two Depression Threats

As I see it, there are two ways in which this country could in the near future repeat the sharp depression that came 18 months after the Armistice to World War I: continuance of industrial warfare in key industries, and sharp price inflation. Indeed, under current conditions, failure to make industrial peace could itself produce sharp price inflation, and subsequent collapse. Strikes reduce the flow of income, but they also augment shortages of goods. They lead people who still have incomes and savings to despair of satisfying their wants at reasonable prices, and to throw their money into the markets in a wild scramble for goods.

My task today is to deal with the problem of price and employment stability. I do not propose a specific solution to the current labor difficulties, for I have not appraised the issues. Yet certain principles are clear. No organization of businesses, farmers, or workers should be permitted to damage the health, welfare and safety of the nation. No group should ever be able to place the entire American economy in jeopardy. A stop must be put to the recklessness with which great private organizations are using their immense powers. Having endowed labor unions with unparalleled power, the nation must place upon them commensurate responsibilities. A free so-

ciety cannot endure on any other basis.

## Mus: Promote Common Welfare

Apart from applying these fundamental principles, all groups in our economy need to recapture the spirit of cooperation and consideration for the common welfare that once existed. Other peoples of the world are looking to America to lead them out of the confusion and despair that surrounds them. The years ahead can be years of domestic prosperity and world leadership for the United States, if we keep our economy strong and productive. Let us not throw away this opportunity. It may come but once.

## II. The Problem of Sustained Prosperity

In peace and in war the American economy has demonstrated its great capacity to produce and to expand. But it has not yet demonstrated a capacity to maintain production and employment at high and expanding levels. For the span of our national economic history in which there are good measurements, the record shows that there have been five, ten, and even fifteen-year periods when jobs were abundant and goods and services were produced at something near capacity levels. But these periods of growth and prosperity were periodically interrupted by severe depression and unemployment, which took a heavy toll in business failures, farm and home mortgage foreclosures, blasted careers, idleness, and want.

Long and severe depression has not been a burden borne only by this generation of Americans. The United States has had prolonged periods of failure to utilize its full potential of manpower and physical resources in the 1870s, in the 1890s, and immediately prior to World War I. History seems to indicate that periodic depression is a chronic and not an acute disease of our industrialized economy.

## Previous Depressions

True, the depressions of the past 25 years, which are within the memories of most of us, appear to have been sharper and more damaging than those of earlier days. The depression of 1920-21 brought a 25% reduction in physical volume of production; that of 1929-32 brought a 50% reduction; that of 1937-38 brought a 25% decline. There is much evidence to support the view that the violence of swings in business activity has increased, as our economy has become richer and a growing fraction of production has consisted of durable goods, the demand for

which is postponable. It is a sobering fact that, during the most recent depression of 1937-38, the drop in business activity per unit of time was sharper and faster than ever before, and that the downswing might have gone much further had not the rearmament of Europe to meet the threat of Hitler caused vast orders for munitions to be placed in this country beginning in 1938.

## World Living in Fear

Now, as we are passing through the throes of economic transition following World War II, many Americans are haunted by the fear that, after a few years of high-level production to catch-up with unsatisfied demands that arose during the war years, there will be another period of prolonged and severe unemployment. Other nations share these uncertainties. The principal reason why Britain has hesitated to re-establish free trading relationships with the rest of the world, as she is required to do under the Bretton Woods and British loan agreements, is her fear that another depression in the United States will, after a few years, so reduce markets for her products and those of other trading nations as to seriously destabilize the entire world.

Fear of economic instability is the greatest single obstacle to long-range planning for expanded production and investment by American businesses. It is the most important single hurdle to the rebuilding of free, competitive markets for world trade. For the sake of our own prosperity, and for the sake of building the kind of a peaceful world that Americans want to live in, we must in the future avoid a "boom and bust" economy in the United States. But we must prevent severe depressions for still another reason. The American people will not again tolerate prolonged unemployment on a large scale. Should it emerge, they will insist upon prompt action by the national government. If well-considered and acceptable policies for coping with depression have not then been devised, ill-considered policies will be put into effect. The end-results of those policies could be severe damage or destruction of our economic and political institutions and our liberties.

## How Government Can Aid Business

It is my belief that public policies can be devised for preventing extreme fluctuations in business activity, and for maintaining production and employment at reasonably high and expanding levels, within the framework of a free-market, competitive economic system. I propose briefly to outline the nature of some of those policies, particularly those in the monetary and fiscal spheres. They fall, it seems to me, into two general categories, separable for purposes of discussion but closely connected with each other in actuality: First, economic policies for the postwar transition period; Second, economic policies for the long run.

## III. Economic Policies for the Transition Period

The great economic problem of the postwar transition is not unemployment, as many people thought a year ago, but commodity price inflation. The probabilities are that keeping prices from rising too rapidly will be a leading economic problem for a number of years. This is a direct, and perhaps inevitable, consequence of World War II and the way in which it was financed. Between 1939 and 1945, the quantity of cash and demand deposits in the hands of consumers and businesses nearly tripled, the national income doubled, and very large de-

ferred demands developed, both at home and abroad, for almost every kind of durable goods. Indeed, the demands for many non-durable goods, such as food, clothing, textiles and services are above those that our economic machine can satisfy at current price levels. The result is that prices are being pulled strongly upward by expanded money demand. Concurrently, they are being pushed up by rising wage and material costs.

## Price Inflation Already Serious

I wish to make several points about prices that are being generally overlooked in current discussion. First, there has already occurred price inflation of serious proportions. Second, the danger of further large increases in prices is great and immediate. Third, price inflation of the magnitude that is in sight would have grave social consequences.

We still talk about inflation in the future tense and ask whether it can be "prevented." We are now one year past V-E day. The fact is that there has been a substantial rise in prices that just about matches the rise that occurred within a year after the Armistice of November, 1918. Since 1939 the all-commodity index of wholesale prices of the Bureau of Labor Statistics has risen about 40%. Industrial common stock prices have risen 60%. Farm and urban real estate prices in many centers have doubled. The cost of living index is up 33%; but no one takes this index too seriously today, in view of the marked deterioration in quality, curtailment of service, and absence from the stores of many low-priced lines of merchandise that figure heavily in the cost of living index. We know that Americans spent twice as much money for food in 1945 as they spent in 1939, but received very little more food per capita, which suggests that food prices have just about doubled, if they were measured properly.

## Future Price Prospects

The cold fact that prices have risen substantially, and by much more than is generally recognized, leads one to ask whether further large increases in the level of prices are in prospect. Without making any prediction, it can be said that, if the amount of money now in the hands of the public were circulated with the same velocity as obtained prior to the war, it would support a further large increase in wholesale prices. Let me repeat this: If the public should return to the same habits of using money that it followed in 1940, and if physical volume of production rises to something near capacity figures, a further rise of 50 to 60% in the wholesale prices would occur. Fortunately, shortages of goods of good quality, and uncertainty about the future, so far have kept a large part of the increased supply of cash and bank deposits comparatively idle. Money has had an abnormally low velocity of circulation. Our hope for reasonably stable prices in the future lies in reducing the quantity of money in the public's hands, and preventing its velocity of use from rising.

The rise in cost of living that has already occurred, quite apart from that which is in prospect, has had serious social consequences.

## Expects Increased GI Benefits

There is a vast inarticulate body of people whose dollar incomes do not rise quickly, if at all, with higher prices. Inflation is taxing away the substance of their existence. They include millions of old-age pensioners and annuitants, teachers, professors, white-collar workers, and last—but far from least—war veterans whose benefits under the G. I. Bill will shrink steadily in purchasing power as price inflation continues. I will not be surprised to see a large upward adjustment in the

amount of veterans' benefits to compensate for higher prices.

But concern for price inflation ought to be shared by everybody. Severe price inflation redistributes income and wealth so inequitably as between those with fixed dollar incomes and those with variable dollar incomes as to weaken the fabric of democratic government. I do not have in mind cases of explosive inflation, such as that of Germany after World War I, where price inflation destroyed the stabilizing influence of the middle class, and permitted it to become the centre of political ferment that led directly to Hitler and dictatorship. I think of the creeping inflation in France, where the French franc has been falling in purchasing power more or less steadily for 30 years, with a consequent weakness of the social fabric.

## Past Trend of Commodity Prices


When we look back over the history of the United States during the past 150 years, we find that this nation has not yet been able to avoid an increase in commodity prices of more than 100% as a result of a major war. Prices doubled during and immediately after the Revolutionary War, the War of 1812, the Civil War, and World War I. The cause of these doubled price levels was in each case the same—a vast increase in spending by the Federal Government financed in large part by increases in the quantity of money. The increase in Federal spending and in the quantity of money during World War II has been fully as great as in the preceding major wars. How, then, can the nation prevent further price inflation?

## Production Not Inflation Antidote

It is widely held that price inflation can be smothered in an avalanche of production. The NAM holds to this view. Mr. Bowles said recently: "Let's get it unmistakably clear that all-out production is the only (sic) answer to inflation." Mr. Bowles is wrong. All-out production is certainly a good thing; but it is not the only answer to inflation, and it may even not be a partial answer to it. When production expands, so do payments of wages and salaries and dividends and profits. The very act of production creates the purchasing power to buy its product. Expanded production means an expanded flow of current income, and currently-received dollars are spending power in addition to the now-idle dollars lying in pockets, safety deposit boxes, and banks. It is quite possible that the appearance of larger supplies of better goods on shelves may reassure consumers that their wants will eventually be satisfied, and will make them willing to forego a little longer the spending of their savings and their current incomes. But we cannot be sure of this. The expanded incomes that accompany expanded production may also lead people to be freer in spending their savings, so that the result of all-out production would be an increased velocity of circulation of money and more upward pressure on prices.

## Price Control Ignores Fundamentals

Another current notion is that regulation of prices by OPA can prevent further inflation. I believe that OPA controls can retard the inflationary process and should be kept on some goods and services for a limited time. But OPA combats the symptom rather than the cause of price inflation, and is becoming less effective every day. OPA is being asked to carry a far heavier burden of responsibility for price stability than it should bear. Direct price control is being used as an excuse for evading the re-



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responsibility of following non-inflationary monetary fiscal and wage policies. A Government which permits politically powerful labor and agricultural groups to raise the prices of their services, while it holds down the closely-related prices of the goods and services of other economic groups, is not being honest. The first step in any real program to prevent further price inflation is an unswerving policy of forbidding any wage increases with price-inflationary consequences.

#### Must Restrict Money Supply

But the present situation calls for much more than simple honesty in the administration of wage and price control. It calls for a strongly deflationary monetary and fiscal policy, which aims to reduce the quantity of money in circulation and to prevent its velocity of use from rising. The two basic methods of accomplishing these results are to create a substantial surplus in the Federal budget, and to tighten the money markets. These measures will be considered painful in some quarters, but it is high time that we stopped shadow-boxing with the problem.

Prevention of further price inflation requires not merely a balancing of the Federal budget, but the prompt development of a substantial surplus. Let us candidly face the implications of this policy. They include a continuance of present taxes as a minimum. They mean abandonment, for the time being, of plans for large new public works and expanded Government services, and a rigorous pruning of Federal expenditures all along the line. Desirable as many of these expenditures may be, they are out of step with the needs of the times.

#### Interest Rate Increase Essential

A rise in interest rates is also a necessary part of a real anti-inflationary program, along with other measures to enable the Federal Reserve authorities to recapture the control of the money markets they lost during five years of war finance. Commercial banks now have such large holdings of Government securities that they can get cash to replenish their reserves almost without limit, by selling Government bonds to the Federal Reserve banks. So long as the Federal Reserve banks continue to buy Government securities at such times and in such quantities as will prevent their price from falling, in an effort to help the Treasury borrow money at abnormally low rates, a tight money policy is impossible.

Higher money rates are resisted for a variety of reasons. It is often said that the Federal budget will not stand the strain of a higher interest cost on a \$280 billion dollar debt. The answer to this argument is simply that the Federal budget can much less stand the strain of the larger appropriations that will be necessary for the military establishment, veterans and agricultural aids, public works, and regular departments, if further price inflation occurs! Even a 50% rise in the present \$5 billion annual interest on the national debt would add less to a \$25 billion Federal budget than a 10% rise in the cost of goods and services purchased by the Federal Government.

#### Sees Need for More Credit

Another contention is that higher interest rates and a tighter money market would not moderate price inflation today, because businesses and other borrowers are so liquid they do not need to borrow in order to spend more. I disagree. Assuming expansion of production to a high level of employment, and assuming that price increases already in prospect materialize, I estimate

that the rehabilitation of plant and the rebuilding of inventories and consumer receivables will not only require all of the excess cash of business, but will require large amounts of credit from banks and other sources in addition. Higher money rates would therefore curb the borrowings of businesses, State and local governments, and consumers, and would tend to reduce upward pressure on prices.

It is pointed out that in 1921, after the end of World War I, government securities sold down in the 80s to yield 5.67%, but this high yield did not deter investors from cashing their bonds. Therefore, it is argued, higher interest rates now would not induce the public to invest in government securities, or discourage them from cashing their bonds and spending the proceeds. In my view the present situation is not parallel with that in 1921. Very sharp price inflation up to May, 1920, and a subsequent collapse and depression, brought about many necessities of government bonds by illiquid businesses and individuals. Necessitous sales are not probable today. It is likely that market depreciation of government bonds today, resulting from higher money rates, would cause many holders to refrain from cashing them till maturity, and would reduce the volume of spending. Higher money rates would also have the effect of moderating further increases in prices of common stocks by making Federal securities relatively more attractive investments for individuals. This would prevent further stock market profits, which make stockholders feel more prosperous and spend more freely out of their current incomes.

#### Higher Rates Will Not Endanger Bond Portfolios

Still another argument advanced by those who desire to perpetuate low money rates is that the solvency of financial institutions might be jeopardized by market depreciation of their Federal bond portfolios. That this is a pure bogey is best demonstrated by the fact that many leading bankers and life insurance executives have been outspoken in their demand for higher interest rates. Life insurance companies are not compelled to dispose of government bonds before maturity, nor are commercial banks. The average maturity of commercial bank holdings of government bonds is now only about four years. A further increase in bank deposits is more probable than a decline. Hence banks generally can let their holdings of government bonds run to maturity, and would not be damaged by market depreciation in the interim.

#### Budget Surplus and Tight Money to Combat Inflation

A budgetary surplus and a tighter money market are essential weapons for combating price inflation, and their use is entirely feasible. Moreover, because their operation is broad and indirect, they are eminently desirable in a free-market economy. Strong fiscal and monetary action to reduce spending will take the strain off direct price control. Those who tolerate a continuance in inflationary monetary and fiscal policies are postponing the day when direct price control may safely be removed. Those who wish to speed the removal of direct control should insist upon the vigorous use of restrictive fiscal and monetary measures so long as price inflation threatens us.

#### IV. Fiscal and Monetary Policies for the Long Run

Assuming safe passage through the transition period without a sharp price inflation and collapse, like that of 1919 to 1921, a number of years of prosperity should then follow. During these years unemployment should be kept within moderate limits—say, be-

low four million—and the United States should be able to realize its full potential capacity in production and living standards. History teaches us, however, that we cannot expect our economy to operate at capacity with reasonably stable prices for an indefinite time. Deliberate fiscal and monetary actions will be needed.

#### Fiscal Factors to Support Prosperity

I submit that there are three elements in a fiscal policy to support sustained prosperity; first, flexible taxation; second, flexible spending; third, coordinated execution of the fiscal operations of the Federal Government.

Before I spell out the meaning of these factors, I wish to make it clear that I do not regard wise monetary and fiscal policies as the only prerequisites to sustained prosperity. Of great importance are the achievements of industrial peace between labor unions and management; the elimination of all kinds of production-limiting, price-raising, and "feather-bedding" practices, whether imposed by business, labor, or agricultural groups; the demolition of barriers to trade between nations, whether they are found in tariffs, cartels, or exchange restrictions; and taxation policies designed to encourage risk-taking and a large volume of private investment. Without these measures, a flexible and coordinated fiscal and monetary policy to support high employment will result only in a chronic Federal deficit and an endlessly rising public debt.

#### Endorses "Compensatory Fiscal Policy"

If we act vigorously in other spheres of economic policy, then I accept the principle of "compensatory fiscal policy." In brief, this principle calls for balancing the Federal budget at a satisfactory level of employment and production. It contemplates government support of markets for business through a deficit of tax revenues under public expenditure in times of under-employment. It requires a surplus of tax revenues over government spending when high-level employment threatens to become a boom accompanied by price inflation. A deficit in the Federal budget may be generated by either a reduction in taxes or an increase in spending; a surplus may be created by either an increase in tax collections or a reduction in expenditures.

#### Deficit-Financing Defects

During the 1930s we made some attempts to get flexibility on the

spending side of the budget. They were none too successful, partly because lack of coordination in the monetary and fiscal actions of different Federal agencies made the effects cancel out. For example, during the latter part of 1936 the Federal Reserve authorities were trying to clamp down on business and consumer credit in order to reduce public spending, while at the same time Congress chose to pay out one and one-half billions as a bonus to the soldiers of World War I!

Another grave defect of deficit-spending during the 1930s was lack of advance planning of public expenditures. A great deal of money was spent on projects of dubious value, which created uncertainty in the minds of private investors and tended to nullify the employment-generating effects of the Government outlays. In the future, we must avoid these mistakes.

#### Role of Taxation

We have not yet attempted to use flexible income tax rates and exemptions as tools to build economic stability. Before the war, personal income taxes affected comparatively so few families that they were a weapon of small calibre for dealing with unstable markets. Now, under the impact of war, we have developed a system of personal income taxation that in 1944 extracted \$17 billion from the pockets of more than 40 million individuals and families. These heavy and widespread income taxes provide us with a powerful weapon for dealing with booms and depressions. By cutting exemptions and raising tax rates during a boom, we can reduce spending. By raising exemptions and reducing tax rates, spending power can be put back into peoples' pockets, when business activity declines below a satisfactory level.

Along with planned flexibility in both the revenue and the expenditure sides of the Federal budget, we need far better coordination of fiscal and monetary policies than now exists. The major decisions of the Treasury Department, the Federal Reserve System, the Public Works Administration, the Public Loan Administrator, and every other Federal agency that has to do with the inflow and outflow of Federal funds must be harmonized with the changing needs of a smoothly expanding economy. The political difficulties of achieving such coordination are formidable; but they are no more intractable than

the problems of winning a war, or of harnessing the atom.

#### Opportunity Now at Hand

We shall not achieve our goal of maintaining high and expanding production and employment by accident or by a stroke of fortune. In a democracy, long run policies as important as those I have very briefly outlined will not be put into effect until there is an influential body of public opinion behind them. The next few years may give us a breathing spell in which to work out and gain popular acceptance of measures designed to stabilize our economic growth. If this opportunity comes, let us make the most of it!

### Bank for Savings At Million Dollar Mark for Life Policies

The Bank for Savings in the City of New York announces that it has reached the million dollar mark in Life Insurance policies issued. The Bank entered the savings bank life insurance business on April 17, 1944. During its first year it wrote \$363,500 of insurance, with nearly twice as much written in the second year recently completed. It is estimated that the Bank will write another million in the year ahead, doubling the business now on its book. "As this life insurance is sold to the public over the counter," Mr. DeCoursey Fales, President of the Bank said, "the results indicate an active interest by the public in this type of protection."

### Cotton Margin Increases Decried by Sen. Thomas

Senator Elmer Thomas (D.-Okla.) criticized the Government's order for margin increases in cotton future trading as a system under which a small group of traders can "push prices up or down at will," the Associated Press reported from Washington. The Senator declared that the order issued by Economic Stabilizer Chester Bowles had caused daily trading on the Chicago Board of Trade to have dropped from about 90,000 bales to 25,000 and he added that certain members of the Board of Trade are allowed to maintain an "open account," trading without margin. "It plays into the hands of those who do not have to put up any money," Thomas said. "They can push the price up or down at will. It is not a stabilizing influence."

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May 10, 1946.



# "What Is a Liberal?"

(Continued from page 2641)  
field of science and engineering are truly liberal in that field.

## Everyone Calls Himself a Liberal

But in the field of government and social thinking, the term is loosely used and none agrees on its meaning. Everyone goes around calling himself a liberal. When he speaks of others as liberal he means little except that the so-called liberals agree with himself. Others who call themselves liberal simply mean that they are in favor of change, or of some particular pet scheme for change, and imply that everyone who happens to oppose that change must be ruled out as a liberal. As a matter of fact, a man who is always in favor of change is a radical. A man who always prefers existing institutions is a conservative, but either of them may be liberal or the reverse.

We have become so confused in our thinking today that no one knows whether the American people themselves are liberal. The real question I would like to raise is whether we can longer make good our boast of many years that we are a liberal people setting a liberal example to the world. As I see it, a liberal is a man who believes in freedom of thought, who is not a worshipper of orthodox dogma and is willing to give attentive consideration to new proposals whether he finally favors them or not, a man who believes above all in freedom of thought for others as well as for himself. But it seems to me there is one essential belief which he must have if he is truly to be classified as a liberal. He must believe in freedom and freedom of thought, for if any new proposals made under the name of liberalism are such as to destroy that freedom, the whole basis for his philosophy must collapse. Therefore he cannot be a liberal unless he opposes proposals of that nature. Therefore support of every change proposed is not a test of liberalism, but of radicalism.

Certainly, anyone who advocates a totalitarian State, dictating the daily life of all its citizens, cannot call himself a liberal. My objection to many of the self-confessed liberals of today is that they are constantly advocating measures to reduce freedom and particularly the freedom of the individual and freedom of thought.

## Defines a Liberal

The definition I propose, therefore, is that to be a liberal a man must, first, believe in freedom and oppose measures which restrict it unless such restriction is absolutely necessary to preserve the freedom of others. Second, believe in the right of others to think differently from himself. Third, be open-minded in the consideration and acceptance of new ideas as opposed to orthodox dogma and accepted practice.

But I think it is seriously open to question whether the American people realize today what it is to be liberal. When self-styled liberals advocate measures seriously reducing the freedom of the people or freedom of thought, no one seems to notice that necessary result or resent it as it would have been deeply resented during the first 130 years of the Republic. Particularly, a policy announced by the Government seems to have a presumption in its favor if it aims to accomplish a popular result, without analysis of its effect on freedom or consideration of the question whether there is not a more liberal way to achieve that result. Those who advocate change are utterly intolerant of everyone who opposes their ideas. A people cannot be called liberal if they accept as orthodox dogma every proposal made by the Government, and

greet with inattention or resentment any attempt to modify it to protect individual freedom.

I realize that there are many who still raise their voices in protest against a Government program. Some of them are liberal. Others speak with the same violent and intolerant prejudice as the Government propagandists. But the general attitude of the working press, the columnists, and the radio commentators is one which gives too little consideration to freedom of thought, or the effect of specific proposals on freedom of thought or individual independence.

## Communists and CIO

An extreme example of so-called liberals whose liberalism is completely false is that of the Communists and the Communist press. Obviously, Communists cannot be liberal, because they advocate a form of government in which a few dominate the many. Furthermore, their own philosophy of a party line to be followed faithfully by every member of the party is a denial of freedom of thought.

We can join in this classification the national CIO organization in New York City, which seems to have become a fellow-traveler group. It is hard to find any justification for their attack on the appointment of Herbert Hoover as Food Investigator, or their picketing of the Churchill meeting, except that their first interest is in Russia. This, I may say, is not true of CIO Councils throughout the country, nor of many CIO unions.

There are a great many other pseudo-liberal organizations tending to follow the same policy. We are swamped by delegations in Washington who come there to support every measure limiting freedom, who attempt to coerce by threats of reprisals in elections the thinking of men and women in Congress. If they engage in argument, it is argument clearly recognizable as a party line, laid down by their parent organizations. They are intolerant of any argument made against them. They accept the dogma proclaimed by the Government without criticism or analysis.

## Defends Lobbyists

The formation of special interest organizations has not contributed to liberal thought. Representatives of business groups, labor groups, and farm groups are employed for the specific purpose of representing before Congress and the public the interest of those groups. All of them have paid employees whose livelihood depends on representing aggressively the selfish interest of their employers. They are not wicked lobbyists as represented in the press. They are simply paid agents who have a perfect right to speak for those whom they represent. Ordinarily they do so effectively and politely. But the setup does not contribute to liberal thought. They are intolerant of any point of view opposing their interests. They are not concerned primarily with the effect of proposed measures on freedom or freedom of thought. They are likely to concede a good deal to a totalitarian regulation if it moves in the direction of their interest.

Even those groups formed for the discussion of public questions, the very reason for whose existence is a desire to promote freedom of discussion and freedom of thought, have moved far from their ideals. Women's organizations like the League of Women Voters, the Federated Women's Clubs, and many others have representatives in Washington. They seem to be closely tied in with the Government and prepared to accept any Government policy and act as propagandists for that policy among their members.

On the orders of the national officers, telegrams pour in from local groups which apparently have not even discussed the subject, or at least have only heard one side. They are utterly intolerant of any point of view which criticizes the policies endorsed by their national officers.

This attitude unconsciously extends to many newspaper editors, columnists, and commentators who think of themselves as liberals, but don't stop to think what that term really means.

## Situation Alarming

The situation to my mind is alarming, because in the name of progress we are unconsciously losing all that intense love of liberty which made our republicanism form of government a force for progress throughout the world. The dynamic thinking today is done by those who consciously or unconsciously lean towards the totalitarian State, and the trend is strong away from liberalism even among those who, in theory, denounce all-powerful government. The result is that liberal thought is fighting for its life instead of providing the aggressive philosophy which alone can resist the juggernaut of world totalitarian thought.

We have before us in Congress many measures which perhaps illustrate what I have in mind. We are in the midst of legislative debate on the continuation of the Office of Price Administration. Here is an agency undertaking to fix wages and prices and regulate half a billion transactions a day extending into the daily and intimate lives of 140 million people. It is admitted in theory that it is inconsistent with business and individual freedom. Its existence can only be justified by the greatest necessity, such a necessity as was produced by World War II.

## Danger of OPA's Continuance

But the danger to freedom involved in its continuation interests few people except the businessmen who are directly affected by it. Every presumption ought to be in favor of ending it at once. Those desiring its continuation should be made to prove the necessity beyond a reasonable doubt. Instead of that, the powerful propaganda against inflation has put all the burden of proof on those of us who believe that limitations on freedom should be removed as promptly as the necessity for them ceases.

What concerns me is that the people gradually come to accept limitations on freedom as the necessary incidents of government. They hear of outrageous treatment given to others with a kind of dull interest, instead of the fiery resentment such incidents would have aroused in the past. That is the way that peoples throughout history have come to lose their freedom, by ceasing to have any interest in it and gradually accepting limitations imposed usually under legal forms and on grounds of alleged necessity by an arbitrary ruler or an arbitrary government.

The technique is the same in many fields. Slogans are built up to stand for desirable objectives, and they are made to assume gigantic proportions in the popular mind. War, Peace, Social Security, Anti-Inflation, National Defense, are some of those we have seen in recent years. Every one of them is a highly desirable goal, but in every case it has also been used as an excuse for further limitations on freedom, and further increase in Government power and spending. Men forget that the real object of our foreign policy and our domestic policy is liberty, and that other

goals can and must be reconciled with them.

## Bureaucrats' Siren Song

The cry of the Government bureaucrats on OPA is like that in many other fields: "Give us unlimited power and money, and leave the solution of the problem to us." Of course, it isn't even certain that they will do any better in the economic field than would the uncontrolled law of demand and supply, even under present abnormal conditions. In meat, lumber, corn, butter, the whole economy is shot through by black market violations. In other fields the Government has held prices firm, but has encouraged increases in wages and other costs on the theory that this could be done without increasing prices. Many manufacturers and distributors in certain industries are caught in the squeeze which is completely unjust to them, and for which there is no remedy in the courts. Production of the goods affected promptly falls off, and the pressure of inflation and black market increases to the breaking point. Butter, cheese, evaporated milk, housing lumber, white shirts are only examples. I believe price control should be continued, but on terms which will assure justice now and decontrol as soon as possible.

## Hits Compulsory Health Plan

The President has proposed a compulsory Federal health insurance plan which received acclaim from the press with little realization of its necessary effect. Under it, taxes on payrolls and other taxes pour into Washington as premiums to this health insurance fund. Perhaps four billion dollars a year reaches the hands of a Federal bureau which then undertakes to provide and pay for medical care to 140 million citizens. A vast organization of Government officials will have to be set up to employ all the doctors in the United States to furnish this medical care. The doctors will have to be told when they can call at a home and when they cannot call at a home, when they can perform operations, what kind of medicine they can prescribe, and every detail of the service to be given those to whom they are assigned. In effect, the entire medical profession is to be nationalized and become employees of the Federal Government.

Of course the doctors are opposed to any such action. The great bulk of the people view it without realization of what is actually proposed. They are for health and better medical care in whose name this measure is advanced. So are we all. I have introduced a measure giving Federal aid to the States to enable them to provide medical care to those unable to pay for it and encourage voluntary health insurance funds. It can accomplish every purpose of the Truman plan. But it builds upon the existing foundation which has given America the best medical service in the world. We can do this job like every other necessary job without extending Government control into every home and interfering with the freedom of the daily lives of our citizens.

## FEPC Bill Not Answer

We have had to consider an FEPC bill. Undoubtedly there is discrimination in employment against various minority groups, especially negroes. The problem is a serious problem, but it certainly does not have to be solved by the method proposed in this bill. Under the Chavez bill a board with little responsibility will practically govern employment in the United States. If a man or woman applies for a job, every employer large or small will be told by this board whether or not he must employ the applicant. The bill applies the technique of

the National Labor Relations Act to every application for work. I sat through the hearings on the National Labor Relations Act, and I can say that there never were such outrageous perversions of justice as occurred under the first National Labor Relations Board. When justice fails, it means that some man has lost his freedom. Racial discrimination is a serious problem but for the welfare above all of the minority groups it must be solved within our principles of justice and liberty primarily by education and persuasion of all the people, employers, workers and the public. Force is not the answer. Certainly, we should not adopt a measure limiting the freedom of every employer in the United States until every possible alternative has been tried.

## Opposes Conscription

Regardless of its wisdom, there can be no more serious limitation of freedom than the action of a Government in conscripting young men from their homes and schools and their occupations, and forcing them into the Army or Navy to serve as ordered by some superior officer. We recognize the necessity of such conscription in time of war. We have never heretofore recognized it in time of peace. Today, public opinion is at least equally divided. Because high Army Generals say that we need the draft to provide the armed forces required under present conditions, most citizens assume that they are right. They seem to forget that Army officers have always wanted compulsory military training and the draft. There ought to be such an intense resentment against this totalitarian measure that the necessity for it would be everywhere doubted until proven, and the alleged reasons subjected to critical examination. Instead of that it seems to be considered liberal to accept this necessity without question. My own view is that at V-J Day, the War Department should have begun to build a peacetime Army, to build it from the bottom up by volunteer methods. It knew that this would be ultimately necessary. Instead of that it let a wartime Army disintegrate until it is suited neither to peace nor to war, and it has blindly relied on the draft to fill up the ranks. The War Department campaign for volunteers has never been undertaken with serious energy, and I am afraid it never will be until Congress ends the power to conscript men. Surely, in a nation where fifty million men work, a million and a half can be found to serve in the Army if conditions are made sufficiently attractive. Many of the existing occupations have no special charm, and it is up to the Army to make its conditions as attractive as those of civilian life. Because of the Army's delay we may be forced to extend the draft at this time, but it should be ended at a definite date.

## Three Totalitarian Measures

Here are three essentially totalitarian measures, every one of which brings the Government into the homes and the daily lives of all its citizens. One directs the education of boys. One regulates the price of every purchase, and to some extent the amount of the wage check. The third regulates medical service in every illness. It is hard to imagine a program short of Communism interfering more with individual and family freedom.

In the field of international relations and the United Nations we have pursued a moderate course. But we are faced today with proposals for a World State, with executive and legislature and the armed forces which would accompany such a grant of power. These proposals are advanced and accepted by many who don't seem to realize the implications, and there

(Continued on page 2670)



# As a matter of Public Interest

## ... SOME HIGHLIGHTS FROM THE ANNUAL REPORT OF STANDARD OIL (N. J.)

*Because Standard Oil Company (New Jersey) with its affiliated companies is one of the nation's large enterprises, its operations may be of interest not only to shareholders and employees, but to others as well. The following facts selected from the Company's Annual Report, just published, provide a good summary of the Report and cover the developments of greatest public interest.*

*Eugene Holman* *Frank W. Abrams*  
EUGENE HOLMAN      FRANK W. ABRAMS  
PRESIDENT              CHAIRMAN OF THE BOARD

**End of War** During World War II Jersey and its affiliates were called upon to a greater extent than any other company to fuel the armed forces of the country. They were the largest producers of 100 octane gasoline in the world. They produced, in Government-owned plants which they operated, as much synthetic toluene (for TNT) as all the rest of the world combined. They were among the largest producers of the raw materials of synthetic rubber.

**Reconversion** Reconversion was carried out smoothly and quickly. It was possible, with relatively few difficulties, to change over from an intricate pattern of manufacture and transportation designed for a nation at war to an equally complex pattern fitted to a nation at peace, and to begin supplying, upon short notice, civilian demand for unrationed gasoline and many other products.

**Oil Production** World-wide production of crude oil by consolidated companies was 995,000 barrels per day, an increase of 8 percent over 1944. During 1945 the domestic crude production of Jersey affiliates represented 9 percent of the oil produced in the United States, and their world-wide production amounted to 13.5 percent of the oil produced throughout the world.

**Refining** The amount of crude oil processed in the domestic and foreign refineries of affiliated companies—1,119,900 barrels per day—represented an increase of 5 percent over 1944. Crude run to domestic refineries was 13 percent of the total crude processed in the United States.

**Transportation** From the outbreak of hostilities in 1939 until V-J Day, 96 tankers owned by Jersey and affiliated companies were lost, either through capture or seizure by the enemy, sinking, collision, or stranding. The lost vessels have been partially replaced, and plans are under way to add further to the fleet's carrying capacity.

**Marketing** Everywhere, throughout the war, marketing activities were largely regulated by government directives, and when these were ended in the United States and in some foreign areas there

was a rapid return to normal competitive activity. World-wide sales of refined products in 1945 were at the rate of 1,193,000 barrels per day, an increase of 4 percent over 1944. Of this amount 694,000 barrels per day were sold in the United States domestic market.

**Research** Until the end of hostilities Jersey research was almost entirely on war work of highest importance. Immediate postwar research budgets will be approximately 50 percent above prewar budgets as part of a program to carry over into a peace-time world research begun for war, and to continue scientific inquiries on petroleum as a raw material for many products.

**Employee Relations** Jersey and affiliates continued to enjoy excellent labor-management relations. When the war ended, Jersey's domestic petroleum affiliates proposed upward adjustment in wages and salaries of 15 percent. This was accepted by all employee bargaining agencies involved. By March 1, 1946, an additional 3 percent had been negotiated and accepted. One of the best evidences of the satisfactory employee relationships in Jersey is the fact that 95 percent of the domestic employees who have been released from the armed forces have returned to the Company.

More than 79 percent of eligible domestic employees are now buying term life insurance under the Group Insurance Program for a total coverage of \$160,241,800.

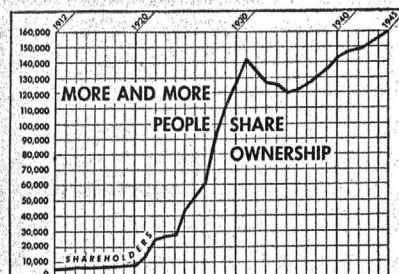
Employees participating in the Thrift Plan contributed last year \$15,019,011, which was supplemented by Company contributions of \$18,921,235.

**Earnings** Consolidated net earnings in 1945 amounted to \$154,156,196, equivalent to \$5.64 per share. For 1944 the consolidated net earnings were equivalent to \$5.69 per share. During the year the Company paid dividends totaling \$2.50 per share.

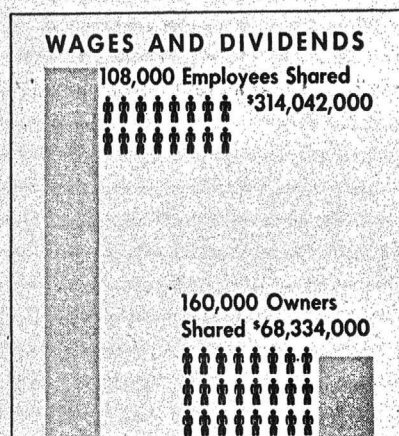
**Statement of Principles** In order to make as clear as possible the Company's outlook in today's changing world, the Board of Directors has prefaced this year's Annual Report with a special *Statement of Principles*. This expresses, for our stockholders and for anyone else interested, basic viewpoints and policies of the Company.

[ Copies of the full report are available on request. Address ]  
Room 1626, 30 Rockefeller Plaza, New York 20, N. Y.

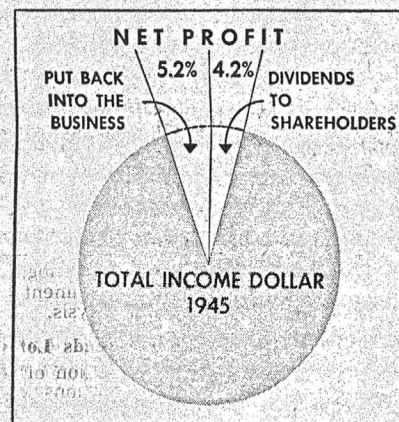
**STANDARD OIL COMPANY (NEW JERSEY)**  
AND AFFILIATED COMPANIES



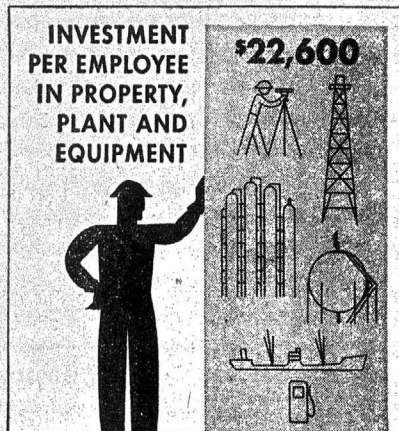
WIDENING OWNERSHIP OF JERSEY is shown by the fact that the number of shareholder accounts has increased from 5,816 in 1912 to 160,025 as of December 31, 1945.



EACH FIGURE REPRESENTS 6,750 PERSONS, and the bars represent the amounts of income each group received from Jersey in 1945. The sum of \$314,042,000 was paid to employees of the Company and affiliates in wages, salaries and benefits. Dividends amounted to \$68,334,000.



THIS SHOWS THE PROPORTION OF NET PROFIT made by Jersey and affiliates out of total income in 1945. It shows also the proportion paid to shareholders in dividends and that left in the business to meet future capital expenditures, etc. All the rest of the income was required to pay wages, purchase materials and meet other operating costs.



FOR EACH EMPLOYEE ON THE PAYROLL, Jersey and its consolidated companies have invested \$22,600 in property, plant, and equipment. The gross value of capital investments in lands, refineries, pipe lines, tankers and other properties necessary to provide 108,000 jobs was \$2,441,942,488 at the end of 1945.



## What Is A Liberal?

(Continued from page 2668)

is less public criticism of the plan than there is of the United Nations. In such a State, we would hold but a minority representation. The State would be dominated by peoples who do not even understand our form of government or the method in which we think. Laws made by them would fall upon our people, and their officers and armies would enforce the law. A large number of the representatives would believe in totalitarian government. How could we be a member of such a State without losing our national freedom? If we lose our national freedom, how could we retain our individual freedom?

Yet prominent Americans are advocating that we surrender that freedom in the interest of peace. In 1776, our ancestors preferred freedom to peace—else we would not be an independent nation today. It is inconceivable to me that a liberal people can view with even indifferent interest the idea of world government accepted by so many in this country today. Distinction between such a government and the United Nations is obvious. In one we retain our freedom with certain reasonable limitations on action abroad to which we agree. In the other, we surrender our freedom to a government in which we have only minority representation.

### Foreign Policy Not Based on Justice

Nor do I think we can claim to be liberal on foreign policy when we continue the policies which dominate our actions in Europe. There can be nothing further from justice than the proposed territorial settlements in Europe and Asia. It is hardly liberal to agree to the extinction of liberty in Estonia, Lithuania, Latvia and Poland. The extending of justice throughout the world may be and is beyond our power, but certainly we need not join in the principles by which force and national policy are permitted to prevail over freedom and justice. I believe that all Americans should view with distrust the war trials which are going on in Germany and Japan. I do not purport to pass final judgment on the wisdom of that procedure, but they do violate a fundamental principle of American law against *ex post facto* legislation, a principle which in 1776 we regarded as an essential element of liberty. Our policy is still dominated more by ideas of vengeance than by principles of justice. We hear of instigators of treatment of the Germans which would certainly be thought tyranny if used against ourselves.

### Condemns Policy Toward Germany

Our policy seems to be based on the theory that we can educate the Germans to be a different kind of people than they are and make them think as we think, not a very liberal program. Furthermore, it is so contrary to human nature that it is bound to fail. We cannot consciously change the methods of thought of our own people, much less that of people with different ideas and a different language. We must limit by force the freedom of the Germans to make war. But we cannot long interfere with their power to govern themselves and still stand for liberty and freedom throughout the world. But there seems to be no concern in this country about our actions throughout the world, inconsistent as they are with the liberalism which we proclaim.

I do not wish to indicate that my position on the various subjects which I have discussed is necessarily right. I only want to point out that the people no longer seem to be concerned about the basic issue of human freedom, the

issue which formed the basis of all the thinking of the founders of this Republic. The subject is not discussed or thought about.

### "Pseudo-Liberals" Vocal

When men in Congress raise these issues, they are likely to run into a general course of condemnation and the charge that they are standing in the way of liberal progress. Congress is accused by the pseudo-liberals of being out of touch with the people; the reason is that Congress does have to think on these issues and the people do not. It should not be our sole burden in Congress to raise these issues. A measure which limits freedom ought immediately to arouse skepticism and a demand for thorough examination.

We all know that America still desires to be a liberal nation. If so, it must lay its primary emphasis on freedom. It must accept the good faith of those who differ with the current dogma, and condemn the smear tactics whose real purpose is to limit freedom of thought. It must reconcile progress with methods which do not create and encourage in this country and throughout the world principles of totalitarian government.

## Speakers for AIB Convention in June

Two nationally known figures have accepted invitations to address the two general sessions of the 44th annual convention of the American Institute of Banking, which will be held at Cincinnati, Ohio, June 10-13 inclusive, it has been announced by David T. Scott, National President of the Institute, who is also Assistant Cashier of the First National Bank, Boston, Mass. The American Institute of Banking is the educational section of the American Bankers Association. Rev. William H. Alexander, pastor of the First Christian Church, Oklahoma City, Okla., will speak at the opening general session of the convention on Monday afternoon, June 10. Rev. Alexander is well known throughout the Southwest as the radio minister of Oklahoma's "Little Church Around the Corner." Dr. Clark G. Kuebler, President of Ripon College, Ripon, Wis., will be the principal speaker at the closing general session of the convention on Thursday afternoon, June 13. Dr. Kuebler is stated is internationally known as a classical scholar and educator. Before assuming the Presidency of Ripon College, he was a member of the faculty of Northwestern University at Evanston, Ill., and one of the leaders in the revision of college educational objectives.

During the three days of the convention, out-of-town representatives of the various AIB chapters and study groups will discuss the Institute's postwar educational program which is placing emphasis on plans to aid veterans and on the postwar education of bankers. In the formulation of these national policies, the departmental conferences to be held on June 11 and 12, will play an important part.

## Clarke Again Heads Tenn. Banking Dept.

Homer B. Clarke was reappointed Tennessee State Superintendent of Banks on April 23 by Governor McCord for a third term of four years it was reported in Nashville advices to the Memphis "Commercial Appeal." The bank superintendent joined the Banking Department as an examiner in 1920.

# Liberalism Abroad and at Home

(Continued from page 2644)

majority decision is final and absolute. Ours is a representative democracy, wherein the people govern through elected representatives. It is also a constitutional democracy. Neither Congress, the Executive, nor the courts have absolute power in their respective jurisdictions. They are limited to the powers specifically granted to them in the Constitution, and even in the exercise of those powers they may not encroach on the rights and freedoms of individuals guaranteed in the Bill of Rights. The framers of our Constitution were convinced, I believe rightly so, that too great concentrations of political power are dangerous to freedom, and that a bare majority can be as tyrannical as an absolute monarch. Therefore they wrote into the Constitution only limited powers, and protected individual rights even against those powers of government. And then they provided that the Constitution could not be amended except by vote of two-thirds of both houses of Congress and ratification by three-fourths of the States. They were taking no chances on the liquidation of individual freedoms by a bare majority.

The resulting system of checks and balances does slow down government in a democracy. It cannot change the rules by the stroke of one man's pen. Major decisions generally are not made except after months and sometimes years of public discussion, which have built up an overwhelming, not merely a bare majority, public support for the decision made. That is the price we pay for freedom and democracy.

### Essentials of Our Democratic System

Two things are essential if our democratic system is to meet effectively the challenge it faces. One is that the electorate know the facts and hear both sides of every issue. The second is political leadership that is willing to really give leadership, based on fundamental principle rather than following whatever appears to be the majority opinion of the moment. We are deficient in both today. Too many individuals are hearing only that side of any issue which the particular pressure group with which they are affiliated wants to present to them, and they make no real effort to hear the other side. And far too many politicians who know the facts and could help us make the right decision on issues are instead following the path of expediency and exploiting rather than helping to dispel ignorance, bigotry and prejudice.

Every believer in democracy and liberalism must practice what Voltaire preached when he said: "I disagree with everything you say, but I will defend with my life your right to say it." It is all too apparent from the reactions to the recent speeches of Winston Churchill that some Americans have forgotten this fundamental precept of democracy.

Against that background of the democratic process, let's try to define political liberalism.

There are a great many groups in America today which apparently judge a public official's liberalism on the basis of whether he is willing to support any and all legislation which purports to give additional rights, immunities, privileges, or benefits to some particular group in our society. I notice that those who use this formula to determine whether a politician is liberal always insist that the group receiving these special benefits or privileges must be a very large group with plenty of votes. If the recipient group

happens to be a small one which does not carry too much weight at the polls, then voting for special privileges, immunities or benefits becomes a symbol of reaction. This formula seems to be based on the theory that simply by passing a law in Congress we can give a great many people something for nothing. It seems to me very much the same kind of political philosophy as that on which the early Caesars of Rome operated when they kept the people acquiescent with bread and circuses.

I do not agree with the theory that we ever get something for nothing. We always pay in some coin for progress and for benefits received, whether by additional mental or physical effort, by some curtailment of the freedoms which we have enjoyed previously, or by the restriction of the freedoms of the members of some particular group in society.

The industrial revolution, for instance, brought about a tremendous increase in material living standards of the people wherever it occurred. We paid for that increase in a rapid growth of city slums, in curtailment of economic freedoms and psychological maladjustments of individuals which have filled State mental hospitals to overflowing.

### False Liberalism

Many proposals are being advanced today under this false label of liberalism, designed to assure all the people in this country a high standard of living, regardless of what the individual does for himself, simply by passing a law. All history should prove to us that such a guarantee to individuals will be paid for eventually in a very precious coin indeed—the coin of individual human freedom.

It is my conviction that to be a political liberal, one must be devoted to liberty. I mean liberty, not for any particular group in society, whether it be workers, farmers, business or professional men, but liberty for all individuals as individuals. I don't think freedom means anything in relation to any group. Freedom has meaning only as it applies to individuals. A political liberal in my dictionary has two primary objectives. One is to assure the greatest degree of economic and political freedom for all individuals consistent with enjoyment of the same degree of freedom for all other individuals. The second objective is equality for all individuals. I do not mean absolute equality, which is impossible among human beings and could be achieved only if we turned into robots, but equality of opportunity and equality before the law for all individuals. The key word in this definition of a liberal is the individual. A liberal judges issues as they arise primarily on whether their net effect will be to expand or contract the sum total of opportunities and freedoms enjoyed, not by any particular group in society, but by all of the people as individuals. You will never find a liberal according to my definition talking about "the masses" or "the common man" or even "the average man." To my kind of liberal every individual is very uncommon. He is a human being with a soul, not merely a complex assembly of appetites and fears.

The political opposite of liberalism is not conservatism. A political conservative is merely one who says, "Let's go slow about destroying or changing our present institutions." The opposite of a conservative is a radical, who is always ready to try almost any experiment. Both conservatives and radicals may be liberal in their basic philosophy or they

may be the opposite of liberal, which is authoritarian. The authoritarian in politics is the one who believes that a particular group, whether it be in government, in labor, or in business, has a special mission to plan the whole pattern of society and to require all individuals, whether they like it or not, to fit into that pattern. The authoritarians may be very well-meaning people who want nothing more than to do good for everybody. Or they may be individuals who want power simply because they love the exercise of power, in which case they are tyrants. You will notice that under my definition of liberalism and its political opposite, authoritarianism, both fascists and communists fall into the latter category. They are as like as Tweedledee and Tweedledum in their determination to force all individuals in society to fit into their particular theory of what is a perfect society, and they are at one in their opposition to freedom and dignity for the individual.

One more thing. Liberals must be constantly on guard against tyranny and authoritarianism wherever and whenever they show their heads. Liberals have learned that there can be no compromise in the centuries old struggle between tyranny and human freedom, and consequently they are vigilant against any abuse of justice or the principle of equality before the law wherever it occurs, whether it is the denial of civil rights or economic opportunity to negroes in America, the appeasement of a dictator at Munich, or the appeasement of a slightly different kind of tyranny in Iran.

Applying this yardstick of political liberalism to foreign policy issues, we immediately find a sharp conflict in principles. A large part of our world, including one great power, Russia, operates under authoritarian political systems which appear unlikely to change soon. Solving complicated issues through public debate and decision is a tough job when the debate is conducted, as it were, in different political languages.

That difficulty will not be eliminated by brushing it aside. Rather, our only hope is to face it squarely and struggle patiently at the task of achieving common understanding of a few essential principles. That this is not a completely hopeless undertaking is demonstrated by our agreement on the United Nations and the way that infant organization is surviving political storms.

Since liberals seek internationally expanding opportunities and freedoms for individuals under law, they will support wholeheartedly the United Nations, as the only instrument in existence which might eventually achieve that goal. Liberals will seek at every opportunity to transform the United Nations into an instrument more suited to this task; by modification or elimination of the unilateral veto power, and by implementation and strengthening of those expressions of concern for individual rights and freedoms now in the charter.

In the economic field, liberals will seek free multilateral trade opportunities for individuals. The trend in the 1930's was toward growing governmental control of international trade, with ever lessening opportunity and freedom for individuals in this field. To reverse that trend and expand the freedoms and opportunities of individuals in international trade, liberals will support elimination of high tariffs and other trade barriers. Such institutions as the Bretton Woods monetary fund and bank, designed to facilitate multilateral trade, help toward this objective. The pending loan to Britain, to assist the world's



greatest trading nation eliminate barriers to world commerce, fits into this liberal goal.

I think those who support liberalism in our foreign policy must also support measures—such as the draft extension and universal military training—which will assure that the United States, as the leading proponent of liberal principles, will not become so weak that our voice is impotent in international affairs.

Liberals are devoted to peace and justice. But liberals are also prepared to fight, if necessary, for freedom and justice. After the United Nations has evolved into an agency strong enough to promote and safeguard freedom and justice on the world level, liberals can rely solely on moral strength and reason. But in the present troubled world, we must have the military strength to support our principles if necessary.

Finally, I think that throughout the world we have a responsibility as liberals to be active missionaries for the principles of liberalism and democracy. I would like to see our State Department and our political leaders less bashful about proclaiming the meaning and values of democracy and freedom throughout the world. I intend to support appropriations for the State Department to continue in peacetime such activities of the Office of War Information as will further that objective. It is quite true that we have no right to intervene unilaterally in the internal affairs or choice of government of any nation. I think we made a mistake in attempting that kind of intervention in Spain and Argentina, even though I also dislike the types of government established in those countries. But refraining from direct intervention in any nation does not mean that we cannot advocate the principles of individual human freedom and dignity. We can and should seize every opportunity to tell people what democracy means to individuals. Our policy never should support or lend economic or political assistance to regimes in any country which trample roughshod over individual rights and freedoms.

After all, this conflict between tyranny and freedom is not a new one. It has been going on for centuries, and freedom has been gaining ground all the time. In spite of the dynamic appearance which both the Fascist and the Communist dictatorships have given in recent years, the fact is they are the same old brand of tyranny operating under different labels. Human freedom and individual rights and dignity still have a vitality and an appeal to people throughout the world which tyranny never can have.

Our chance of expanding the freedoms and opportunities of individuals here at home will be much easier if we can achieve stability, justice and a reasonable assurance of peace in the world. The continual threat of war, like war itself, tends to push peoples and nations into authoritarian forms and controls. Here in the United States we moved a long way in that direction during the recent war.

That is why liberals today are primarily concerned about foreign policy issues. They realize that unless we and our allies can so organize the world that the threat of a third world war is eliminated, or at least minimized, democracy and liberty will be the first casualties in such a war. But in our concern with the international scene, we dare not overlook the authoritarian challenge to liberalism which we face here at home. If liberalism does not prevail in the United States, it will stand little chance in the world. So let's turn now to a discussion of how these principles of liberalism apply to some of our major domestic problems.

The primary goal of liberals here at home is not complete eco-

nomie security for all, but the greatest possible degree of equality of opportunity for all in the economic field, with an insistence that measures to achieve this goal must expand rather than curtail individual freedoms. This Administration's approach basically seems to be that government should guarantee everyone a high standard of living regardless of

what the individual himself does. The liberal approach is that government's obligation is to make sure that every individual has a fair and equal opportunity to achieve his own economic destiny, and then leave it up to the individual.

There is a real danger today that in our discussion of political issues we will place so much em-

phasis on achieving economic security for everyone, that we may achieve it at the expense of freedom—both political and economic—for the individual. We have a tendency to confuse economic security with freedom. Actually the most secure individual in our society is a prisoner serving a life sentence, but he is hardly free. The people of Ger-

many in the early 1930's were so intent on achieving economic security that they permitted their liberties to be liquidated without even a fight.

Minor children do not have the freedom of adults. They have all the economic and social security their families can give to them, but they are not equipped to as-

(Continued on page 2672)

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## Bank and Insurance Stocks

By E. A. VAN DEUSEN

### This Week — Bank Stocks

The consensus of opinion appears to be that the banks will be able to maintain their high 1945 level of earnings through 1946 and 1947. This column does not subscribe to this appraisal too literally, for some banks will still be able to show improvement in earnings over last year, while others will not. It seems probable that, generally speaking, security profits will be smaller this year, but that straight operating profits should

in many instances continue to show the annual increment of increase. As regards dividends, few increases are anticipated this year, since the desirability of building up capital funds persists. In view of the inherent stability of the earnings and dividends of leading New York City banks, as well as those of other cities, it may be of interest to compare

comparative dividend yields at current market prices, together with relative safety of dividends, as represented by dividend coverage, by operating earnings and by the unbroken record of dividend payments by each bank.

Figures for seventeen leading New York City banks are shown in Table I:

TABLE I

	Annual Div. Rate	Recent Market	Yield	*Safety of Divd.	Dividends Paid Each Year Since	Historical Year of Origin
New York City—						
Bank of Manhattan	\$1.20	35	3.4%	2.60	1848	1799
Bank of New York	14.00	442	3.2	2.38	1784	1784
Bankers Trust	1.80	51½	3.5	1.88	1904	1903
Central Hanover	4.00	116	3.5	2.20	1864	1851
Chase National	1.60	45½	3.5	1.48	1879	1877
Chemical B. & T.	1.80	51½	3.5	1.71	1827	1824
Commercial National	1.60	49½	3.2	2.85	1931	1928
Continental B. & T.	0.80	23½	3.4	2.50	1918	1870
Corn Exchange	2.40	62½	3.8	2.26	1854	1853
First National	80.00	1,910	4.2	1.23	1864	1863
Guaranty Trust	12.00	348	3.4	1.12	1892	1839
Irrving Trust	0.80	20	4.0	1.65	1905	1838
Manufacturers Trust	2.40	63½	3.8	2.22	1910	1812
National City	1.60	48½	3.3	1.78	1813	1812
New York Trust	4.00	109	3.7	1.99	1904	1889
Public National	1.65	46	3.6	2.30	1916	1908
U. S. Trust	35.00	805	4.3	1.33	1854	1853

Average ..... 3.6% 1.97  
\*Number of times dividend covered by 1945 net operating earnings alone.

The average yield of these stocks is 3.6%, and the average coverage by net operating earnings, exclusive of security profits, is 1.97. U. S. Trust and First National give the highest current yield at 4.3% and 4.2% respectively. On the other hand, their dividend coverage ratios of 1.33 and 1.23 are among the lowest. These are closely followed by Irving with 4.0%, and a coverage ratio of 1.65.

Lowest yielding stocks are Bank of New York and Commercial at 3.2%, with high coverage ratios of 2.38 and 2.85 respectively. A large

number of stocks, it will be noted, give yields very close to the 3.6% average.

Stocks which provide above-average dividend protection are: Bank of Manhattan, Bank of New York, Central Hanover, Commercial, Continental, Corn, Manufacturers, New York Trust and Public. Length of unbroken dividend payments exceeds 100 years in the case of Bank of New York, Chemical and National City.

In Table II similar figures are given for eight leading banks in other cities, viz. Boston, Chicago, Philadelphia and Los Angeles.

TABLE II

	Annual Div. Rate	Recent Market	Yield	*Safety of Divd.	Dividends Paid Each Year Since	Historical Year of Origin
Other Cities—						
First National (Boston)	\$2.00	58½	3.4%	1.88	1785	1784
Natl. Shawmut (Boston)	1.00	34½	2.9	2.69	1836	1835
Cont. Illinois (Chicago)	4.00	105	3.9	1.98	1935	1856
First Natl. (Chicago)	8.00	246	3.2	1.84	1935	1862
First Natl. (Phila.)	1.60	46½	3.4	2.20	1863	1862
Penn. Co. (Phila.)	1.60	44	3.6	2.38	1827	1811
Phila. Natl. (Phila.)	5.00	127½	3.9	1.60	1842	1802
Bk. of Amer. (Calif.)	1.60	51½	3.1	1.80	1933	1904

Average ..... 3.4% 2.05  
\*Number of times dividend covered by 1945 net operating earnings alone.

Average yield of these eight stocks is 3.4%, and average dividend coverage, 2.05. Highest yield stocks in this group are Continental Illinois and Philadelphia National, each at 3.9%. Dividend coverage in each instance is below average, however, but still very high. Lowest yield stock is National Shawmut at 2.9%, with a dividend coverage above average. Four banks have an unbroken dividend record in excess of 100 years, viz: First National and National Shawmut (Boston); Pennsylvania Co. and Philadelphia National (Philadelphia).

Marketwise, bank stocks have been dragging this year. As measured by the American Banker Index of New York City bank stocks, they have declined 4.5%. On Dec. 31, 1945 the index stood at 50.7, and on May 8, 1946, at 48.4. Meanwhile the Dow Jones Industrial Average moved from 192.91 to 204.17, an appreciation of 5.8%.

From the 1942 lows, the comparison is as follows:—

	D. J. Ind.	Am. Banker
1942 Low.....	92.92	22.9
May 8, 1946.....	204.17	48.4

Appreciation ..... 119.7% 111.4%

From the 1932 lows, the comparison is odious!—

	D. J. Ind.	Am. Banker
1932 Low.....	41.22	23.9
May 8, 1946.....	204.17	48.4

Appreciation ..... 395.3% 102.5%

The 1942 low of bank stocks was beneath the 1932 low. The highest reached by the index since the 1929 high of 228, was 61.2 on Feb. 10, 1937; to reach this again, would require an appreciation of 26.5% from present levels. Bank stocks have been decidedly behind the general securities market since 1933, having, thus far, failed to recover completely from the "shell-shock" of the bank holiday of that year, and from other Governmental actions and attitudes.

## Liberalism Abroad and at Home

(Continued from page 2671)

sume the responsibilities and risks that go with freedom, and consequently we recognize the necessity of parental authority. Every time in history when men and women have turned over to an outside agency all their individual responsibilities and risks, whether they turned them over to a Julius Caesar, a feudal baron, an Adolf Hitler, or an omnipotent state, they have also in the end relinquished their individual freedoms.

My whole concept of freedom—and I think it is basically the American concept—includes the willingness to assume the obligations and risks inherent in being free. It was men and women imbued with this concept of freedom, accepting its risks and obligations along with its rights, who left the safe and civilized East to push West across the wild mountains and untamed prairies of this great country, who built our railroads, our mines and our great factories, and who, during the past five years, invented, produced and used the weapons that won us victory in war.

### Goal of Equal Opportunity

It is apparent that tremendous disparities in living standards among families mean inequalities in opportunities for children coming out of such homes. Where all members of a family must struggle constantly to achieve the bare necessities of life, the children do not get a fair break on educational, economic or social opportunities. The demagogue's stock answer to this problem—"Let's soak the rich"—is rejected by the liberal. He knows that in the final analysis, by destroying incentive to individual initiative and enterprise, such a solution will tend to pull down the living standards of everyone. It might equalize opportunities but it would do it by curtailing opportunities for everyone, instead of expanding them for all individuals. In the end, it would be destructive of freedom. The liberal solution is not to pull down the more fortunate, but to raise the less fortunate to a minimum standard, leaving it to the individual's own enterprise to rise above the minimum.

Fortunately, America is productive enough so that we can afford a relatively high minimum standard for all without destroying individual initiative and freedom. The proper and liberal function of our social security system and minimum wage law is to place a floor beneath the living standards of all the people and to take care of the inevitable casualties in a free economic system. The standards of such a social security system should not be so high that they will discourage any large proportion of individuals from

exerting themselves to achieve higher standards. If they do that then the United States will soon become weak economically and the living standards of everyone inevitably will fall. At the present time our social security system, with its old age retirement annuities, pensions for widows and provision for dependent children and handicapped persons, covers only those individuals who are employed. Those who are self-employed, professional people and farmers as well as many other groups, are not covered by the system. There are great administrative difficulties in working out the coverage of such groups but that should be the next and imperative step in expanding this system. Similarly, instead of proposing immediately to nearly double the present statutory minimum wage, our efforts should be directed toward applying it to all employment by extending the coverage. It might be necessary to keep the minimum wage at only 40 or 50 cents an hour in order to do that, particularly to cover farm labor. But it seems to me that is a far more liberal approach than to try to raise the minimum wage so high that in order to avoid severe economic consequences we are forced, instead of broadening the coverage, actually to restrict it, thereby promoting inequality instead of equality.

There is pending now in the Senate a revised version of the Labor Disputes bill, known as the Case bill, which passed the House some months ago. I am a member of the minority which has proposed six specific amendments to that bill. The amendments are designed to strengthen Federal mediation machinery for peaceful settlement of disputes between management and labor, to require both parties to give that machinery a reasonable opportunity to function before they resort to strike or lockout, and to equalize the legal responsibilities of labor and management in this field. They would do the latter by making unions legally responsible for violation of their contracts, and by outlawing secondary boycotts which are in restraint of trade in exactly the same way such monopoly practices by employers are outlawed under the Anti-trust laws.

### Unions Are Above the Law

I submit that these proposals, seeking to make great, powerful labor unions and their leaders responsible in some small measure to the public interest, are in fact liberal proposals. Liberals have always opposed the exercise of vast concentrations of either political or economic power without some regulation, control and responsibility. That is why 40 and

50 years ago liberals were in the forefront of the fight for the anti-trust laws, for Government supervision of securities exchanges and for regulation of public utility rates. It was because concentrations of capital then exercised such vast and uncontrolled economic power that the public interest had become vitally affected, and individual rights, opportunities and freedoms were being curtailed. Today labor unions and their leaders exercise economic powers which are far greater than those of the so-called captains of industry, both in their impact on the public welfare, and in their impact on the individual freedoms and opportunities not only of union members but of unorganized workers. Yet under Supreme Court interpretations of the Clayton Act and the Norris-LaGuardia Act, unions today are above and beyond the law. The Supreme Court has held specifically that when a union is involved in a labor dispute, whether its objective is licit or illicit, wrong and harmful to society or not, the Federal courts have absolutely no power to impose any responsibility. Unions today are by court decree completely free to impose on communities or other geographical areas absolute monopolies on the types and kinds of materials which the consuming public can buy and use. I submit that such a condition is intolerable to any liberal. Liberals today should be in the forefront of the fight demanding a reasonable regulation of this vast economic power in the interest of individual freedom and opportunity and the general public welfare.

It is my own conviction that only individuals who are strong, with trained minds and healthy bodies, can be truly free. They are fully capable of assuming the risks and responsibilities that go with freedom. Likewise they have the best security of all: that which comes from inner confidence in their own ability to meet whatever issues may come. That kind of security doesn't have to be conferred or guaranteed by any outside agency.

Our emphasis as liberals, therefore, in seeking greater opportunities and freedoms for individuals, should be on measures and policies which will strengthen the individual and free his mind from fear by giving him knowledge, training and health. Only thus

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Can individuals win the most precious freedom of all, freedom from fear—the confidence that he can and will measure up to any test that may come and remain true to his own inner creed. Under that policy, the Government has an obligation to see to it that in health and training, all individuals start as nearly equal as possible in our society. That in turn means that whatever excess Federal funds are available when we finally achieve a balanced budget should be earmarked first for programs and projects which will in the long run raise the health and educational standards of the nation and which particularly will give those who are less fortunate economically a better chance at healthy bodies and trained minds.

A great many domestic proposals which are clearly authoritarian when measured by this yardstick of liberalism nevertheless have wide popular support because their professed objectives are appealing to large groups. One of these was the so-called full employment bill as it was originally proposed. Another is the current proposal to extend the price control act for another year "without crippling amendments."

As I have stated before, we adopted many authoritarian controls in order to fight the war. Price control was one of them. I supported it during the war, but I recognized it as authoritarian rather than liberal. Price control was one of the devices by which the Nazis controlled the German economy. Government power to fix prices is the power of life or death over every business enterprise and is clearly authoritarian in nature.

Government attempts to control prices and otherwise substitute government edicts for the economic laws which adjust supply and demand in a free economy are nothing new. They, along with consumer subsidies which are equally corruptive of a free economy, have been tried repeatedly for thousands of years by governments which were afraid to face economic realities. Such attempts have always failed.

During the war, our government's price control policy was bolstered by a rationing program which at least tended to adjust demand to supply. We also had wage stabilization of a sort during the war, so that the violation of economic law by government was not so violent. However, rationing was abandoned nearly a year ago, and the government deliberately pushed wages upward. To promise to hold the price line in view of these policies, regardless of what Congress may do to the law, is an economic absurdity, and every honest economist in or out of government knows it.

Some price increases are inevitable. Whether they occur legitimately or in a black market will depend on what Congress does to OPA. But price increases which are essential to achieve a balance between supply and demand are not uncontrolled inflation. The two elements which must be present to create a runaway inflation—printing press money and lack of production—are not present in the United States and there is no real danger of either.

Price control, like other controls, was a wartime measure. Production is now close to or above 1941 levels in nearly all civilian goods. Of course, there will be some price increases and some confusion when we change from a controlled economy to a free economy. That is inevitable whether we make the change today or wait another year, or two years or ten years. Personally, as a liberal, I believe in a free economy. I think it is worth the risks involved and the way to achieve it is to get rid of these controls now.

In passing, I might add that the

present campaign for OPA by Chester Bowles and his supporters is as thoroughly totalitarian in method as is that agency. As an expert advertising man, Mr. Bowles knows there are probably 100 consumers for every producer or distributor of goods. Basically, he is telling the large group of the consumers that the government through OPA will run our economy for the exclusive benefit of the consumers, and that all businessmen are just greedy profiteers anyhow. A certain paper-hanger from Austria sold the German people very much the same kind of phony economics. They did not wake up until it was too late, but I think the American consumers are intelligent enough to figure out that artificial ceilings on butter, meat, shirts and lumber that cannot be bought at any price do not make sense.

Although we have won the war against Nazi tyranny and authoritarianism, we have by no means won the ideological fight for liberalism as I define it, either here in the United States, or in the world. That will be no easy fight. I know men who have devoted their lives to public service who today are discouraged, and fearful that democracy cannot long survive the tremendous political pressure and clamor of this group and that group, demanding that government do this and that and the other thing for them, but rejecting every effort of government to impose on them some minimum obligation of citizenship. The cry in political circles today seems to be special privileges and benefits for all, and responsibility for none. I do not believe that is an accurate reflection of the true sentiment of the American people. I cannot believe it, because if it is, then the cause of liberalism is indeed a hopeless cause.

During Senate debate on the Full Employment bill, several Senators asked on the floor in effect, "What does liberty mean to a man whose wife and children are hungry?" Patrick Henry must have turned over in his grave. That a Senator of the United States can ask seriously such a question is a clarion call to action for all liberals.

It is time for the liberals of America, those who believe in individual human freedom and dignity, to forget the little unimportant differences which have so often divided them in the past politically, and to close ranks and fight for their basic principles. Liberals cannot overlook the dangers which still exist on the extreme political right, the chief of which is economic monopoly. But let's also face the clear fact that the great threat to freedom today is not from the political right, but from the extreme political left.

#### Nazism and Fascism a Product of the Political Left

A significant fact, which many of us forgot during our wartime co-operation with Communist Russia, is that both the fascist and nazi dictatorships grew out of the political left. Mussolini was a socialist. In Germany, Hitler led the National Socialist party. Their appeal was primarily to those people suffering economic privations. They won support by extravagant promises of economic rewards, if only all power were turned over to them.

Communists and fascists are alike in their devotion to the proposition that "the end justifies the means." On that basis, they justify lies, cheating, murder, concentration camps and secret police, as necessary steps on the road to a rosy utopia which always seems to be in the distant future. To a liberal, on the other hand, the means are as important as the end. Neither can be destructive of individual freedom.

That is why liberals must fight communism as bitterly as they fight fascism, even though it means being called red-baiters. That fight is more difficult because liberals must always defend the very freedoms which communists abuse to achieve their end, which is the destruction of freedom. It is more difficult because conservatives in the past have too frequently cried "communist" simply to defeat liberal and not authoritarian proposals, and consequently many people refuse to believe there is really a wolf there this time.

Let's not permit our understandable desire for economic security to blind us to other values even more vital. We are seeking here in America not just jobs, any kind of jobs, for 60,000,000 Americans, but 60,000,000 opportunities for free Americans to work and produce. We seek here at home and in the world a system under which every individual has an opportunity to develop his own individual capacities to the limit compatible with the same freedom for all other individuals.

There is no easy path to that

goal. The easy path is that which the people of Germany, of Italy, of Russia took, when they closed their minds and surrendered to the siren call of the dictators: "Give us the power, and you'll have bread and jobs and security. What do freedom and democracy mean if you and your children are hungry?" Not only did these deluded people who took the easy path give up their freedom, but today, despite all the efforts of the free world, they are starving.

No, being a political liberal is not easy. It is just as risky and dangerous as being a free man. The liberal can expect to be called a communist by the extreme political right. He is sure to be smeared as a fascist by the extreme political left. He must fight authoritarian proposals that have wide popular appeal. He will incur the enmity of powerful vested interests. He can hope for no reward except that he has fought the good fight for freedom.

If that great cry "Give me liberty or give me death!" still lives in your heart and mind, then you can be a liberal.

#### Hatch Heads Atom Group

President Truman's committee for evaluation of the atomic bomb tests, whose members will observe tests of the atomic bomb at Bikini Atoll in the Pacific about July 1, have selected as their Chairman Senator Carl A. Hatch, New York Democrat. Vice Chairman, according to Associated Press advices from Washington on May 3, will be Representative Andrew S. May, Democrat, also of New York, who is Chairman of the House Military Affairs Committee. Other members of the committee are: Karl T. Compton of the Massachusetts Institute of Technology; Dr. J. R. Oppenheimer, an atomic scientist; Bradley Dewey of Cambridge, Mass.; W. S. Newell of Bath, Me.; Fred Searls, Jr., also an atomic scientist; Senator Leverett Saltonstall, Republican, of Massachusetts, and Representative George W. Andrews, Democrat, of Alabama.

The committee, which leaves for the Pacific next month, will report its findings directly to the President.

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### From our 94th Annual Report as at December 31, 1945

Admitted Assets, an all-time high.....	\$1,014,155,467
Gain during year.....	\$ 82,570,654
Life Insurance in Force, an all-time high.....	\$2,279,068,780
Gain during year.....	\$ 81,174,569
Annuities in force provide for annual income payments of..	18,336,140
New Life Insurance sold.....	\$ 154,481,059
Gain over 1944.....	\$ 5,609,799
Paid to Policyholders and Beneficiaries.....	\$ 48,813,236
Claims paid, due to war causes.....	\$ 1,881,096
Government Bonds owned and on order at year-end, par value.....	\$ 286,000,000
Surplus to Policyholders, an all-time high.....	55,090,685
Gain over previous year-end.....	\$ 13,804,652

### Summary of Annual Statement

Assets	
	December 31, 1945
Bonds, Mortgages and Other Assets.....	\$992,985,587
Interest, due and accrued.....	8,159,752
Premiums, due and accrued.....	13,010,128
*Total Admitted Assets.....	\$1,014,155,467

Liabilities	
Policyholders' Reserve.....	\$735,577,836
Policyholders' Funds.....	200,535,952
Policy Claims in process of settlement.....	3,630,063
Dividends to Policyholders.....	11,085,380
Taxes.....	2,236,967
Miscellaneous Liabilities.....	4,198,584
Special Reserves.....	1,800,000
Special Surplus Funds.....	\$ 4,650,000
Unassigned Funds.....	50,440,685
Surplus to Policyholders.....	55,090,685
Total Liabilities and Contingency Funds.....	\$1,014,155,467

United States Registered Bonds included in the above statement are deposited as required by law; State of Massachusetts \$250,000; State of Georgia \$10,000.

\*"Admitted Assets" are assets determined in accordance with rules established by the National Association of Insurance Commissioners.

A complete Annual Report will be sent on request.

This statement is in accordance with the requirements of the State of New York Insurance Department.



# What Price Cheap Money?

(Continued from first page)

to an end. Interest rates are lower today than they were when the war began—and this, in spite of the fact that our Treasury borrowed over 200 billions of dollars to finance it. What is the explanation for this strange anomaly?

It was a common explanation before the war to say that low interest rates in this country were due to our huge stocks of gold. And yet, one day when making a survey of interest rates in the principal countries of the world, I found much to my surprise that interest rates were low in countries like Germany and Japan that had small gold holdings, exactly the same as they were in the United States and France where the gold holdings were relatively high. In England interest rates had been declining since that country left the gold standard in 1931, with little change in its gold reserves. Clearly, I thought, there must be something more in the way of an explanation of the low interest rates than merely the amount of gold reserves held in the banking system.

In an attempt to get some help on the problem, I wrote a letter, the pertinent part of which is given below, to a rather large number of the outstanding students of banking in this country:

"For some time now, I have been wondering about the adequacy of the explanation that our huge gold supply is mainly responsible for our low interest rates. In the first place, in making a recent survey of bond prices, I find that they seem to be going up and reaching all-time highs in countries that have been denuded of their gold supply quite the same as they have been in this country where we have an excess supply of gold. For instance, Government bond prices in Germany and Japan are at practically all-time highs. Likewise, Government bonds in England have moved up sharply during the last two years. And, while they are not at all-time highs, it is interesting to note that they are higher today than when that country was on the gold standard."

In rereading the replies to this letter a few days ago, I was amazed at the lack of unanimity in their answers. But one writer, it now seems to me, saw the problem clearly and fully understood it even before the war.

"Interest rates are low," he said, "because bank reserves are redundant. They are redundant in the United States on a gold basis. They are also kept redundant in countries like Germany without a gold basis. It doesn't make any difference at all," he went on to state, "about the amount of gold reserves, so long as confidence in the currency is not impaired. Money is cheap in this country because bank reserves are redundant on a gold basis, and business does not expand sufficient to use them up. Money is cheap in Germany because bank reserves are kept ample, although on a paper basis. Germany's currency is divorced from the international money market through export and import controls and through restrictions on the purchase of foreign exchange. Prices and wages are kept under control by law, strictly enforced, and inflation is kept down, while no one is permitted to raise capital through the sale of securities without consent of the government."

He closed his letter by saying that interest rates in a country can be kept low, with or without gold, if a country is prepared to pay the price in the way of arbitrary controls over its life. This brief explanation of the way Germany kept money cheap when she was rearming before the war

is important to keep in mind when we review the steps used in this country to keep cheap money during the war. There are some striking points of similarity.

But it is not the purpose of this paper to find fault with the way the war was financed. In any discussion of ideal methods of financing the war, the magnitude of the task that confronted the Treasury must not be forgotten. It was faced with financing an all-out war which no one knew how long would last nor how many untold millions of dollars it would cost. No nation has ever able to levy sufficient taxes to pay the entire cost of a war. Some part has always been paid through inflation. Moreover, it must be remembered that special requirements imposed by war demands may make necessary banking policies that are wholly unnecessary and even dangerous to follow in times of peace. It is important, therefore, and very important indeed, that we understand just exactly how the government was able to finance such a large part of the cost of the war through borrowing without increasing interest rates. It is this lack of understanding that is responsible in no small degree for the belief that the government, with gain to all, can indefinitely in the future so control interest rates that they will always remain low.

## Analysis of War Financing Effects

In the discussion that follows it is proposed to show (1) just how it was possible to finance the war with declining interest rates, (2) what the effects of that financing have been upon our present credit and price situation, and (3) whether in the interest of continuing the present low structure of interest rates, it is safe in the days immediately ahead to continue the same credit policies that were pursued during the war.

With the beginning of our rearmament program in 1940, and in particular after Pearl Harbor, our Government was soon borrowing huge sums of money. War bond drives in amounts that would have been considered fantastic a few years ago were put on about every three months. Roughly, about 60% of the bonds purchased in these drives were bought by individuals and savings institutions. The other 40% was bought by our banking system. This huge expansion of bank credit, resulting from this purchase of Government securities, in a short time used up the excess reserves of the member banks which had been built up by the huge gold imports of the 30's. The very rapid increase in currency in circulation also augmented the problem, so that by the end of 1942 the Federal Reserve Banks had to begin to build up reserves in the member banks through putting their own funds in the money market, principally, of course, by buying Government securities, mainly bills and certificates. Tracing the growth of Federal Reserve Bank holdings of Government securities through the war, we find they did not begin to expand rapidly until the latter part of 1942, and then the expansion continued rapidly throughout the war until such holdings were about 22 billions of dollars.

The Treasury was able during the war to float its huge bond issues without raising interest rates primarily because the Federal Reserve Banks furnished the member banks with sufficient reserves so that the member banks could buy the amount of bonds the Treasury allotted to them. To the extent that the Government could not finance its war expenditure out of taxation and loans from the public, it had to do so through the banking system. And the Federal Reserve Banks were very careful to see that the member banks had the requisite cash reserves to buy the necessary bonds the public

did not take up. As a matter of fact, the Federal Reserve Banks tried to keep excess reserves in the member banks of about \$1,000,000,000. When the excess reserves declined much below this figure, in one way or another the Federal Reserve Banks took the initiative and put some of their own funds in the market and built them up again. Little rediscounting on the part of the member banks was necessary.

The Treasury set the interest curve at  $\frac{3}{8}\%$  for 90-day bills up to  $2\frac{1}{2}\%$  for long-term bonds. On the one hand, there were very few new offerings of corporate bonds or stocks, or of real estate mortgages, to compete with Government bonds for investors' funds, and on the other hand, investors showed an unwillingness to buy the requisite amount of Government bonds at the interest rates at which they were offered. The Federal Reserve Banks saw that the member banks had the resources to buy them in such amounts as were necessary to put the bond drives across. The situation was so tied up that the Treasury had nothing to worry about. It could be certain of getting all the money it wanted, and on its own terms as to interest rates. It might have to borrow for short periods of time from banks on bills, notes, or certificates, rather than from investors on long term bonds, but as this gave the Treasury its money at the lowest possible cost, probably it didn't worry too much about this phase of the matter.

Was it not inevitable that, with the banking system so manipulated during the war and with our industrial activity so controlled by war demands, money would remain cheap? It could hardly have done otherwise.

There is grave danger that the real implications of the way money was kept cheap during the war will be overlooked. The process of more or less automatic money creation by the Federal Reserve authorities was, in principle, dictated not because it was essential to finance the war in this manner, but because it was absolutely essential to have these excess reserves created if the war was to be financed without abandoning cheap money. A larger part of the Treasury deficit could have been financed by the public instead of by the banks if only interest rates had been allowed to rise, because rising interest rates would have made the public more willing to buy Government bonds and less desirous of holding such a large proportion of its savings in cash and bank deposits on which it received no income whatsoever. To deny this, as some writers apparently do, seems silly and contrary to reason.

Certainly, the public did not need for any legitimate business purposes to carry over \$25 billions of cash in its pockets or in its cash registers during the war. And, certainly, there is no need today, nor was there during the war, for individuals to carry over \$42 billions in their checking accounts. These redundant liquid assets on the part of individuals, which are certainly a potential threat to our price structure, are maintained because the public does not think it worthwhile to buy any of the securities offered by the Treasury.

We may summarize by saying that cheap money was maintained during the war by three methods. First, Federal Reserve Bank action in supplying member banks with all the reserves they needed. Second, Government control of industrial activity and OPA control of prices. And, third, persuasion and propaganda campaigns which were successful to a remarkable degree, and still are successful, in getting people to save a large portion of their cash

resources and not attempt to spend them for consumer goods.

## Can Money Be Kept Cheap?

The question we are now confronted with is: Can money be kept cheap in the future by these same methods? There is no doubt that our banking authorities have learned how to regulate the volume of bank reserves so that our commercial banks can always absorb the amount of Government securities which investors themselves may not be disposed to hold in the days ahead at the prevailing rate of interest. For all practical purposes, any mathematical calculation about the limits to which our banking system can go to support the Government bond market is futile and fails to comprehend the real inwardness of the problem.

The Hon. Marriner S. Eccles, Chairman of the Board of Governors of the Federal Reserve System, forthright as always in his statements, let the cat out of the bag in testifying before a Congressional Committee on Banking and Currency about a year ago when the question of reducing the minimum reserves required of the Federal Reserve Banks was before Congress for consideration. He said at that time in substance, that it was foolish for Congress to pass any law requiring the Reserve Banks to maintain minimum reserves against their deposits, and that the Reserve Banks should not be compelled to keep definite amounts of required reserves at all.

What then should be the limit to the possible expansion of Federal Reserve Bank credit, if it is not to be gold reserves? Can the central banks constantly expand their credit base by buying Government securities with the aim of securing ever-and-ever cheaper money until the rate of interest has been completely abolished, as Lord Keynes maintained that it could be? In brief, what is this so-called "technique of cheap money" that can be used to keep interest rates permanently low if the Government wants to keep them so?

## Keynes' "Vanishing Interest" Theory

Lord Keynes in his epoch-making book, "The General Theory of Employment, Interest and Money," published in 1935, first worked out this technique in detail. In essence, it is very simple. It rests upon two main assumptions: First, that the central banks will always stand ready to furnish the member banks all the reserves that the member banks need no matter how high their deposits rise, and irrespective of how much cash the people want to keep. Or, to put it another way, the central banks must always stand ready to buy and sell at stated prices Government bonds of all maturities. This, of course, would fix the price at which Government bonds would sell. The other assumption is, that such action can be taken by the central banks without causing a price inflation. Should prices start to get out of hand, they must be arbitrarily controlled. The British recognize this clearly. The London "Economist," in its October 6, 1945 issue, page 493, states: "Two factors are capable of inducing a change in the interest rate, though it is not certain that they will. The first is the risk of a pronounced inflationary outbreak which might encourage holders to off-load their securities. The second is the slackening of wartime controls, financial and physical. These must be maintained."

Great Britain intends to pursue its cheap money policy and keep interest rates low and it openly states that it is prepared to pay the price necessary to bring this about. The Government has taken over the Bank of England. This institution is now completely under the control of the Govern-

ment and will stand ready to furnish the other banks of England with the loanable funds they may need to support bond prices at the level desired by the Government. If enough bank credit and money has to be put into the market in order to maintain low interest rates so that an inflationary price rise begins, the present British Government is prepared to continue price control and rationing indefinitely.

Moreover, the British see clearly the difference between cheap money and cheap capital. Her financial experts realize, and have openly stated, that Britain has a shortage of capital. One of the well known British writers on banking and finance, F. Bradshaw Makin, in an article in "Barron's National Business and Financial Weekly" of June 18, 1945, stated that Great Britain's chief problem in the post-war period would be how to finance reconversion and rehabilitation with her great deficiency of physical capital, that is, plant and materials, and at the same time keep cheap money. The London "Economist" has run a series of articles on this subject during the past two years. In Mr. Makin's discussion he recognized that there would not be enough capital to meet all the legitimate demands in England. He posed the question how to apportion this available supply. Should it be through the price system? To do this, he argued, would mean a free interest rate and the end of cheap money. He advocated and, of course, the present British Government is following the policy, having a Capital Issues Committee, and before any business can raise capital through an issue of securities in the money market, it must first get the approval of this Committee. If Dr. Schacht could get his mind off his present worries at Nuremberg and could know what was going on in Great Britain, he no doubt would get some pleasure at seeing the degree to which that country, the original home of the free enterprise system, was beginning to follow his methods of financing the Third Reich.

## Controls and Cheap Money

Is it not a fair question to ask the advocates of ever-cheaper money if they are prepared to pay in the way of controls over our economic life what will be necessary to insure this cheap money? And, in the interest of frankness and honesty, should they not openly tell the people what these controls are likely to be, even as do our British cousins? Sometimes it would seem as though the benefits of cheap money are held before us as though they could be had without any cost, and that through some mysterious legerdemain our banking authorities have worked out a technique to bring this about.

It should be apparent that there is nothing mysterious about the technique of cheap money and it also should be apparent what the limits of the Government are if it attempts to make money cheap. Should the economic forces of the nation be making for dearer money. The technique is nothing but an ever-creation of more and more bank reserves by the Federal Reserve Banks with the result that an ever and ever larger increase takes place in bank deposits and bank cash, that the liquid resources of individuals become ever and ever larger, and with the result that the dangers of inflation become greater and greater. The extent to which the Federal Reserve Banks can go, therefore, in supporting the present prices of Government bonds and in maintaining the present structure of low interest rates will, in the final analysis, depend upon how long they can continue to pump their credit into the money market and increase currency and



bank deposits without bringing on an inflationary price rise.

Without any further increase in the amount of bank deposits, we are today faced with the serious problem of how long such huge liquid resources as are now held by individuals can remain idle. According to the Securities and Exchange Commission there was an increase of \$37 billions in these liquid resources of individuals in 1945. The total increase in these resources since the beginning of the war production program in the middle of 1940 is \$157 billions. For a Government to gamble that these resources will be held off the market until there is a sufficient supply of goods to match them without a price increase is playing with fire, indeed.

#### Speculative Fever Increasing

Already there are signs that the speculative fever is increasing and that people are desirous of spending these savings. Consumers' expenditures for the first quarter of this year were \$20 billions higher than for the first quarter of last year. Commodity prices have risen 5% in a year and are still rising. The Department of Agriculture reports that the general level of prices received by farmers advanced three points during the month ending April 15, reaching the highest level since July, 1920, which was before the outbreak after the last war. Stock prices certainly are not low. The velocity of bank deposits is increasing. Prices in the real estate market are completely out of hand, and anyone who spent even a short vacation in Florida last winter were aghast at the way money was thrown around. Certainly, there is no lack of symptoms that a speculative spirit is abroad.

#### Wisdom of Continuing Low Interest Policy

In an economic situation such as this, would it be a policy of wisdom for our banking authorities to attempt to maintain a structure of interest rates so low as they are at present by putting out more money and bank credit in the country when the country's monetary supply is already redundant? Our bank deposits are more than twice what they were a decade ago; our currency supply, over four times what it was. Has there been any increase in production, retail sales, or factory payrolls that necessitate such an increase? Is there any serious student of finance who denies the inflation potential of this huge monetary supply? To augment it in the interest of cheaper money at the present time is assuming a grave risk for a small gain.

I do not want to be understood as making any plea for high interest rates as such or for low interest rates. I am merely making a plea that the interest rate be allowed to find its own level in the market through the free play of supply and demand for

funds in the market without it being interfered with by the Government. At a time like this when no one really knows what the real value of the American dollar is, certainly this is no time to increase the amount of dollars. During the war, and in fact, even at the present time, there have been so many interferences with normal markets that dollars have become unspendable in many fields. For instance, what does the ceiling price of 55 cents per pound of butter mean to the price level, when there is no butter to be bought? Who knows what a shirt or a suit is worth, when one cannot be found? We get some idea of what houses are worth today because there are no ceiling prices on them and the average house today sells for approximately twice what it sold for in 1940. In other words, the value of a dollar for houses today is exactly one-half of what it was before the war began.

What price, cheap money! If the price of low interest rates is increasing the monetary supply so that there is a danger of a rapid rise in the price level, the price is far too much. To a man living on a fixed income, a 10% increase in prices is exactly the same as a 10% sales tax each and every year. Individuals who have not been able to get their incomes increased since the war began are suffering a sales tax of approximately 40%. And they will suffer this sales tax just as long as they live unless, as I have said, their incomes can be increased by the amount that the prices have gone up.

#### Can Government Control Interest Rates Indefinitely?

The Treasury has boasted of its marvelous record of financing the war with a steadily declining interest rate. The cheap money advocates have said, and are still saying, that this proves the Government can control the interest rate indefinitely in the future. I submit, however, that it remains to be seen what the real cost of our war financing is going to be. The story has not all been written to date. The evidence is far from all in. It will be some years before it is. The low interest rate, it is clear, was made possible only by the Government relying very heavily indeed upon the commercial banks and the Federal Reserve Banks as an outlet for its bonds. Whether the increased amount of purchasing power now in the hands of the people resulting from this method of financing will take its eventual revenge upon our price structure in the days ahead remains to be seen.

The desperate cries being made on the part of the cheap money apologists for the continuance of OPA indicates at least some fear in their minds that trouble is ahead. Already our cost of living is up by about 40% when deterioration of quality of goods pur-

chased is added to the Government price index. The full force of the general increase of 18½ cents an hour in our wage rates has not yet been felt in the retail price structure. When it is felt, I confidently predict there will be another demand for further increases in wages to meet the rising costs of living brought about by a previous wage increase and originally instigated by the inflationary methods of financing the Government's deficit during the war. It is futile for management to blame labor for this increase just as it is futile for labor to blame management or for the OPA to blame the black market. Back of it all, more purchasing power was created during the war than there were consumer goods to absorb the purchasing power. Although our people showed an admirable restraint in spending this purchasing power, enough of it was spent to start the price increase ball rolling upward. The problem today is to see that it doesn't get rolling too rapidly.

#### Effect of Public Confidence

Inflation to date from this war has been much less than in the last because the technical defenses were erected at a much earlier stage and because our previous experience enabled them to be perfected rapidly. The major defenses were much more comprehensive than in 1918. They comprise high taxation (but probably not on a broad enough base), physical controls, rationing and price control. As a purely theoretical proposition, comparable defenses would probably hold inflation in check in the days ahead. But to suppose that the existing defenses will be effective in practice should bank credit continue to expand in order to support a cheap money policy is naive. They depend absolutely upon the sanction of public opinion, and public opinion will not support them at this time in this country. OPA is on its way out. If the upward movement of prices is to be controlled now, it must be through the control of the monetary and credit supply and through preventing costs from further increasing, particularly wage costs.

Moreover, the danger inherent in our huge liquid resources must be made apparent to all. Any attempt to cash any large portion of War Savings bonds would be disastrous. The only circumstances in which past savings can be spent without inflationary consequences is when there are some spare re-

sources to spend them on. If everybody is already employed by the spending of current income, then the additional spending of past savings merely creates inflation. This can be seen in the present market for houses. Giving more and cheaper credit to buy houses today before new ones are built is only driving up the prices of existing ones to fantastic heights. It would be a great mistake to mislead the public into thinking that its great wartime savings can ever be spent quickly. The only chance of deriving full benefit from them—in the transition period or more permanently—is to spend them very gradually.

#### Drive for Higher Wages

Another serious danger present in the current price situation is the drive for higher wages to meet rising living costs. At this stage, any further substantial pressure for wage increases will be as disruptive as an attempt to spend rapidly the monetary savings resulting from the war. Increase in wage rates will force up prices even if, owing to the end of overtime, they do not lead to higher earnings, or even if the additional earnings are saved, because the floor of all prices, whether controlled or not, must be geared to costs which, in turn, mainly depend on wage rates. Price increases induced by wage concessions in some directions will at once lead to demands for higher wages elsewhere. The process will become cumulative. In fact, it already has become so. The line must be held at the 18½ cents per hour increase given the steel workers if the price situation is not to get out of hand. And too much reliance must not be placed upon the possibility that increased production will automatically right everything and keep prices from going up. When the increased production comes on the market, it is going to be on the higher unit cost basis. It must never be forgotten that costs determine the floor of prices.

Chester Bowles tell us that the way to handle the present price situation is to renew OPA and keep price control until production has had time to catch up with demand. This is no place to discuss the pros and cons of his contention. Suffice it to say, that perhaps something could be said for it (but not very much) if one were certain that the continuance of OPA did not restrict the increase in production which is so vitally needed. Moreover, there is

a very large fallacy in Mr. Bowles' argument because he seems to forget that, in the absence of hoarding money, production creates the very purchasing power that is necessary to buy it. Fundamentally, OPA authorities are only treating symptoms. They are not grappling with the real causes for price increases.

With the huge amount of liquid resources outstanding at the present time, is it not difficult to see how a revival of production can mop up this excess purchasing power and keep it from having an inflationary effect upon the price level, should the people decide to spend it for goods? One does not have to believe in the so-called quantity theory of money or in any arbitrary ratio of exchange between money and trade to see the danger in the present excess money supply. Those who feel that there is little or no danger in it are gambling on the assumption that its owners will let it stay idle and that its velocity will be low even as it was during the depression of the 30's. It seems to me that that gamble today is exceedingly dangerous. Already Series E War Savings Bonds are being cashed faster than new sales are being made. With our present scarce supply of consumer goods, with our increasing demands for higher wages, and with the growth of speculative sentiment in the country, the price situation certainly is filled with explosive elements. The only credit policy that can be followed today with safety is to take such steps as may be necessary to draw off the excess money supply in some form where it will do the least harm to our whole economic structure. Certainly, this supply should not be increased. So much of it has already gone into the stock market that in spite of the fact that no longer is it permissible to loan a dollar to aid stock speculation, yet the yields on many common stocks are now below 3% and the averages are at a point reached only in two other years of our whole history. I have already mentioned the rising cost of living and the fantastic prices of real estate.

With this economic situation as a background, the advocates of cheap money must face the following question: If to prevent the present abnormal low scale of interest rates from rising, credit policies that add to the present dangers of inflation must be pursued, is not that too high a price to pay for cheap money?

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**HERRICK, WADDELL & Co., INC.**

May 10, 1946.

**GEYER & Co.**

Incorporated



# The Americas in a Changing World

(Continued from page 2642)

were being tested of whom some were found wanting, above all, that economic problems had out-run their political solution so that unrest was everywhere—recall these, make a global projection of them, and you will have invoked a realistic mental background against which today's international problems can best be analyzed. Whether or not the future will reveal world-wide progress as great as that which the United States achieved in its period of crucial test depends much more than is generally recognized on the wisdom, the courage and the patience this country demonstrates during the coming few years.

Our external problems divide themselves generally into four area classifications, the United States itself, Latin America, Europe and the Far East, but there is an inter-relation of cause and effect between these groupings that makes it difficult to single out any one of them for exclusive discussion. Because of your special interest in hemisphere affairs, I will comment on Inter-American considerations first, but you will note that in order to obtain a proper perspective it will be necessary to follow threads of development we uncover into each of the other areas as well.

## Our Influence in Latin America

It is no exaggeration to say that our influence in Latin America has suffered marked deterioration in the months since the war ended. Some decline in our prestige was to be expected. During the war we purchased the products of Latin America in tremendous quantities, and encouraged ever-greater production there. It was inevitable that a reduction of imports to peace-time levels would have repercussions on the economies of the producing countries, though the dislocations so far have been less than many feared. In order to acquire these commodities in amounts adequate to meet the vast demands of war, we made post-war commitments, direct and implied, on which some disagreement already has occurred, and more is in prospect. In our sometimes frenzied and zealous efforts to gain wartime political cooperation, we also lavished gifts and bounties on Latin America in reckless fashion, and we resorted at times to ill-conceived and impractical measures in order to obtain economic collaboration. There was bound to be sharp curtailment in these operations when hostilities ceased, and as a result we find that the "reservoir of Inter-American good will," of which Wendell Willkie used to speak, is developing some leaks. It will require the highest order of statesmanship to repair them, and to reestablish our relations with Latin America on the new course required by changing times and conditions.

Unlike most of the other regions of the world, Latin America finds itself in an exceptionally favorable trade position. Our wartime purchases there and those of our Allies led to the accumulation of large local foreign exchange balances, because imports had to be restricted sharply, due both to the scarcity of goods and the unavailability of shipping. One adverse effect has been to produce inflation throughout the rest of the hemisphere, in some places of fantastic proportions. Living costs have soared, resulting in serious unrest in the low-earning farm and urban populations, and leading to governmental changes, not all of them favorable from our viewpoint.

## The Situation in Brazil

In Brazil, the Vargas dictatorship has been overturned and a military figure, General Dutra,

has come to the Presidency through an election which for its freedom and orderliness signifies an important advance in Latin American politics. It is too early to determine with any degree of assurance the course that the new Brazilian government will take, but the initial signs are encouraging rather than otherwise. The new President has extended a welcome to foreign capital and business, and promises their rights will be respected. As elsewhere, one of the greatest problems he faces is inflation, which has reached a high level in Brazil. Fortunately there is every indication that the new government intends to rely upon orthodox economic methods to work out its problems.

In Mexico, a Presidential election impends, and its influence extends to foreign political and economic relations, as well as to all forms of national life. Until the voting in July, and perhaps for a period after that, Mexican conditions will be unsettled. Circumstances in other countries vary from Cuba's "sugar boom"—likely to continue for some time due to the world scarcity of that product—through relative political and economic stability, such as may be found in Peru and Colombia, and on to the enigma that Argentina has become, at the other end of the scale.

Bewilderment and confusion characterize our reactions to recent developments in Argentina. Any prophecy regarding what may happen there would have to be hedged with many reservations. By fair means or foul—and there is a notable absence of fraud charges—a President has been elected in this traditionally conservative country who is the antithesis of the type of political leader we hoped to see emerge in postwar Latin America. A demagogue and opportunist, Colonel Peron combines with these characteristics a Nazi-Fascist philosophy much the same as that which proved to be the scourge of Europe. He owes his success at the polls to the support of labor, and to a fanatical totalitarian element that hopes to dominate his policies. The vote of the workers was acquired in large part through dictatorial decrees and measures of the interim government, ever responsive to Peron's bidding, which raised wages wholesale and forced on business numerous other concessions to employees that parallel what has happened in this country in recent years. The economic soundness of these measures was of small importance to Peron so long as they served immediate political ends. At the same time the army was kept in line by huge outlays of public funds on a military program which seems strangely out of place in today's world. The inflationary character of Argentine government fiscal policies, in a period of scarcity of goods of all kinds, is having serious repercussions in spite of the country's favorable foreign exchange position. Reaching the limit of its legal borrowing power, the regime has now taken over the Central Bank, enabling it to continue to issue money by administrative fiat.

## Peron's Election in Argentina

It is well to remember, however, that Colonel Peron now becomes a constitutional President for a term of six years, and will no longer be considered a usurper who rules by military threat. As a consequence he must consider his political position and future from a long range viewpoint. Though he is committed by election promises to sweeping social reforms and benefits for labor, and in all probability will adopt some measures of a radical

nature, it would not be illogical for him to seek a working arrangement with the more conservative elements of the country. In foreign policy it would be surprising if he did not make determined efforts to end Argentina's political isolation, and seek dominance in Latin American affairs. Soon after his election he boasted that his influence in neighboring countries was greater than that of the United States, and there are indications that he may be more nearly right than we care to admit. Under Peron's leadership, and with the help of another element to which I shall refer presently, the Good Neighbor policy may face a severe strain.

Peron's election was a serious diplomatic reverse for the United States, and will influence our relations with all the American nations. Our Blue Book, issued just before the Argentine election, and containing what our officials considered to be proof of cooperation between Argentina and the Axis governments during the war, was interpreted not only in Argentina, but in other Latin American countries, as open interference in the domestic affairs of another nation, and the document has raised the question of intervention in a serious way. It has become apparent also that other Latin American countries were not as determined as we to promote a policy of political aloofness toward Argentina, an attitude on our part which forced repeated postponement of the Rio de Janeiro conference called to complete a Pan-American mutual assistance treaty. We announced several times and officially, with considerable flourish, that we would not sign such an agreement with a country dominated by a dictator, and the ruddy faces of officials in Washington who now are being served with large orders of diplomatic crow are little calculated to inspire confidence that our good relations with Latin America have been unimpaired.

There are indications, though no direct evidence of which I know, that Russia has been taking a much more active political interest in Latin America than heretofore. Hardly a day passes that the leader of the powerful Communist party in Brazil, Senor Prestes, does not make a statement derogatory to the United States. Immediately Peron was elected in Argentina, a Soviet delegation visited him in Buenos Aires, coming from nearby Montevideo, and suggesting a resumption of diplomatic and trade relations long interrupted between the two countries. The speeches throughout Latin America recently of Mexico's radical labor leader, Senor Tolezano, constantly stressed the desirability of closer relations with Russia, evoking considerable enthusiasm in countries whose proportion is large of the so-called "underprivileged." Returning travelers report the recent arrival of delegations of Soviet officials of impressive size in every country south of the Rio Grande, and close observers detect a new tendency toward truculence in Inter-American negotiations which is too general to be entirely spontaneous. Speculation increases that all of these developments may be part of a larger plan to continue the turmoil that has plagued the world ever since Russia began to take an interest in external affairs in the late thirties, and which encourages a political atmosphere in which subversion thrives.

## Britain's Socialization Plans

In another address, before the Cleveland (O.) World Trade Conference on April 26, Mr. Abbink, in reviewing the economic and political aspects of the interna-

tional situation, criticized the socialization program in Great Britain and then presented a three-phase formula for an economic approach to world stability. Regarding Great Britain, Mr. Abbink stated:

It should be said that the present British government is not helping its own cause in this country, nor the case for continued Anglo-American cooperation, by the measures for socialization of industry which it is advocating. There may be cogent reasons for public ownership of electrical installations and railways in a country like England, though our experience with political operation of utilities has by no means been convincing. Britain's coal mining methods have long been an industrial scandal, due to the indisposition of owners to modernize; and the change in control of the Bank of England brings it into somewhat the same position that our Federal Reserve system occupies. But to undertake the nationalization of so highly specialized a function as the bulk purchase of cotton fibers for the textile trade, or so integrated an industry as the making of steel, is an adventure in statecraft that is little likely to commend itself to citizens of a country like the United States, which has decided preference for private enterprise. The reasons advanced for community control of raw cotton markets and the fabrication of steel in England have not impressed us as valid, and it is to be hoped that better judgment will prevail before it is too late.

What is important for us to remember in this connection is that Britain does not need the funds in the proposed credit from this country to carry out the nationalization measures under consideration—compensation to owners will be in sterling, not dollars, and there have been no indications that printing presses in London will not be able to produce the currency or the debentures required. The loan agreement now under debate in Congress is designed to enable Britain, without endangering too greatly her own economy, to cooperate with us in establishing conditions for a resumption of world trade which will permit the war-expanded industries of both nations to employ their full capacities. Frequently I have been asked whether I think the proposed advance will be repaid. My answer is an unequivocal "yes" provided we proceed unswervingly and with determination in the direction indicated in the trade proposals, which I believe are the most important part of the agreement. If we falter, or are turned aside by selfish political considerations, the fact that the advance may not be repaid will be of little consequence in the world economic crisis that probably will develop.

I hope I will not seem presumptuous if I offer one additional comment regarding relations between Britain and the United States, before passing on to other considerations that should have our attention. I suggest, if we continue to enlist Great Britain as an informal ally in our international dealings, that we cease the practice of imputing sinister or untrustworthy motives to all British dealings within the empire, and that we insist our politicians do likewise. Baiting Britain for real or fancied mistakes in past policy may be a cheap method of obtaining votes in some sections, but it is a practice dangerous to a continuance of the collaboration our leaders seem to have chosen. The British are as anxious to establish stable conditions throughout the world as we are, and the fact that the two nations approach solutions from differing viewpoints does not necessarily mean that ours should be sacrosanct. A partnership, however informal, involves

appreciation by its members of the problems and the ability to deal with them of each associate, and above all, confidence in their integrity. It will come as a surprise to many in this country to learn—as we will—that our motives as to a considerable number of policies are questioned with as great frequency and bitterness abroad, and particularly in Latin America, as are those of Great Britain in some sections of the United States. And the British feel as deeply that they are right as we are certain we have been correct in our international department.

## A Formula for World Economic Stability

My formula for an economic approach to world stability has three phases which I shall outline briefly.

The first is notice to all of our allies that we intend to sign commercial treaties with each of our former enemies and the states they dominated, pending the settlement of other issues in more formal and possibly protracted negotiations between all of the participants in the late hostilities. The world, including the United States, urgently needs to get back to work, not only to distract men's minds from their misery, but to begin the restoration of wealth squandered during the war, and to dispel the spectre of hunger. These commercial treaties should provide for the maintenance indefinitely, or until world political stability is achieved, of as large a body of our occupation troops as may be necessary to insure against coercion by any other power, the cost of the policing to be borne eventually by the occupied country.

You may have wondered why I have not suggested that the United Nations should undertake immediate settlement of the political points at issue now that the Security Council is organized. The reason is that there was prior agreement by the so-called "big four," China, Great Britain, Russia and the United States (France was invited later to make the "big five") to the effect that stipulations in the treaties of peace would be decided upon between them before they were even submitted to other co-belligerents, not to speak of enemy nations, and it is in furtherance of this understanding that Secretary Byrnes has gone to Paris this week. If he were to announce that the United States refused to wait longer for a resumption of trade relations with our former enemies, even though other considerations must be postponed, there is every reason to believe immediate action would be forthcoming by the entire group.

The second phase of my suggested economic approach to world rehabilitation would involve quick settlement of the loose ends of Lend-Lease, and a realistic rather than partisan approach to the needs of various countries for credit to begin rehabilitation forthwith. The amounts required will not be as large as those we wasted on social experiment in this country during the last depression, and have the virtue of possible recovery through the reestablishment of business relations.

We should not overlook the fact that our example in economic collaboration is usually followed quickly by similar action on the part of other nations in the Americas. Canada has extended a credit to Britain of more than \$1 billion, and has under consideration a large advance to France. In both instances Canada's aid represents a far greater proportion of her assets than we will employ in any assistance we may render, and Canada's action was taken without the bickering our politicians consider so essential. Similarly, Argentina has made a substantial credit available to Britain,



and other American nations have promised to assist Europe to the limit of their abilities, with cavi, a development that has gone almost unnoticed here.

The third phase I suggest of an economic approach to world rebuilding involves joint consideration by government and business in this country of the long-term needs for developing overseas markets, and the method of approach. There is far too much assumption on the part of both that mere restoration of our pre-war volume of trade will bring prosperity. I doubt that it will, not only because we have a much larger burden of debt to amortize, but because our productive capacity has been greatly increased in six years, and advances in techniques have made it possible to produce far greater quantities per man-hour of employment. Once there is serious determination on the part of labor to go back to work, the vacuum of war-denied wants will be displaced fairly quickly by a surplus in many lines, and tomorrow is not a bit too early to begin considering the problem that will face us when that eventuality occurs.

Pre-war, the volume of international trade was estimated at something like \$80 billions. A total of nearly twice that amount must be achieved in the future according to reasonable forecasts, if widespread unemployment is to be averted in highly industrialized countries, and recurring famine conditions prevented in less developed areas. How such a total can be attained, what preliminary financing of an investment nature will be required, and what first steps to take in a long-range program for our own benefit in a world that is peaceful again, are questions that cannot be left unsolved until their imminence once more overtakes their political solution at a future time of crisis. They are a part of today's economic approach to world stability, in our time.

The last 30 years of the 19th century were postwar years for people in the United States. They were years of great accomplishment, in spite of weak leadership, because the spirit of the America of that day could not be broken. The last half of the 20th century will be a postwar period for the entire world. It will be an era of expansion and material well-being on an international scale if the American spirit of to-and-gain world acceptance, through economic measures that are available. In the end they are far more effective than the political expedients they always outrun.

## Steel Named to Head Municipal Bond Club

Walter H. Steel, of Drexel & Co., has been nominated to head the Municipal Bond Club of New York for the year 1946-47. The report of the nominating committee, which has just been filed with the Board of Governors, also proposes Paris Scott Russell, of Glorie, Forgan & Co., for Vice-President; B. O. Doane, of the Chase National Bank, for Secretary; George B. Gibbons, Jr., of George B. Gibbons & Co., for Treasurer, and C. Cheever, Hardwick, of Smith, Barney & Co., and David T. Miraglia, of Halsey, Stuart & Co., for members of the Board of Governors.

The annual meeting of the club, at which the new officers and Governors will be elected, is scheduled for June 20 at Winged Foot Golf Club, Mamaroneck, N. Y. This year the annual meeting is being combined with the annual field day.

The nominating committee this year consisted of George J. Gilies, of Mellon Securities Corp.; Gerald R. McDermott, of Harriman Ripley & Co., and Sanders Shanks, Jr., of the Bond Buyer.

# The Anglo-Portuguese Monetary Agreement

(Continued from page 2653)

- creased above a maximum of £5 million, or
- (b) if the balance standing to the Bank of Portugal's No. 1 Account with the Bank of England amounts to £5 million, against gold to be set aside in the name of the Bank of Portugal at the Bank of England, London.

(iii) The Bank of Portugal shall at all times maintain on their No. 1 Account with the Bank of England a minimum balance, the amount of which will be determined in agreement with the Bank of England.

(iv) The Bank of England shall at all times maintain on their No. 1 Account with the Bank of Portugal a minimum balance, the amount of which will be determined in agreement with the Bank of Portugal.

## ARTICLE 3.

(i) The Bank of England shall have the right at any time to sell to the Bank of Portugal, against all or part of the sterling balances held by that Bank, either escudos at the official rate or gold to be set aside at the Bank of England in London.

(ii) The Bank of Portugal shall have the right at any time to sell to the Bank of England, against all or part of the escudo balances held by that Bank, either sterling at the official rate or gold to be set aside at the Bank of Portugal in Lisbon.

## ARTICLE 4.

(i) Gold set aside in Lisbon in accordance with the provisions of Articles 2 (i) (b) and 3 (ii) of this Agreement shall be at the Bank of England's free disposal and may be exported.

(ii) Gold set aside in London in accordance with the provisions of Articles 2 (ii) (b) and 3 (i) of this Agreement shall be at the Bank of Portugal's free disposal and may be exported.

## ARTICLE 5.

(i) The Government of the United Kingdom shall not restrict the availability of sterling at the disposal of residents of the Portuguese monetary area for making—

- (a) transfers to other residents of the Portuguese monetary area;
- (b) payments to residents of the sterling area; or
- (c) transfers to residents of countries outside the Portuguese monetary area and the sterling area to the extent to which these may be authorized by the Government of the United Kingdom under the arrangements contemplated in Article 9 (iii) hereof.

(ii) The Portuguese Government shall not restrict the availability of escudos at the disposal of residents of the sterling area for making—

- (a) transfers to other residents of the sterling area;
- (b) payments to residents of the Portuguese monetary area, or
- (c) transfers to residents of countries outside the sterling area and the Portuguese monetary area to the extent to which these may be authorized by the Portuguese Government under the arrangements contemplated in Article 9 (iii) hereof.

## ARTICLE 6.

(i) To the extent to which the Bank of Portugal requires sterling area currencies, other than sterling, for the purpose of providing for payments in the countries where such currencies are legal tender, the Bank of Portugal shall purchase them through the Bank

of England against payment in sterling.

(ii) To the extent to which the Bank of England requires currencies of the Portuguese monetary area, other than escudos, for the purpose of providing for payments in the countries where such currencies are legal tender, the Bank of England shall purchase them through the Bank of Portugal against payment in escudos.

## ARTICLE 7.

The two Contracting Governments shall co-operate with a view to assisting each other in keeping capital transactions within the scope of their respective policies, and in particular with a view to preventing transfers between their areas which do not serve direct and useful economic or commercial purposes.

## ARTICLE 8.

Any sterling held by the Bank of Portugal shall be held and invested only as may be agreed by the Bank of England, and any escudos held by the Bank of England shall be held and invested only as may be agreed by the Bank of Portugal.

## ARTICLE 9.

(i) If the two Contracting Governments adhere to a general international monetary agreement or if either Government changes its monetary policy in such a way that the provisions of the present Agreement would be affected, the two Governments shall review the Agreement with a view to making any amendments that may be required. In any event, discussions between representatives of the two Contracting Parties shall be held for the purpose of making such a review not later than twelve months after the date of the coming into force of the present Agreement.

(ii) While the present Agreement remains in force the Contracting Governments shall co-operate to apply it with the necessary flexibility according to circumstances. The Bank of England and the Bank of Portugal, as agents of their respective Governments, will maintain contact on all technical questions arising

out of the Agreement and will collaborate closely on exchange control matters affecting the two areas.

(iii) As opportunity offers, the Contracting Governments shall seek with the consent of the other interested parties—

- (a) to make escudos at the disposal of residents of the sterling area and sterling at the disposal of residents of the Portuguese monetary area available for payments of a current nature to residents of countries outside the sterling area and the Portuguese monetary area; and

(b) to enable residents of countries outside the sterling area and the Portuguese monetary area to use sterling at their disposal to make payments of a current nature to residents of the sterling area.

(iv) Notwithstanding that each of the Contracting Governments shall be alone responsible for its monetary relations with third parties, they shall maintain contact wherever the monetary relations of the one affect the interests of the other.

## ARTICLE 10.

For the purpose of the present Agreement—

(i) The expression "the sterling area" shall have the meaning from time to time to assigned to it by the exchange control regulations in force in the United Kingdom.

(ii) The expression "the Portuguese monetary area" shall mean Portugal and the Portuguese Empire.

(iii) Transactions between the Bank of England and the Bank of Portugal are to be considered as transactions between the sterling area and the Portuguese monetary area.

(iv) Transactions entered into by the Government of any territory within one of the two areas described above are to be considered as transactions entered into by a resident of that area.

## ARTICLE 11.

The present Agreement, which shall be subject to review and adjustment after mutual consultation, shall come into force on this day's date. At any time thereafter either Contracting Government may give notice to the other of its intention to terminate the Agree-

ment and the Agreement shall cease to have effect three months after the date of such notice. It shall terminate two years after the date of its coming into force, unless the Contracting Governments agree otherwise.

In witness whereof, the Undersigned, being duly authorized by their respective Governments, have signed the present Agreement and have affixed thereto their seals.

Done in London, in duplicate, this 16th day of April, 1946.

(L.S.) ERNEST BEVIN  
(L.S.) PALMELLA.

## Nashville Chattanooga Bonds Oversubscribed

An underwriting group headed by the First Boston Corp., on May 10 offered to the public a new issue of \$15,000,000 principal amount of the Nashville, Chattanooga & St. Louis Railway first mortgage 3% bonds, series B due 1986, at par and accrued interest, to yield 3% to maturity, less a concession of 1/4 to members of the National Association of Securities Dealers, Inc. The offering, subject to clearance by the Interstate Commerce Commission, has been oversubscribed. The bonds were awarded to the group May 9 on a bid of 99.319.

Proceeds from the sale of the bonds, together with treasury funds, will be used by the company to redeem on or before Aug. 1, 1946, \$15,000,000 principal amount of the company's series A 4% bonds, due 1978, at 105% and accrued interest.

The company serves many of existence dates back more than 100 years, has never been reorganized nor has it ever defaulted in the payment of principal or interest on its funded debt. The bonds being offered are unconditionally guaranteed as to principal and interest by the Louisville and Nashville RR., which owns 71.78% of the outstanding capital stock of the company.

The company, whose corporate the principal industrial centers of the Middle South and forms an important intermediate line for traffic moving between the West and Northwest and the Southeast, through connections at Memphis, Martin and Jackson in Tennessee and Paducah, Ky.

*This advertisement is not, and is under no circumstances to be construed as, an offering of the following securities for sale or as a solicitation of an offer to buy any of such securities. The offering is made only by the Prospectus.*

**125,000 Shares**

**Longines-Wittnauer Watch Co. Inc.**

**Common Stock**

(Par Value \$1 per Share)

**Price \$15 per Share**

*Copies of the Prospectus may be obtained only from such of the undersigned as are registered dealers in securities in this State.*

**Paul H. Davis & Co.**

**A. C. Allyn and Company**

Incorporated

**Emanuel, Deetjen & Co.**

**E. H. Rollins & Sons**

Incorporated

May 16, 1946



## Canadian Securities

By WILLIAM McKAY

Recent events point towards the resurgence of the Canadian East. The spectacular expansion of the Dominion to the North in the past few years has largely overshadowed the great potentialities of the economic development of Northern Quebec and Labrador. Just as the growth of air-transport hastened the unlocking of Canada's vast Northern empire, in the same way the wartime establishment of airfields in Quebec and Labrador has redirected attention to the hitherto ignored mineral wealth of this neglected region.

One of the most important

mineral developments of recent years has taken place in Northern Quebec and Labrador. Vast deposits of high grade iron-ore have been prospected by the Labrador Mining and Exploration Co., in conjunction with the Hollinger Consolidated Gold Mines Co. This area has been also found to be rich in copper, zinc and nickel. It is believed that this field will eventually become one of the richest sources of iron in the world. On the Gaspé Peninsula of Quebec, the northern end of the Appalachians, spasmodic exploration for oil since the beginning of the century now appears at the culminating stage.

The Gaspé Oil Ventures Ltd., assisted by capital raised by stock issue in this country, is according to a recent report, ready to commence drilling operations. This sparsely populated area has known oil resources but its possibilities have hitherto been neglected in favor of exploration in more accessible areas in the prairie provinces and Ontario. Situated a few miles from tidewater on the St. Lawrence within easy access to the refineries in Montreal, the discovery of oil in commercial quantities would be an event of the utmost economic importance to this area.

Northern Quebec and Labrador moreover form part of the mineral rich Laurentian Shield, but until recent years climatic conditions and geographical inaccessibility have been instrumental in confining exploration to its southern fringes. Spurred by an initial success, further valuable discoveries are almost inevitable. As in the exploited southern section of the Shield the northern areas are intersected by turbulent rivers which provide an almost inexhaustible source of hydro-electric power.

When consideration is also given to the fact that this region is adjacent to the St. Lawrence River, which is clearly destined to vie with the Danube as the leading inland waterway of the world, little imagination is required to realize the potential importance of this undeveloped section of Eastern Canada.

Turning to the market for the past week the anticipated general decline duly materialized. The volume of sales was not heavy but buying support was not sufficient to prevent wide-spread price recessions. There was also some evidence of profit-taking in the highgrade within 10-year maturity range.

Internal bonds continued inactive but there was a resurgence of activity in Yellowknife golds on reports of further spectacular drill-hole results.

With regard to immediate prospects there is every likelihood of a continuance of the downward course of the market in general, assisted by profit-taking in the

high-grade medium term section. There is also the possibility of an overdue reaction in Dominion internals. The Canadian Government bond market, which faithfully followed the overrapid rise in U. S. Governments, has so far not reflected the recent major decline in this market, and it is unlikely that the Bank of Canada will indefinitely maintain prices at an artificial level.

### Strikes Adding to Inflationary Forces

(Continued from page 2652)

strikes and shutdowns would be less. Some progress has been made in reducing the money supply by using Treasury balances to pay off public debt held largely by the banks—and that is all to the good. Balancing the budget and having the largest possible surplus with which to reduce public debt will be necessary. But this is inevitably a slow process.

Likewise, the idea advanced in some financial circles that increased interest rates would be an effective remedy, reflects, in my opinion, a failure to evaluate correctly both the causes of and the appropriate weapons against the unprecedented inflationary pressures today. Higher interest rates would make for serious complications in the Government bond market and would greatly increase the cost of carrying the public debt. No reduction in buying power and no increase in production would result—and these are the basic causes of the problem.

The solution depends upon how quickly we deal with what is overwhelmingly the chief cause—production, because we cannot deal quickly enough with the excessive money supply. We could have done better in dealing with it if we had not prematurely reduced taxes and repealed the excess profits tax. We should not reduce taxes further while the danger exists.

It should be borne in mind that necessary as it is to hold the line by price control legislation, such controls are greatly weakened unless reinforced by allocations of scarce materials and rationing. Having discarded these reinforcements, the strain on price ceilings is intensified and the way made easier for black markets and the resultant breakdown of enforcement.

We must, if this nation is to be saved from an inflationary spiral that can only end in deflationary collapse, hold on to the controls that are left; we should, by all means, stop further growth of the money supply and, if possible, reduce it, but above all the answer to the problem is more work and more production. If democracy is to survive we must be willing to face the fact that minority pressure groups, whether of labor or capital, have no right to act in flagrant disregard of the public interest. The people of the country look to their government to protect them from such abuses of freedom by finding effective means for continuing production and employment while controversies between labor and management are being settled.

## The British Financial Agreement is Essential to World Peace

(Continued from page 2644)

per in a world torn by fear and strife. No country, no matter how big or strong, can remain either in political or economic isolation.

Maintaining peace requires constant vigilance by the people of all countries. We know, at long last, that enduring peace does not follow automatically the victory of our armed forces. Our people have learned that peace as well as prosperity does not come to those who merely sit and wait.

We must work for peace as we worked to win the war. We must all work, and work constantly, to settle the problems that might lead to conflict and war. That is the responsibility of the United Nations—and that means Russia and England, as well as the United States and the other countries. We must do this job.

### Remove Economic Causes of War

We must have international cooperation on political problems. That is most important, but it is not enough. The economic causes of conflict must be eliminated. The every-day relations between the businessmen of all countries must be carried on in a fair and friendly way, conducive to good will and mutually beneficial trade.

The Financial Agreement with England, which you are now considering, is above all for the purpose of establishing a sound and fair basis for world trade and in this way lessening the dangers of political and economic warfare.

This Government has advocated a program of international economic cooperation to restore world trade and to eliminate the currency and trade discriminations that divide nations into conflicting economic blocks. No one country can by itself deal with international economic problems, because they are not national in character. They are the responsibility of all countries. We have proposed, therefore, that the United Nations provide the means for continuing cooperation through the International Bank, the International Fund, and through an international trade organization.

### Big Stake for U. S.

The success of this program will mean a good deal to the United States. Our economy has always been dependent on foreign trade. It will be more dependent on exports and imports in the years ahead. We must buy abroad many of the raw materials for our industries and some important goods for our consumers. We must sell abroad a large part of our production, as much as 8 or 10%, to keep our agriculture and industry running.

Let's not forget the lesson of the decade before the war when our agriculture and industry suffered severely from trade and currency restrictions. Because of these measures the exports of the United States were harder hit than those of any other country. Our share of world exports, which in 1928 was 15.8% of the world

total of \$32.5 billion, fell in 1934 to 11.5% of the much smaller total of \$18.5 billion. This decline in our exports contributed to the severe depression in industry and the collapse in agriculture.

Our exports of wheat, cotton, tobacco and lard were particularly hard hit. From 1925 to 1928 we sold abroad on the average more than \$1,250 million of these four crops annually. From 1931 to 1934, our average sales were only \$473 million a year. The difficulty of finding markets abroad for our agricultural surplus was an important factor in the decline of nearly 60% in farm prices from 1928 to 1932. The depreciation in currencies was also an important element in this decline in farm prices. When the pound sterling, for example, depreciated from \$4.86 per pound to \$3.20, it put pressure on the prices of all American farm products sold in world markets.

### Must Eliminate Currency and Trade Restrictions

Our trade cannot reach the high levels necessary for American prosperity if the world again resorts to currency and trade restrictions. Unless our exporters have access to world markets on fair and equal terms we will not be able to maintain our production in those fields in which we have long specialized—growing cotton, tobacco and wheat; making automobiles, machinery and equipment. In short, we must have a high level of trade between our nation and other nations to have full production, full employment, and a large national income in America. All sections of our country, all sectors of our economy are directly or indirectly dependent upon foreign trade.

International economic cooperation and the expansion of world trade are definitely in the interest of this country and all countries. When countries exchange their surplus products they all gain because it makes possible increased production of their specialized products. This means more production and a higher level of income in the country which sells, as well as more goods and a better standard of living in the country which buys.

This program for the general welfare can be put into effect if the United Nations, and particularly the United States and England, adopt the same fair currency and trade practices. Together these two countries do about one-third of the trade of the entire world. The countries closely linked in trade with England and the United States account for 75% of world trade. If these two countries were to adopt the same fair currency and trade practices, the rest of the world would inevitably follow. On the other hand, conflict between the United States and England on currency and trade policies would just as inevitably divide the world into economic blocs.

### American Export Trade

Consider what would happen if England should have to maintain the present currency and trade restrictions. American goods can be bought by foreign countries only with dollars. The only way to buy American cotton and wheat, American automobiles and machinery is to pay in dollars. If, and only if, sterling is convertible into dollars, can the holders of sterling buy our products. As a matter of fact, many countries can get the dollars they need to buy goods in America only with the money England pays them for the goods they sell to her. In brief, American export trade is

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directly dependent upon the convertibility of sterling into dollars.

During the war, sterling became an inconvertible currency. It could be used to make payments in the sterling area; but it could not be converted into dollars. If this wartime restriction is continued, serious limitations would be placed on our exports. Countries like Canada, the British Dominions, and the agricultural countries of Europe, which customarily have a large favorable balance of payments with England, would be unable to use the sterling they receive for their exports to pay for their imports in dollars from the United States. Our trade with these countries would have to be restricted because they would not have the means to pay us.

If sterling cannot be converted into dollars, England and the sterling area countries must concentrate on their trade with each other, not because their goods are better, but because of monetary impediments. It will mean that Egyptian and Indian cotton will replace American cotton, Rhodesian and Near Eastern tobacco will replace American tobacco, and British automobiles and machinery will replace American automobiles and machinery. In half the trading area of the world, American products would be at a serious disadvantage in competing with the products of the sterling area countries. Our trade with Britain and the sterling area would become a mere trickle.

American exporters ask no special advantages in trading with foreign countries. They do ask that no discriminations be directed against them. Our producers are perfectly willing to sell their products in competition with the products of other countries, provided the buyer has a fair chance to select American goods on the basis of quality and price. But American producers will not have their fair chance to sell their products in the sterling area until the dollar pool is terminated.

#### Wants Dollar Pool Ended

The dollar pool is the wartime arrangement made by England to mobilize and conserve the dollar resources of all of the countries of the sterling area. Under this arrangement a country of the sterling area that secures a surplus of dollars from exports to the United States transfers the dollars to England for a sterling deposit in London. The dollars are then allocated by London to the various members of the sterling area for the most essential purchases requiring payment in dollars. In practice, dollars are not allocated for buying American machinery or any other American goods which can be bought in England or anywhere in the sterling area. Some American exporters are in effect excluded from a large part of the world's markets. That is why we want the dollar pool brought to an end.

Another danger to American trade is the large amount of blocked sterling. During the war the countries of the sterling area accumulated large sterling balances held as deposits in London banks or invested in British Treasury securities. These balances were acquired as a result of their wartime exports to England or military expenditures made by England in India and the Middle East which were paid in sterling. Because these sterling balances could not be converted into dollars or used to buy exports from England, they were called "blocked sterling balances."

What is done about the liquidation of these blocked sterling balances will make a big difference to American trade. If England says that these balances can be used only to buy goods in England, then the countries holding more than \$13 billion of these sterling balances will, in effect, be

compelled to concentrate their purchases in England. American producers will have little chance to export to the countries holding blocked sterling. On the other hand, if the countries holding these balances can get them gradually converted into dollars, our exporters will be in a position to compete on fair and equal terms throughout the sterling area.

#### Need Fair Trade Practices

The continuation of these wartime restrictions will reduce world trade and force it into uneconomic channels. There is only one desirable way to protect world trade from this result, and that is by establishing the currency and trade practices that we have proposed. These practices are based on the principle that the export markets of the world should remain open on fair and equal terms to the exporters of all countries. It is another application of the old American doctrine of fair play and equal opportunity.

There is no doubt that the British Government and the British people favor this program. They recognize that such a program is in their interest as well as ours. Although the British want to adopt this program, they are not in a position without help to meet the obligations it entails. They cannot commit themselves to allowing American products into England on the same basis as imports from other countries when they do not have the dollars to pay for such imports. They cannot commit themselves to converting sterling into other currencies when they do not have the reserves necessary to do this.

#### Britain an Importing Nation

England is a country that must live by imports. Two-thirds of the food consumed by the British people and virtually all of the basic raw materials, except coal, used in British industry must be purchased abroad. As a consequence, England is a great importing country. She is the best customer of the United States and of a score of other countries. What England does to eliminate wartime currency and trade restrictions will affect our trade and the trade of the entire world.

England's international economic position has been seriously distorted by the war. For five years, England was the principal target of the Luftwaffe, as well as the principal base of operations of the Western allies against Germany. Her life was at stake, and ours. The punishment which she took—and which she handed out—wrote stirring chapters in the history of free men.

#### Britain's War Burden

I speak of this not as a reason for the Financial Agreement, because the Agreement looks to the present and the future, not to the past, but I speak of it to emphasize that during the war, England had little time to think of her export trade. She devoted every resource which she could mobilize to her defense and to the attack on the enemy. British exports fell until, by 1944, they were only 30% of their prewar volume. The men released from the export industries were put to work at war production or were inducted into the armed forces.

Lend-lease from the United States and Mutual Aid from Canada filled part of the gap between her wartime needs—mostly for our common cause—and her current supply of foreign exchange. Nevertheless, she had to draw heavily on her accumulated foreign exchange resources, and strain her credit abroad in order to secure her essential war imports. She sold \$4.5 billion of her foreign investments; she reduced her gold and dollar reserves by \$615 million; and she incurred foreign debts which now amount to more than \$13 billion, very largely

blocked sterling balances held by foreigners in London. As a result of her war effort, Britain's international financial position deteriorated by about \$17 billion from 1939 to 1945.

Meanwhile, Britain's earnings abroad from shipping and other services have also been sharply reduced. Because of enemy sinkings, the British merchant marine is one-fourth smaller than before the war, in spite of the large building program. The earnings from financial and commercial services have fallen off along with England's trade and shipping. With the recovery of world trade, these services will again expand and become an important part of England's foreign business.

Before the war the British people were able to earn enough from their exports and their services to foreigners to purchase abroad the food and raw materials essential to their economy. In 1938, about one-half of Britain's imports was paid for by the export of British goods. About one-fourth was paid for by services of the British Merchant Marine, insurance companies, and other financial and commercial institutions. An additional one-fourth was paid for out of the net income of British capital investments abroad.

The British people have industriously set about to restore their international economic position. They are reconvert their war industries to civilian production. They are making a determined effort to increase their industrial efficiency. They are exporting as much as they can without depriving themselves of the essentials of life. These are problems which the British people must work out for themselves over the next few years. But during this transition period, the feeding of the British people and the supplying of British industry will result in a substantial need for foreign credit.

#### Two Methods Available to Britain

The British can finance this traditional need in one of two ways. One is the road of economic blocs and economic warfare. It is the road of economic isolation. The other is the road of Bretton Woods. It is the road of international economic cooperation.

During the war England imposed comprehensive currency and trade restrictions. These restrictions were one aspect, and a very necessary aspect, of Britain's wartime financing. What England did, in effect, was to create an economic bloc composed of the British Empire except Canada, and including a number of other countries, principally in the Middle East. This bloc is now in operation. If England cannot get help in meeting her import needs over the next few years, she will be forced to continue and even extend her wartime restrictions and discriminations.

The great danger before us is the division of the world into conflicting blocs. In the economic sphere, we are trying to meet this problem through cooperation in the World Fund and Bank. If England adopts the fair currency and trade practices we have proposed, it may be possible to avoid the formation of a bloc outside the Fund and Bank under the leadership of a great power. But if England finds it necessary to keep her wartime restrictions, it will result in a British bloc and an American bloc. And it will also act as an encouragement to a Russian bloc. Such a development would be a menace to peace and prosperity everywhere. No country wants this kind of world; no country can afford this kind of world.

#### British People Will Cooperate

The British people have shown clearly their desire to cooperate in building a world in which trade can be carried on fully and fairly. The British people are with us in our effort to secure

the widest possible flow of world trade by establishing stable and orderly conditions. They know that restrictions and discriminations stifle world trade and lead to conflicts which can have disastrous consequences. But Britain cannot abandon her wartime currency and trade restrictions unless she secures help, primarily from the United States and Canada. With such help, England would be able to put into effect the fair currency and trade standards which we have proposed and which she supports.

After friendly discussions over several months, the American and British negotiators agreed that England would need a credit of \$3½ billion from the United States. This credit, together with that from Canada, will enable England to continue her essential imports during the next few years, while removing the wartime currency and trade restrictions and discriminations. The Financial Agreement thus provides two things, a commitment to end discriminatory currency and trade practices and a credit to enable England to carry out the commitment.

#### Terms of Loan Agreement

Here is what the Financial Agreement provides:

1. England will not discriminate against American products in any of her import controls. So long as she buys cotton or fruits abroad, she will not discriminate against the import of American cotton or fruits. If it becomes necessary for England to limit her agricultural or industrial imports, this will be done on a basis fair to all countries, including the United States.

2. For any goods or services purchased in the United States, England will pay in dollars or if payment is made in pounds, American exporters will be able to convert the sterling into dollars. That goes for American movies as well as American machinery. And it applies to income from American investments in England. No American firm need hesitate to do business with England for fear that its earnings cannot be transferred. American businessmen will be just as sure of payment in dollars from England as they were before the war.

3. Within a year, unless we agree to a temporary extension, England will remove all of the restrictions on the convertibility of sterling for ordinary current transactions. In practice, this will mean that the money that England pays to Canada, Australia and India for her imports will be converted by England into dollars and can be used by these countries to pay for goods they purchase in the United States.

4. Within a year, unless we agree to a temporary extension, England will dissolve the Sterling Area Dollar Pool. Each country in the sterling area will be completely free to use any dollars it earns to buy goods anywhere. India, for example, could use the dollars it gets for its exports to the United States and Latin America without turning over any part of them to England.

5. A settlement will be made by England with the countries holding blocked sterling balances. England has agreed that any payment in liquidation of these blocked balances can be used to buy goods in any country, including the United States. Instead of being forced to spend the blocked sterling balances in England, the holders of these balances, like India and Egypt, will be free to buy goods wherever they prefer. American exporters will have a fair chance to export in these markets.

6. In addition, England has agreed to support the American proposal for an international trade organization to reduce trade barriers and eliminate trade discriminations. With England supporting this proposal, the forth-

coming United Nations Trade Conference holds forth every prospect of success.

#### Important Commitments

These six commitments are important commitments. They represent a whole hearted adoption of the letter and spirit of the United Nations program for fair currency and trade practices. To carry out these commitments England will need help during the next few years. That help she will get from the credit under the Financial Agreement with the United States and, it should be added, from the same Financial Agreement with Canada.

If Congress approves, the United States Government will open a line of credit of \$3½ billion in favor of England. This credit can be drawn on by England until Dec. 31, 1951, to purchase goods and services in the United States. It can also be used by England for meeting the transitional post-war deficit in her current balance of payments, and for helping England assume the obligations of multilateral trade.

None of the credit can be used for paying off the blocked sterling balances or any of Britain's wartime debts; these obligations will have to be met from other resources.

Beginning in 1951, England will repay the credit over a 50-year period, with interest at 2%. The principal of the credit must be repaid without qualification. Under conditions of severe depression in world trade, the interest due in any given year may be waived under objective standards stated in the Agreement. If such an emergency situation develops, it is clearly in the interest of the United States to accept the principal and not to force a default which would have serious consequences to the world economy.

#### Interest Rate Low

Naturally, the interest rate is less than Britain would have to pay on a strictly commercial loan obtained from bankers. The Financial Agreement, however, is much more than a loan. It is an Agreement on the major aspects of financial and commercial policy. When we take into consideration the commitments we receive from England on her currency and trade policies, it becomes clear that the Agreement would amply repay the American people even if no interest were paid. And some would say we have made a good investment if the whole sum were a gift.

As a matter of fact, the interest is substantial. If the credit were used in five equal annual amounts and all interest payments were met, the effective rate of interest under the Financial Agreement would be 1.83%, and over \$2.5 billion of interest would be paid. The rate of interest is reasonably close to the average cost of money to the Treasury.

This point will bear emphasis: the credit is only a part of the Financial Agreement. The purpose of the Financial Agreement is to enable England to participate fully in our international economic program. The full participation of Britain in this program is necessary if it is to become effective. The approval of the Financial Agreement by Congress will assure the implementation of our whole international economic program.

#### Credit Not a Precedent

The credit to Britain cannot be a precedent for a loan to any other country. The National Advisory Council on International Monetary and Financial Problems has issued a statement of our foreign loan policy in which this is made clear. I read from that report:

"The proposed loan to Britain, requiring Congressional author-

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## The British Financial Agreement is Essential to World Peace

(Continued from page 2379)

ization, is a special case, but one which is an integral part of the foreign economic program of this Government. No other country has the same crucial position in world trade as England. Because of the wide use of the pound sterling in world trade, the large proportion of the world's trade which is carried on by the countries of the British Empire, and the extreme dependence of England upon imports, the financial and commercial practices of Britain are of utmost significance in determining what kind of world economy we shall have. The early realization of the full objectives of the Bretton Woods program, including the elimination of exchange restrictions and other barriers to world trade and investment, requires an immediate solution to Britain's financial problem. The International Monetary Fund agreement permits the continued imposition of certain of these restrictions for as much as five years; in the Financial Agreement of Dec. 6, 1945, the British agree to their removal within one year from the effective date of that Agreement. It is the view of the Council that the British case is unique and will not be a precedent for a loan to any other country."

### Other Countries Need Help

Other countries will need help. This help will be available to them from the institutions that are now in operation. The International Fund will provide help needed for currency stabilization. The International Bank will be the principal agency to facilitate foreign loans out of private capital for reconstruction and development. In the emergency period, until the International Bank is in full operation, the Export-Import Bank will meet only the most urgent needs for reconstruction aid. It is the policy of this Government to make the agencies established by the United Nations the means for continuing cooperation on currency and investment problems, and to leave to these institutions the task of providing the funds necessary to implement this program.

There are some people who recognize that it is in the interest of the United States to offer England the proposed credit, but they fear that the credit will add to inflationary pressures in this country. I am much concerned about the inflation problem. I know, from first-hand experience, how important the inflation problem is in this country. I believe that the credit to Britain will not materially increase the danger of inflation.

### Purpose of Credit

The total amount of credit to England under the Financial Agreement is less than one-half of one per cent of the aggregate expenditures in this country in the next five years. A considerable part of the credit will be used in later years when the supply problem is less acute. Some of the credit will undoubtedly be used for goods that are in abundant supply. Inevitably, some of the credit will be needed for goods that are in scarce supply. The Commerce Department estimates that about one-fourth of the proceeds of foreign loans will be spent on such products. In those cases allocation and export controls will prevent any undue drain on our domestic supply and assures the minimum essential needs of other countries.

In the end the way to beat the inflation problem is to produce enough goods. The Financial Agreement will encourage production in this country and abroad

by removing the restrictions which hamper trade.

The Financial Agreement with England is an essential part of our whole program of international economic cooperation. This program of the United Nations is concerned with some of the most important problems of every day life. How we meet these problems will determine in large part whether the United States and the world will again go through devastating cycles of war and depression or whether at long last we realize the hope for peace and prosperity.

If we do not remove the irritations and alleviate the impediments to trade, we feed the greedy god of war and largely nullify the other efforts we make toward a stable enduring peace. But if we meet our problems in the fields of international exchange and world trade and build a sound economic order in the several United Nations and in the world, we create an atmosphere conducive to peace. And good economic relationships between nations can, in themselves, give us more than a fighting chance for lasting peace.

### Essential to World Peace

I want to stress the importance of production and employment right here at home. The United States is the greatest single economic force in the entire world. The level of our national income is the determinant of world trade. If we maintain production and employment, world trade will flourish. The greatest contribution the United States can make to the peace and prosperity of the world is to keep America strong and prosperous and the advocate of justice in the council of the nations.

This is a world in which all countries must share the same destiny. It will be peace and prosperity for all, or war and depression for all. We cannot escape from these problems by withdrawing from the world. Political or economic isolation is an anachronism; it is a dangerous policy because it is unreal. There is only one way to assure the security and welfare of this country. That is to face the world's problems and deal with them in cooperation with other countries.

### Case Jr. Heads Washington And Jefferson College

James Herbert Case, Jr., the son of J. Herbert Case, former Chairman of the Federal Reserve Bank of New York, was elected to the Presidency of Washington & Jefferson College of Washington, Pa.

On assuming office, Mr. Case declared that "Small independent colleges must arouse new interest in liberal arts and sciences or be left behind. The experience of college education should be as revolutionary and exciting as falling in love but we do not make it so."

Mr. Case, who is 39 years of age and served as a Lieutenant in the Navy, graduated from Princeton in 1929 and taught at Hotchkiss School for a year. He also acted as Assistant to the President of the Stock Clearing Corporation of New York and for six years he directed the inspection of trading on the New York Stock Exchange for the Security Exchange Commission and in 1940 became Secretary of Brown University.

A brother, Dr. Everett Case, is President of Colgate University at Hamilton, N. Y.

(Continued from first page)  
commodities for civilian consumption.

The end of the war has created a number of problems which will have to be solved. Principal of these problems is to defeat the forces of inflation which are so widespread and so rampant. As we all know, the forces of inflation arise primarily out of the fact that the supply of purchasing power created during the war is very great and that the supply of commodities available for consumption is still limited. As soon as the labor difficulties are settled, and as soon as the productivity of labor and equipment increases we can expect with a fair degree of confidence that the supplies of commodities will increase rapidly. We know how great the productive capacity of the country is, and we know how great the quantities of commodities produced by our factories can be. It is, therefore, primarily a question of time before the factors of demand and supply will be in better balance.

### Bank Deposits as Source of Inflation

However, the other source of inflation, namely, the huge amount of purchasing power in the hands of the people, requires careful thought and study on the part of the people at large and particularly on the part of the bankers. We know that during the war the government was obliged to sell a large amount of government securities to the banks. This is primarily responsible for the huge volume of deposits in the country. Steps are already being taken by the Treasury to reduce the supply of deposits by redeeming a portion of maturing obligations. That, however, is not enough. In order to defeat the forces of inflation it is absolutely essential that the budget be balanced and that steps be taken to retire outstanding and maturing government obligations with a surplus of revenues over expenditures. Furthermore, it is quite evident that the management of the public debt under conditions as they exist at the present time is bound to exercise a great influence on the inflationary forces in the country. Above all we must make sure that no spiral between prices and wages develops. Such a spiral, if it ever should develop, would not only be disastrous to the future economic and political developments of the country but also would undermine to a considerable extent the economic security which a great many people have achieved through their own efforts. It could also have far-reaching adverse consequences on the financial institutions of the country and notably the banks. While it cannot be denied that the danger of inflation is great, yet based on the tremendous productive capacity of the country, on the good common sense of the people, there are valid reasons to believe that these forces will be kept in check until the supply of commodities available for consumption has increased.

### Task of Financing Reconversion

The banks of the country can be justly proud of the record attained by them during the war. Not only were they the principal agents in the distribution of Government securities among ultimate investors, but they themselves stood ready at any and all times to furnish the Government with the wherewithal to fight the external enemies. The work accomplished by the banks has been fully recognized by all the leaders in the country in and out of Congress. This, however, does not mean that we bankers can rest on our oars and adopt a self-satisfying atti-

tude. The first task before us as bankers is to finance to the best of our ability the reconversion process of the country. In doing so we will not only perform the function for which banks were established, but we will also reduce the dependence of the commercial banks for earnings on Government obligations. In this respect we can look with a great deal of confidence into the future. The physical aspect of reconversion has practically been completed. Although a great deal of time and energy was lost because of labor difficulties and strikes, yet industry is again ready to produce, and the higher prices as well as the higher cost of production will require additional banking credit. Furthermore, we know that the tremendous volume of business in the next few years is bound to be substantially greater than ever before in peacetime. The greater volume of business activity coupled with the fact that prices and the cost of production in general will be higher makes the outlook for loans on the whole favorable. In addition, banks throughout the country must realize that a number of changes have taken place in the financial structure of companies as well as in the methods of doing business. We must, therefore, change our policies and try to find new outlets for our funds. In this respect, too, we can look with a great deal of confidence toward the future. Banks throughout the country have given very careful thought to the method of financing the purchase and sale of durable consumers' goods. While experience of the past has shown that this type of financing on the whole is sound, yet we must not overlook the pitfalls there for those of us who have never been engaged in that type of business; the motto should be "First learn to walk, then run" or to follow the old doctrine of stop, look and listen. In other words, make sure that the risks undertaken by us are commensurate with the rate of return and also that the capital resources warrant a substantial increase in risks among your earnings assets.

For smaller banks, particularly those operating with savings deposits, there will be considerable outlet for their funds in mortgages. Most of these institutions have had considerable experience with this type of investment. They know the risks, and they know the strain of a mortgage loan. We must, however, in this respect not overlook the fact that real estate in many instances is highly inflated and that the market value of real estate is not always comparable with the economic value. Of course, the principal thing that we as bankers can do in this respect is first to make sure that the loans that we are making are sound. Second, we ought to make sure that through easy credit terms or otherwise we will not stimulate the forces of inflation in real estate; and above all, as bankers with years of experience we must always remember that real estate values run in cycles and that sooner or later even in the field of housing the forces of demand and supply are bound to reassert themselves.

Banks tying up their money in mortgages over a considerable period of time should not merely take the narrow, but also the long-range point of view. There will be room for sound financing. The housing shortage is very great, and while the estimates of some Government officials that 2½ million homes may be constructed during 1946 and 1947 may be exaggerated, yet we all know that a substantial building boom is bound to develop unless of course the cost of construction reaches a point where the average man cannot afford to buy.

### Banks Will Have Plenty to Do

The banks, therefore, during the coming year will have plenty to do. Their task will be not merely to invest the funds entrusted to them in a profitable and safe way but also to do everything within their power to counteract and to defeat the forces of inflation which are so pronounced at the present time. In this respect I must call to your attention the fact that in some circles proposals have been made to defeat the forces of inflation and to alleviate the debt burden of the Government at the expense of the banks. It was certain that the huge public debt contracted during the war will create considerable discussion among politicians, economists as well as bankers. It was also certain that some people will endeavor to find ways or means of how to solve the debt problem without having to pay for it.

One of the means suggested is to solve this problem at the expense of the banks. The suggestion has been made that the reserve requirements be increased. Other suggestions have been made that a certificate reserve be imposed on top of the legal reserve requirement now in force. Other proposals have been made that the public debt be paid off in legal tender currency and that through the introduction of the 100% reserve system the consequences therefrom be avoided.

### Public Debt Can Be Solved

The public debt can be solved. In spite of its magnitude it is entirely within the carrying capacity of the country. While the public debt is very large, yet the productive capacity of the country has also increased. The middle class in the United States has grown, and if we institute a policy of economy in Government we certainly can not merely carry the debt burden but also gradually reduce the public debt. This, however, can be achieved not through sleight of hand measures. The solution of the public debt lies in hard work and in a policy of economy. Any effort to solve the public debt at the expense of the banks is bound to undermine the position of the latter. Banking is a highly essential business and is closely tied up with the system of private enterprise. As bankers we must fight all these proposals not merely for the sake of protecting our own businesses but also in order to protect the economy as a whole.

In conclusion, in spite of the great problems which confront us, in spite of the fact that the war has increased the public debt; in spite of the fact that there is a great deal of unrest throughout the world, we can look with confidence toward the future. Fortunately, thank Heaven, our country was spared the effects of actual warfare. Our industries are intact. The productive capacity of the country is greater than ever before in the history of the country. We are blessed with an abundance of natural resources, and new inventions have further enriched the economic life of the country. We have an abundance of skilled labor, and business concerns throughout the country are in a strong position. We know that there is a tremendous demand for all kinds of commodities from home and abroad. We know that the people have the ability to pay for these commodities, and we know that industry can produce them. Our task, therefore, is how to harness our resources and to utilize them to the best advantage of our people and of mankind. We must not overlook the fact that we live in a world which has become exceedingly small and that any adverse development that may occur in any part of the



world is bound to have its reflection on the United States. The economic and moral strength of the United States has placed upon it great responsibility. I am sure that we will all do the best that is within us to solve our domestic problems and at the same time contribute to the speedy restoration of sound economic conditions throughout the world.

### Bonds, Preferred and Com. Stock of Central Maine Pr. Co. Offered to Public

An investment banking group headed by Harriman Ripley & Co., Inc., on May 10 offered a new issue of \$13,000,000 first and general mortgage bonds, Series N, 2½% due 1976 of Central Maine Power Co., at 102% and accrued interest to yield about 2.65%. The bankers were awarded the bonds May 7 on a bid of 101.261.

An underwriting group headed by the First Boston Corp. on the same day offered to the public 373,832 shares of common stock (par \$10) of Central Maine Power Co., at \$28 per share. The common stock was awarded to the group at competitive bidding on May 7 along with 220,000 shares of the company's \$3.50 preferred stock (\$100 par). On the common stock the group specified the aggregate number of shares for which the company was to receive \$10,000,000 and on the preferred the group bid 101.50 less a compensation of \$1.42 a share in connection with the exchange of new preferred for outstanding shares of preferred.

The public offering of the common stock is subject to the preemptive rights of approximately 8,330 shares of the company's 6% preferred and common stocks (other than the New England Public Service Co., the parent organization). The parent company has waived its right to subscribe for additional common.

The preferred stock is being offered in exchange to holders of old preferred through the First Boston Corp. and associates. In the case of the 7% and \$3 preferred stocks, holders will be given the right to exchange for new preferred on a share-for-share basis. Two shares of old 5% \$50 par preferred will be exchanged for one new share of \$3.50 preferred. Cash adjustments will be made in each case equivalent to the difference between the call prices of the old preferreds and the initial offering price of the new.

Proceeds from the sale of the preferred and common stock, together with treasury funds and the proceeds from the sale of \$13,000,000 principal amount of the company's first and general mortgage 2½% bonds, series N due 1976, will be used by the company to redeem \$13,314,000 first and general mortgage 3½% bonds, series H due 1966; \$4,186,000 first and general mortgage 3½% bonds, series J due 1968, and \$3,500,000 serial notes due June 1, 1946-Dec. 1, 1952. The company will also redeem or exchange 111,231 shares of 7% preferred stock; 79,191 shares of \$6 preferred and 21,518 shares of 5% preferred.

The company, an operating subsidiary of New England Public Service Co., is engaged in the generation, transmission, distribution and sale of electric energy to about 167,000 domestic, commercial and industrial customers in the industrial centers of Maine, including Portland, Lewiston and about 250 other cities and towns. Gross operating revenues for the 12 months ended Feb. 28, 1946, totaled \$15,403,109 and net income for the period was \$3,272,862.

Giving effect to the present financing the company will have outstanding a funded debt of \$45,780,000 and capital stock comprising 5,713 shares of 6% preferred (\$100 par); 220,000 shares of \$3.50 preferred, and 1,690,415 shares of common (\$10 par).

## Anglo-American Cooperation A Bulwark for Peace

(Continued from page 2643)

some dark days together. They were times of war, filled every day with the anxiety that war brought; anxiety often about the many problems arising from the collaboration of our two countries; the sort of troubles that are bound to arise in a partnership between two peoples, who had had very little practice in the art of working together and sometimes found each other's ways, and even each other's language, a bit hard to understand. Yet when troubles and misunderstandings arose between your country and mine, I soon found I could talk about them to you with complete frankness—just as if I were talking to my own people; for I knew that at bottom you would feel about them just as I did; that though they might be annoying, they were less than dust in the balance against the great compelling forces that brought us together in war and will still, please God, keep us together now the war is over. And in our future reckoning there is something we can add to that. For while it has always been true that on the deep issues of human life we thought alike, we have now the memory of those years which we spent together in a comradeship of work and suffering and finally of victory. And that will count for much in the years to come.

### An Uncomfortable World

Most of us are conscious of living today in an uncomfortable world. It is full of questions, to which no man at present can return a sure answer, and of problems, for which there is no quick or easy solution. Sometimes we are beset by doubts—of the reality of the victory we have won; of the extent to which we can all work together to insure the world against the scourge and tragedy of war; of our capacity to use aright the new and fearful scientific knowledge we have acquired. But as we pick our way across this boggy and uncertain country, presently we come to a patch of good firm ground on which we can stand and be secure. And that ground, of course, is the friendship and co-operation of the peoples of the United States and the British Commonwealth. It has been said that whenever we are depressed and feel the world is out of joint, the right remedy is to count our advantages. So when we feel that the times in which we live are difficult and uncertain, a good remedy is to remember this one big fact; or better still, to take out a map of the world and look at the United States and the British Commonwealth and Empire; to measure what they add up to in population, in natural resources and in industrial power; and above all, to think what will be the effect if this massive weight is placed solidly behind the United Nations Organization in its work for a peaceful and ordered world. I don't know how you feel when you look at it like that. I know that for myself each time this thought comes into my mind it fills me with new confidence for the future. For we know that the power you and we have will never be abused; that it will never be directed against the rights or liberties of other people; that there is nothing selfish in our friendship, for we are ready to be friends with all who will be friends with us; and that our joint strength may be for the world a strong guarantee of peace and justice. Don't let us ever forget, either, that the strength of the United Nations is the dedicated strength of its members; it can never be more than that; and if we do not place this mighty force

behind it, we shall be doing something less than our duty, not only to the idea for which it stands, but to those who have given their lives to win for us this great opportunity.

### World Does Not Want Dictators

Here we can well give a lead, which we may pray that all other peoples of good will may be glad to follow. There is a world of difference between leadership of this kind and dictatorship of the kind we saw in Germany, Italy and Japan. The world does not want dictators; it has had quite enough of them; it rightly lays at their door all the loss and suffering and sorrow of these times. But it does need and will always need the sort of leadership your people and mine can give, the sort of leadership that only people who are free themselves can give to others.

That need has never been so sore as it is today. There are the problems now with us of making peace after the upheaval of a war that has torn whole countries asunder, wiped out their frontiers, and uprooted their populations. There are the problems of keeping the peace when we have made it. And apart from all that, now, at this moment, as I am talking to you, we face the dreadful fact of famine in Europe and Asia. There has not been a catastrophe on such a scale within human memory; probably never in all recorded history. Millions of people are threatened with starvation and death. An overwhelming majority of them are humble folk, who only wanted to be allowed to live their lives in peace, and yet this terrible thing is happening to them. And I do not think that you or I or any decent minded person will sleep peacefully or eat happily if we are not able to feel that we are doing all we can to help them. Here is something that calls from both our countries for the same quality of effort and leadership which brought us through in war.

### Anglo-American Cooperation and Peace

But I didn't really want to say much on these grave matters to you tonight. I meant to say goodbye, and in saying it to try to tell you a little of what I feel for this country, which has been my home for so many years. As I have gone about the United States and talked to all kinds of people, I have often heard forebodings for the future, prophecies of all the troubles that are likely to come crowding in on you now the war is over. Of course, there will be troubles, plenty of them, but if I know anything of this country, they are not going to get you down. The other day I was reading again the great poem which Wadsworth wrote about his country and mine some 130 years ago at the end of another great war, when people were saying much what they are saying now. He was giving them their answer and he ended, you may remember, with those splendid lines:

"... Some fears unnamed I had, my country—am I to be blamed?  
Now, when I think of thee, and what thou art,  
Verily from the bottom of my heart  
Of those unfilial fears I am ashamed.  
For dearly must we prize thee; we who find  
In thee a bulwark for the cause of men..."

And that is what America can be today—a bulwark for the cause of men; and so it will always be as long as you have faith in yourselves and in the

greatness and future of your country.

Well, my friends, to say goodbye as I am trying to say it to you tonight, from Lady Halifax and myself, is inevitably a sad business. Five years' roots grow deep, and there must be sadness about leaving a land for which we have come to have so deep an affection and parting from so many who have shown us such constant kindness. But we plan to return here before too long, not as an ambassador and his wife, but as ordinary citizens; and because that is our hope and our purpose we won't say "goodbye" in English, but in American, "We'll be seeing you."

### Kuhn, Loeb & Co. Offers U. S. Rubber Debs.

An underwriting syndicate of 79 firms headed by Kuhn, Loeb & Co., on May 10, offered to the public a new issue of \$40,000,000 2½% debentures of the United States Rubber Co. The debentures, due May 1, 1976, are priced at 100½% and accrued interest from May 1.

Representing the first public financing for expansion, improvement and rehabilitation purposes by a major unit of the rubber industry in the postwar era, the offering constitutes entirely new money borrowing by the company.

Proceeds will be added to the general funds of the company and used to provide additional working capital; to expand the company's business through the development and acquisition of new lines of products; to increase capacity and improve manufacturing methods and equipment of the domestic and foreign plants engaged in the production of chemicals, textiles, rubber goods and plastics.

Also, the financing will provide funds to rehabilitate and restore foreign rubber plantation properties if and when repossessed and to construct or acquire additional domestic and foreign plants for the manufacture of present lines of products.

The debentures will have the benefit of a sinking fund of \$2,000,000 a year, to begin on May 1, 1957, which will retire the entire issue by maturity.

### San Fran. Bond Club Election Results

SAN FRANCISCO, CALIF.—Stanley Dickover of Elworthy & Co. will succeed Edward Martin of Blyth & Co., Inc., on July 1, as President of the San Francisco Bond Club, according to election results announced this week.

Other officers named were George J. Otto, of Irving Lundborg & Co., Vice-President, and Gilbert Colby, of Wells Fargo, Secretary-Treasurer. They will hold office until Dec. 31.

George H. Grant of the First California Company and Paul Pflueger of Max I. Kishland & Co. were elected directors for a one-year term expiring June 30, 1947. Holdover directors with terms expiring Dec. 31, 1946, are William Agnew of Shuman, Agnew & Co., and Edison A. Holt of Holt, Collins & Ede.

In accordance with custom, Martin, the retiring President, will sit with the new board of directors.

### Voss, Blair & Co. Formed in Chicago

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Voss, Blair & Company has been formed with offices at 29 South La Salle Street, to engage in the securities business. Howard W. Voss and Henry Allan, Jr., are partners in the firm. Mr. Voss has been serving with the U. S. Navy. Prior thereto he was with Barcus, Kindred & Co., with which Mr. Blair was also associated.

### New York Stock Exchange Weekly Firm Changes

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

Privilege of George F. Conniff to act as alternate on the floor of the Exchange for Robert L. Newburger of Newburger, Loeb & Co., was withdrawn May 9.

Privilege of George S. McNamee to act as alternate for William M. Meehan of M. J. Meehan & Co. was withdrawn May 11. Mr. McNamee retired from the firm on the same date.

Sidney W. Moss withdrew from partnership in Edward R. Viner & Co. on May 11.

*Because these securities are believed to be exempt from registration they have not been registered with the Securities and Exchange Commission, but such exemption if available does not indicate that the securities have been either approved or disapproved by the Commission or that the Commission has considered the accuracy or completeness of the statement in this communication.*

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# UN Vigorously Planning a Better Social and Economic World

(Continued from page 2638)

The Economic and Employment Commission will make a broad study of the world's devastated areas (concerning whose definition there is considerable doubt); will devise means of handling the world's future surpluses; and if Mr. Lubin has his way, will make an inventory of the complete assets of each of the nations of the world.

Institution of woman suffrage throughout the world; the initiation of agencies to plan and equip homes in ways and means which will enable the housewife to devote more time to civic affairs; the international exchange of all categories of woman workers in the industrial, agricultural, and cultural fields; systematic training in women's affairs; the conduct of polls and forums throughout the world—are but some of the projects under consideration by the Sub-Commission on the Status of Women.

## Progress Toward the International Trade Organization

Plans for implementing the International Trade Organization of the United Nations are progressing on both sides of the Atlantic. While the setting of a definite date for the preliminary conference to be held in London has been held up pending approval of the U. S.-British Loan agreement; a tentative charter has been drawn up by the United States' Executive Committee on Economic Foreign Policy.

There are to be two main international conferences in this sphere. The United States Government has invited 14 countries, of which six are British and three West European, to meet in a preliminary way in London, presumably in the Fall. Thereafter, and possibly not until early 1947, there will be a full-dress conference for all the United Nations member nations elsewhere in England, to consider all the still-open questions on trade and employment.

The conferences, whose basic aim will be to promote the expansion of production and the exchange and consumption of goods throughout the world, will first of all investigate those many factors which are interfering with the free flow of trade. The other main points on its agenda will include:—the achievement of high levels of employment and economic activity; restrictive business practices; international commodity agreements; and the establishment of an International Trade Organization as one of the UN's specialized agencies.

In England the Government is conferring with, and collating the views of, every industry likely to be affected by tariff changes; after which negotiations will be held with each of the other Commonwealth Governments.

Whether Britain's many steps of nationalization and planned economy are consistent with these international trade aims, is strongly questioned by "The Economist" of London. Additionally skeptical is it in saying: "One cannot help wondering whether, in this mass of details, anyone will find time to emerge from the trees and have a look at the wood."

In any event, whether anything is achieved or not, the program constitutes another vigorous step in the Rooseveltian international technique of "keep 'em talking."

## Choosing the Commission Members

Much discussion has been devoted to the qualifications of the individuals comprising the commissions. Devising a formula has provided an extremely nettlesome problem. The primary difficulty has been encountered in setting forth the relative importance of geographic, general political, and personal expertness and qualifications. To what relative degree will the members be independent experts, and to what extent representatives of their governments? The present feeling on this point is one of compromise, in that a member should be an expert but should carry the approval of his government and be "familiar with" its national policies. He should not be picked geographically per se, but the major importing countries should be represented.

The Economic and Employment group devoted a recent executive session to designing a set of rules for choosing Commission members. A definitive suggestion, devised by Mr. Lubin on which the Commission will take action, follows:

1. The Economic and Social Council should designate 10 countries from which members of the Commission should be selected.
2. The Council should request these 10 governments to submit a panel of two names each, from their own nationals.
3. The Council should appoint one person from each of these countries.
4. The remaining five people should be appointed by the Council from a roster, and these five people shall represent certain fields of economic knowledge which will give balance to the types of problems with which the Commission will have to deal.

## Circumventing the U. S. Senate

Avoidance of complying with the United States law necessitating Senate confirmation of appointments to international committees, has been accomplished in the following manner:

- (1) By calling them commissions instead of committees.
- (2) By making the appointments not as Government representatives, but pursuant to the personal capacities of the individuals.

## Press Relations

There has been some complaint by some Commission members that their statements have been misrepresented in daily press accounts. A leading member of the Economic Commission has complained that the official release by the Press Office similarly garbled statements of his, and that at least official documents should be correct. The proposal is hence being considered that all releases should be O. K'd by their respective Commission before release. This sets a dangerous precedent in conference procedure, in giving participants the virtual right to recast or delete their statements after subsequent reflection. Besides it will not prevent correspondents from writing their own versions at meetings, which are open to them, nor from getting such versions at second hand in the

case of those meetings which are closed. So the public will still be getting differing reports of what is going on.

## Broad Trusteeship Issues Brewing

The extreme controversy embodied in UN's scheduled overall implementation of the trusteeship process, as laid out at San Francisco, is high-lighted by the colonial big power politics struggle being demonstrated at the current Paris Conference. The negotiations for settlement of the trusteeship of the Italian colonies, which must be concluded before the matter comes before UN's General Assembly, is revealing the controlling political motives of the several victorious Powers in the Mediterranean.

For her security Britain feels in dire need of maintaining trusteeship over Cyrenaica, and of controlling Tobruk and Bengazi—with its nearness to Malta. And this motive, of course, governs London's negative attitude toward proposals for giving Libya to an Italian trusteeship, or directly to a collective UN trusteeship.

United Nations trusteeship settlement in this area is likewise running into the interests of the French and the aggressive Arabs.

As far as the United States is concerned, we have persistently shown ourselves to be quite hypocritical on the subject. We have applied an extremely sacrosanct attitude toward the colonies of Italy and other places where we are not directly concerned. But when it comes to the Pacific, we display a quite different policy. For our War and Navy Departments here have successfully exerted great pressure, and will presumably retain the backing of Congress, for taking over the former Japanese islands, for our strategic interests. Thus we shall be insisting that Saipan and Tinian be placed under our sovereignty in lieu of being placed under UN. In line therewith is our newly reported desire to get from the British sovereign control over three additional islands for our defense system: namely, Canton, which is now jointly controlled, and the British colonies of Christmas and Funafuti.

Nor do our claims in Iceland, which are apparently opposed by that country, seem to exemplify a lofty international attitude on our part.

## Action Awaited by Atomic Commission

The United Nations Commission for the Control of Atomic Energy is complete. But, despite rumors to the contrary, no date for the Committee's convening has been set.

Under the resolution establishing it, the work of the Commission is to proceed by separate stages, the successful completion of each of which will develop the necessary confidence of the world before the next stage is undertaken.

The Commission is to submit its reports and recommendations to the Security Council, and such reports and recommendations shall be made public unless the Council, in the interest of peace and security, otherwise directs. Whenever possible the Security Council shall transmit these reports to the General Assembly of the United Nations, and, in appropriate cases, to the Economic and Social Council and other organs within the framework of the United Nations. The Commission will not infringe upon the responsibilities of any organ of the United Nations. These organs will consider the recommendations of the Commission in the performance of their tasks under the terms of the United Nations Charter.

In view of the Security Council's primary responsibility under the Charter for the maintenance of international peace and security, the Council shall issue directions to the Commission in matters affecting security. On these matters the Commission shall be accountable for its work to the Security Council.

The membership of the Commission consists of all members of the Security Council and Canada when that state is not a member of the Council. This membership will change with the composition of the Security Council, with the exception of Canada, which will enjoy the same permanency of membership as the five permanent members of the Council.

The terms of reference of the Atomic Commission say that it "shall proceed with the utmost dispatch to enquire into all phases of the problem," and make such recommendations from time to time as it finds possible. In particular, the Commission shall make specific proposals:

- (a) For extending between all nations the exchange of basic scientific information for peaceful ends;
- (b) For control of atomic energy to the extent necessary to ensure its use only for peaceful purposes;
- (c) For the elimination from national armaments of atomic weapons and of all other major weapons adaptable to mass destruction;
- (d) For effective safeguards by way of inspection and other means to protect complying states against the hazards of violation and evasions.

## A Novel "Beef" About the New Site

Plethoric have been the complaints, recriminations, and suggestions concerned with the new contemplated arrangements for the \$2,000,000 interim site. But an entirely unique contrast with the usual concern over the reshaping of the Flushing skating rinks and landscaping arrangements is the diatribe against the plans for the housing development for use by the members of the secretariat, uttered by Philip L. Goodwin, Chairman of the Architecture Committee of the Museum of Modern Art. According to his letter to the editor of the New York "Times":

"If Americans have so far mismanaged their welcome to the 'Hope of the World' politically and hospitably, this architectural design will complete the picture of disharmony and insincerity. It is false and bad American Colonial, presumably housing an up-to-date mechanized interior. It has not the quality of even the poorest housing project in the average American city. To offer these shams to a group of people accustomed to old things that are fine, and new ones that are honest and contemporary, would seem to be only one more nail in the coffin of the indispensable UN."

But not a "nail in the coffin" of Secretary General Lie, who is the individual charged with the responsibility for all site arrangements for UN! For his Norwegian humor and equanimity of disposition have been conclusively proved as absolutely irrepressible amidst all the tough going encountered by him.

## Leading Inv. Bankers Accept Increased Quota In Greater NY Campaign

Leading investment bankers of New York City have accepted a quota for 1946 of \$40,500 in the Greater New York Fund's 9th Annual Campaign. This was announced by Alexander M. White of White, Weld & Co., Chairman of the Campaign Committee representing the profession, following a meeting in the offices of White, Weld & Co. The new quota is 25% more than was contributed last year by investment bankers.

This year the Fund is appealing for \$5,900,000 as its city-wide goal, which likewise is 25% more than was contributed in 1945. The appeal is to business concerns and employee groups, including organized labor, for business's share in the support of 415 local hospitals, health and welfare agencies.

Mr. White declared that his group gave wholehearted support to the Greater New York Fund's campaign as one which the whole business community of New York should support.

N. Baxter Jackson, President of the Chemical Bank & Trust Co., is General Chairman of the campaign.

Members of the investment bankers committee include:

Harry W. Beebe, Vice-President, Harriman Ripley & Co., Inc.; Walter F. Blaine, Partner, Goldman, Sachs & Co.; William R. Brent, Syndicate Manager, Eastman, Dillon & Co.; James Coggeshall, Jr., Vice-President, The First Boston Corporation; Thomas T. Coxon, Vice-President, Mellon Securities Corp.; Enos Curtin, Vice-President, Blair & Co., Inc.; Jo M. French, Syndicate Manager, Blyth & Co., Inc.; Herbert S. Hall, partner, Morgan Stanley & Co.

Paul F. Hay, Partner, W. C. Langley & Co.; Joseph H. King, Executive Vice-President, Union Securities Corp.; James J. Lee, Assistant Secretary & Assistant Treasurer, Lee Higginson Corp.; Mead A. Lewis, Partner, Dick & Merle-Smith; Plant McCaw, Smith, Barney & Co.; Frederick L. Moore, partner, Kidder, Peabody & Co.; Richard M. Newall, Dillon, Read & Co. Inc.; Leonard D. Newborg, partner, Hallgarten & Co.; Miller H. Pontius, Syndicate Manager, F. Eberstadt & Co., Inc.; Louis N. Singer, partner, Lazard Freres & Co.; Percy M. Stewart, partner, Kuhn, Loeb & Co.; Joseph A. Thomas, partner, Lehman Brothers.

## Paul Klopstock Dead

Paul Klopstock, who has been active in investment banking, mining and the importing and exporting business, died in Guelph, Ontario after a long illness. He was formerly with Klopstock & Co., 141 Broadway, New York City. He took part in the construction of Guayaquil and Quinto railroad in Ecuador and the extension of the Mexican National Railroad. A member of the American Institute of Mining Engineers, he was also active in the development of mines in Goldfield and other Nevada districts.

## Field & Co. Inc. Adds Harold Singer to Staff

PORTLAND, ORE.—Harold I. Singer has been added to the staff of Field & Co., Inc., U. S. Bank Building, it is announced. He will handle investment accounts. He is the son of Joseph Singer for many years Sergeant-at-Arms at the House of Representatives at Salem, Ore., as well as chief doorkeeper in the United States Senate in Washington, D. C. He recently returned from service with the army in the office of the fiscal director, finance department, in the India-Burma theater at New Delhi.



# UN and Big Business

(Continued from page 2640)

we try to be broadminded. We have only one prejudice, if you can call it that: We have a deep-seated prejudice against War, Poverty and Oppression.

Otherwise we are determined not to indulge in prejudice even when an absence of prejudice is itself interpreted as prejudice.

Our first duty, as international public servants, is to try to be fair-minded.

Now, at the risk of boring you, I would like to say something about the Economic and Social program which I have already mentioned.

It does not seem to be understood as clearly as it should that, in attempting to maintain peace, the United Nations organization is embarking on a long-range Economic and Social program for the improvement of living conditions all over the world.

In drawing up this program we are guided by the belief that Peace and Prosperity go together and that Economic distress is one of the roots of war.

You, in this country, know how hard it is for a comfortable people to turn from normal life to the terrible job of making war.

We have all seen how easy it has been for demagogues to build up hatred and the lust for war among people who are made desperate by economic troubles.

It would be foolish to say that economic distress is the sole cause of war, but it creates the atmosphere in which war can be made.

If workers cannot find jobs, businessmen face bankruptcy and investors lose their savings, then men like Hitler and Mussolini can do the rest.

So, in attempting to prevent war, we are bound to pour all of our energy into a drive against economic and social misery.

Since the United Nations came to New York City, attention has been concentrated on the work of the Security Council. This was natural because it was the only Council which was working, and because the Big Powers found it hard to agree on several dramatic issues.

## Public's Overemphasis on Political Functions

At the same time this concentration on the Security Council may have led some people to think that the United Nations organization was devoted to pure politics.

I hope that the meeting of the Economic and Social Council which begins here in New York later this month will attract just as much attention to the constructive, long-range work which I have already mentioned.

In my opinion the role of the Economic and Social Council and its allied organizations is just as important as the work of the Security Council.

It is vital to have an instrument like the Security Council which can use force against an aggressor.

It is just as important to have an instrument or a collection of instruments to fight the factors which may lead to aggression.

In our attempt to restore a sound world economy we realize that the nations today are more dependent upon each other, economically and socially, than they have ever been before.

Prosperity, like Peace, is indivisible. One part of the world cannot enjoy durable economic welfare if the other sections of the world suffer from poverty and depression.

The restriction of international trade not only prevents the normal development of international relations. It is bound to lead to aggressive economic policies by all of the nations of the world. These aggressive economic poli-

cies naturally lead to aggressive Foreign Policies.

Aggressive foreign policies lead to war.

Today the world is in a state of economic and social dislocation and degradation.

What we clearly need, in order to prevent this situation from endangering Peace, is rapid economic reconstruction. This must be followed by continued, progressive economic development throughout the world.

We need an expanding world economy, with steady employment and a large, steady volume of trade between the nations.

Unless we can obtain this economic revival and do so promptly we are bound to have an uneasy peace. We have no time to lose.

## The Economic and Social Functions

The Charter of the United Nations lays heavy emphasis on the Economic and Social functions of the organization.

Under Article 55 the United Nations are pledged to promote:

"Higher standards of living, full employment and conditions of economic and social progress and development" and

"Solutions of international economic, social, health and related problems."

Under the Charter the execution of this broad policy is entrusted to the Economic and Social Council.

## The Coming Conference on Trade and Employment

One of the first, positive steps of the Economic and Social Council will be to summon an International Conference on Trade and Employment.

This conference will deal with many factors which today serve to hamper the flow of goods throughout the world and it will be of direct concern to all of you.

The conference has been called to promote the expansion of production and the exchange and consumption of goods.

Its agenda will probably include the following subjects:

The achievement and the maintenance of high and stable levels of employment and economic activity.

Restrictions and discriminations against International Trade.

Restrictive business practices. International commodity agreements and the establishment of an International Trade Organization as a Specialized Agency of the United Nations.

The outcome of this Conference will be of the greatest importance in deciding whether we are going to have the revival of normal trade which we desire and need.

At the moment trade between the nations is hampered or sometimes made impossible altogether by the restrictive systems now in use.

High tariffs, quotas, embargos and financial restrictions all act against the exchange of goods.

We know that these measures were taken under the pressure of abnormal conditions. But now we look forward hopefully to a period of greater tranquility and greater demand.

Under these conditions there is no valid reason why the nations of the world should not be able to commence the relaxation of barriers.

In doing so every country will be doing itself a good turn. Only by relaxing its own regulations will one country make it possible for others to do the same.

This Trade Conference, I feel, offers a golden opportunity for all nations to come together. I hope

that concessions will be made by all sides.

This, I feel, should be added:

In the period between the last two wars a number of very important international economic conferences took place. Serious discussions took place between the leading economists of the world and important decisions were taken. At least recommendations and resolutions were adopted.

Yet, as we know, those same recommendations and resolutions stayed on paper.

The situation which faces the nations today cannot be solved by pious hopes and mere resolutions.

## Action Needed

Of course we must meet together and make resolutions. But the day has come when the agreements which we reach at conferences must be applied. If the world really wants economic prosperity—if the world wants true peace—the results and conclusions of international meetings must be put into practice everywhere.

I believe that cooperation, through machinery set up by the United Nations, can bring us a degree of economic prosperity which we have never known. Failure to cooperate will give us nothing but chaos. Different economic systems will push and pull at each other in a desperate attempt to secure a greater proportion of the decreasing commerce of the world.

Even the victors in this fatal game could only be losers. Nothing they could gain would be equal to the increased volume of trade which they could gain under a system of cooperation.

This Council has a number of Commissions under it and has direct relations with the Specialized Agencies. These include, among other important agencies, the International Bank, the International Monetary Fund and the Food and Agriculture Organization.

The Economic and Social Council has three kinds of powers:

It must carry out recommendations of the General Assembly in the Social and Economic fields and make regular reports to the Assembly.

It can also report on its own initiative and it can prepare draft conventions and call conferences.

Finally it is expected to consult with a large number of private, national and international organizations and to coordinate the work of the Specialized Agencies in its own field.

The Economic and Social Council will rely on the cooperation and assistance of these Specialized Agencies in carrying out many of its most important tasks. It is also expected to help the Security Council and the Trusteeship Council on matters concerning its own field.

The way in which the Economic and Social Council works will largely determine the way in which the whole United Nations organization works.

In the first place, as I have pointed out, its success in restoring economic stability and in bringing about a radical and continuous improvement in social conditions throughout the world will decide, to a large extent, whether we are going to have a real Peace.

This is something we must all realize and remember. We have no time to lose because the situation is so difficult, some say desperate.

In the second place, the way in which the Economic and Social Council works will serve to show to what extent the nations of the world are able to cooperate on practical, peacetime questions.

## The Council's Powers Are Advisory

The Economic and Social Council has no executive power. Its

powers are purely advisory. It can make recommendations to the member states of the United Nations, but it is for the member states themselves to put these recommendations into effect.

It is clear in advance that many measures suggested by the Economic and Social Council will involve sacrifices by individual nations. The machine will work only if those nations are willing to make the sacrifices.

Here the Economic and Social Council will need the support of enlightened opinion in every country. It will especially need the support of people like yourselves. Our true interests are identical and it will be worth many sacrifices to guard them.

Because of the importance of this constructive work I ask you to pay close attention to the proceedings of the Economic and Social Council during its coming session and in the future.

I have said before, and I wish to repeat now, that I find the forces in favor of Peace and against War so strong at this time that I cannot believe in the probability of another great conflict in the foreseeable future.

So, while we must remain on guard against violations of the Peace, we are promised a period during which we can devote our energy to this constructive work. We must take full advantage of this chance to reduce or to eliminate factors which, otherwise, might later lead to violence.

This is our honorable task. I repeat that we shall need the loyal support of every enlightened person.

## Skall, Joseph & Miller Forming in Cleveland

CLEVELAND, OHIO—Formation of Skall, Joseph and Miller to conduct a general investment business, with offices at 1640 Union Commerce Building, Cleveland, is announced by David G. Skall, Herman B. Joseph and Lester I. Miller. At the same time the dissolution of Joseph & Co., Inc., was announced.

All of the partners in the new firm have long been prominent in Cleveland financial circles. Mr. Skall, who served three years with the Army Air Forces and held the rank of Lieutenant Colonel, was President of the Cleveland Stock Exchange in 1942 and for several years was a member of its board of governors. From 1928 to 1942 he conducted the firm of David G. Skall & Co.

For the past thirteen years Mr. Joseph has been President of Joseph & Co., Inc., investment house specializing in bank and insurance company stocks and general market securities. He was President of the Bond Club of Cleveland in 1938 and has served on various Investment Bankers Association committees.

Mr. Miller has been secretary of Joseph & Co., Inc., which he joined in 1936 and for many years he has been vice president of the Superior Foundry Co.

Skall, Joseph and Miller, with membership in the Cleveland Stock Exchange, will handle listed brokerage business as well as expanding the activities formerly carried on by Joseph & Co., Inc. It is also understood that a further expansion of the firm's business is contemplated.

Also with the new firm will be Herbert E. Harris, previously vice-president of Joseph & Co., Inc., and Will F. Metzenbaum.

## Leo M. Bernstein & Co.

WASHINGTON, D. C.—Leo M. Bernstein & Co., Inc., will engage in a securities business from offices at 1415 K Street, N. W. Officers are Leo M. Bernstein, President; Walter Miller, Vice-President; and Norman Bernstein, Secretary-Treasurer.

## Morgan Stanley & Co. Offers Debentures of Standard Oil (N. J.)

An investment banking group, headed by Morgan Stanley & Co., made a public offering May 15 of \$85,000,000 Standard Oil Co. (New Jersey) 25-year 2% debentures, due May 15, 1971, at 98% and accrued interest.

Proceeds, together with other funds of the company, will be applied to the redemption, on or about June 14, 1943, of \$85,000,000 principal amount of 25-year 3% debentures, due June 1, 1961, of the company, at 101% and accrued interest.

The new debentures are redeemable, in whole or part, at prices ranging from 101% to 100% and accrued interest.

Primarily a holding company, Standard Oil Co. (New Jersey) was incorporated in 1882. Since June 30, 1944, the company has owned and operated the ocean-going tankers and incidental marine properties formerly owned by its subsidiary, Standard Oil Co. of New Jersey. Its subsidiaries and companies in which it has investments are engaged in production, refining, transportation, buying and selling of petroleum products at wholesale and retail. Certain subsidiaries are actively engaged in exploratory and development work in an effort to add to reserves against future needs.

Approximately 53% of the company's \$1,137,441,311 investment, after reserves for depreciation, depletion and amortization, represents operated and unoperated acreage and facilities for oil production or exploration. About 9% represents oil pipe lines, 6% marine equipment, 19% refinery properties, 12% marketing properties and 1% miscellaneous.

During the war, the company and subsidiaries provided more petroleum products to the armed forces of the United States than any other oil company; and they were collectively the largest producer in the world of 100 octane gasoline and of synthetic toluene for explosives. They were among the largest producers of the raw materials for synthetic rubber and also produced substantial quantities of industrial alcohol, butyl rubber and other important war materials. In addition, the company developed a fluid catalytic cracking process which was widely used by the industry and a substantial portion of all 100 octane gasoline and of the butylenes necessary for the production of the butadiene used in synthetic rubber was made by this process.

Severe war damages were suffered by subsidiaries' properties in many parts of Europe and North Africa. Operations have been resumed on a limited scale in most European and North African countries.

Consolidated gross operating income in 1945 amounted to \$1,618,075,125 compared with \$1,638,706,158 in 1944. Net profit, before interest and income and excess profits taxes in 1945, amounted to \$230,203,653 compared with \$279,503,043 in 1944.

## Wagner, Eidlin & Co. To Open in Rochester

ROCHESTER, N. Y.—Wagner, Eidlin & Co., a new New York Stock Exchange firm, will be formed in Rochester as of May 23rd. Partners of the firm, which will be located in the Union Trust Building, will be Lawrence J. Wagner, James Mazin, and Berthold M. Eidlin who will acquire the Exchange membership of John B. Moriarty.



# Government Securities and Commercial Banks

(Continued from page 2642)

b. In the third they were excluded entirely.

c. In the remaining five drives they were allowed only very limited participation, based on a percentage of their time deposits.

d. Notwithstanding the limitations placed on direct financing through the banking system and the efforts to place securities with non-bank investors, the Treasury did look to the banks to absorb the securities not taken by non-bank investors.

## Cooperation of Federal Reserve and Banks

3. In looking to the commercial bank system supply the credit not supplied by non-bank investors, the Treasury received the wholehearted support of the Federal Reserve System. The President in his Budget and State of the Union message had this to say with reference to the wartime cooperation between the Treasury and Federal Reserve System: "Close wartime cooperation between the Treasury Department and Federal Reserve System has made it possible to finance the most expensive war in history at low and stable rates of interest. This cooperation will continue." In cooperating with the Treasury, the Federal Reserve System undertook to do two things, namely:

a. To provide the banks with adequate reserves for wartime financing purposes; and

b. To assist in protecting the pattern of rates.

c. In undertaking to provide the banks with adequate reserves for wartime financing and in protecting the pattern of interest rates the Federal assumed an entirely different role from that assumed during World War I; during World War I the Federal assumed little, if any, liability to protect the pattern of interest rates and made reserves available through rediscounts instead of through open market operations; to my way of thinking, this changed concept of the functions of a central bank is an important consideration in any appraisal of the probable future level of the Government securities market.

4. As you are well aware, the wartime pattern of rates was  $\frac{3}{8}\%$  for Bills,  $\frac{1}{2}\%$  for Certificates, 2% for 8-10-Year bank-eligible Bonds and  $2\frac{1}{2}\%$  for long term ineligible Bonds.

a. All in all, the rates were satisfactory and in line with the yield pattern which had existed in a rough way for quite some time—a pattern, incidentally, based on the assumption that low rates could not exist indefinitely and therefore reflecting the buyers' preference for short term securities.

## Effect of Maintaining Interest Rate Pattern

5. Until about a year ago the rate pattern was pretty well maintained along the lines of  $\frac{3}{8}\%$  for Bills,  $\frac{1}{2}\%$  for Certificates, 2% for 8-10-Year Bank-eligible Bonds and  $2\frac{1}{2}\%$  for long term ineligible bonds.

a. In maintaining the rate pattern Federal Reserve credit was expanded from about \$2½ billion to about \$25 billion—part of which was, of course, necessary to offset the enormous increase in money in circulation.

b. This extension of Federal Reserve credit was in line with the announced policy of the System of making available to the banks adequate reserves for wartime financing needs.

c. Given the necessary reserves, the banking system gave

indirect support to the Drives through open market purchases which, of course, led to an expansion of bank deposits.

d. This indirect support of the Drives via open market purchases first took form in the way of heavy Certificate purchases and a tendency to let the Federal have the Bills.

e. In due course, income considerations combined with a growing confidence in the rate structure produced a preference for the 2% bonds with the result that the Federal became a major buyer of Certificates while the commercial banks began to drain the 2% bonds away from the non-bank investors.

f. The substitution of a  $5\frac{1}{2}\%$  year  $1\frac{1}{2}\%$  bond for the usual 2% bond in the Seventh Drive and the elimination of a bank-eligible from the Eighth added impetus to this growing preference for intermediate securities.

g. Until rather recently non-bank investors apparently were able to obtain all the Government securities they needed for the long term rate stayed pretty close to a  $2\frac{1}{2}\%$  basis.

h. But in the Eighth Drive insurance companies and savings institutions were limited in their purchases and since the close of the Drive we have witnessed a repetition of what took place a year ago in the eligible category—that is, a scramble for  $2\frac{1}{2}\%$  of such proportions as to alter the pattern of rates at the extreme end of the yield curve.

## Change in Rate Pattern

6. Thus, today we are in the position of having increased our national debt by enormous proportions and of having done so at steadily declining rates.

a. Indicative of the change which has taken place in the rate pattern is the fact that  $1\frac{1}{2}\%$  of 1950 are selling to yield about 1.14%, Dec. 2s of 1952/54 to yield about 1.40% and Eighth War Loan  $2\frac{1}{2}\%$ s have gained in price so as to reduce the yield to about 2.31%—yields which, incidentally, contrast with those obtainable only a few weeks ago of less than .95% for  $1\frac{1}{2}\%$ s, about 1.22% for Treasury 2s, and only 2.11% for Victory  $2\frac{1}{2}\%$ s.

b. This change in the rate pattern may be attributed, I think, to the Federal's policy of maintaining adequate reserves and as long as the Bill and Certificate rates were left at  $\frac{3}{8}\%$  and  $\frac{1}{2}\%$ , respectively, I don't know of anything the Federal could have done to prevent the change and at the same time have maintained adequate reserves.

c. To maintain adequate reserves the Federal had to stand ready to buy whatever the banks had to sell; moreover the Federal could not, in a free market, differentiate between sales made for the purpose of replenishing reserves and sales of Certificates or Bills for the purpose of buying 2s.

d. Thus, if the Federal maintained adequate reserves and pegged the Bill and Certificate rates, there was not much that could be done to maintain the intermediate and long term rates if the banks began to sell their Bills and buy the intermediates and long terms.

e. Analyzed on this basis—and I think it is the correct analysis—there is no great mystery as to how we could run our debt up to over \$27½ billion in such a short time and do so at steadily declining yields.

f. Moreover, there is nothing to prevent yields from going still lower if the Bill and Certificate rates are to be pegged and if at the same time the banking sys-

tem is to be supplied with the necessary reserves to permit the system to continue to add to its securities holdings—doing so, incidentally, by draining securities away from non-bank investors.

g. I should like to follow this point further but before doing so I think it would be well to consider the expansion of deposits and money in circulation which was a concomitant development of financing such a large volume of the debt increase through our banking system.

## Expansion of Money and Deposits

7. As stated earlier, it was our announced policy to finance the war with minimum reliance on commercial bank credit. Nevertheless, it was necessary, as it always is in time of war, to rely upon the banking system to absorb the debt increase not taken by non-bank investors. Without considering the Treasury's success or lack of success in financing the war with minimum reliance on bank credit the fact is that there was an enormous expansion of bank credit.

a. About 45% of the \$213 billion increase in our debt in the period 1942-1945 was financed directly or indirectly through the banks, including the Federal Reserve Banks.

b. By years the percentages were as follows:

	1942	1943	1944	1945
	50%	44%	44%	41%

c. The commercial banks absorbed about \$67 billion of Government securities in the 4-year period, the Federal Reserve Banks about \$21.7 billion, while in addition the commercial banks through loans on securities financed the purchase of about \$6.2 billion.

d. The expansion of credit of course resulted in an increase in deposits and money in circulation.

e. Demand deposits grew from about \$50 billion at the end of 1941 to over \$100 billion; time deposits, from about \$16¼ billion to over \$27 billion.

f. Put another way, the volume of credit extended was more than the entire quoted worth of all securities listed on the New York Stock Exchange—Whaley-Eaton.

8. This increase in bank deposits a money in circulation was, of course, the direct result of bank absorption of Government debt.

a. As loans and investments are increased, in this case investments, deposits and/or money in circulation go up likewise.

## Prospective Decline in Deposits

9. For the immediate future a deposit loss is indicated for as you know the Treasury has embarked upon a policy of using its excessively large working balance to retire debt.

a. To the extent bank-held debt is retired deposits will decline, but to the extent debt held by non-bank investors is retired the only over-all result will be a shift in deposit ownership.

b. By June 1947 possibly as much as \$18 billion of the publicly held debt will be retired, but in relation to the deposit gains of recent years the resultant deposit losses will be relatively small although occurring within a rather brief period of time.

c. Moreover, any shifting of non-bank-held debt to the banks or any increase in loans and discounts will result in new deposits, thus tending to

offset the deposit losses which will be brought about by the Treasury's debt retirement program.

d. Although deposit losses are indicated for the immediate future the over-all loss should be considerably less than the Treasury's present working balance and once this is exhausted a more stable level of deposits may be anticipated.

e. Any further deposit losses will then depend upon a shifting of bank-held debt to non-bank investors, which is not likely in my opinion; a balanced budget and retirement of bank-held debt, which now seems in prospect but which can mean at best only a very gradual and nominal retirement of bank-held debt; or a contraction of bank credit extended through loans and discounts, whereas the reverse—that is, an increase in loans and discounts,—seems more likely.

## Probable Future Rise in Deposits

10. My thought is that as soon as the Treasury has exhausted its present working balance deposits will stabilize or tend to increase. For the next 12 months or so deposits should decline but after that I think they should level off or again begin to grow but at a much reduced rate of growth.

a. The major loss of deposits will be through the War Loan account.

b. There will be some shifting of deposits but the major over-all loss will be through loss of Treasury balances.

11. From the standpoint of the individual bank the loss of deposits occasioned by Treasury withdrawals can be estimated with reasonable accuracy; the difficulty lies in estimating probable losses resulting from deposit shifts, i. e., deposits which are not lost to the banking system as a whole but which may be lost to the individual bank. Some idea of what this may amount to may be obtained from considering the relative gains of recent years. Unfortunately, the latest data which I have covers the period from June 30, 1939, only to March 20, 1945. Nevertheless, I think this may throw some light on the problem, especially as the data are for demand deposits adjusted which excludes inter-bank balances as well as War Loan Accounts and therefore adjustment is not necessary for War Loan balances which I think we are agreed will be lost.

a. From 6/30/39 to 3/20/45 demand deposits adjusted of all member banks increased 159%.

b. The increase for country member banks was 233%; Reserve City member banks 184%; and Central Reserve City member banks 92%.

c. For the Kansas City District the over-all increase was 201% against the national average of 159%.

d. This above-average increase was due entirely to country banks whose gain was 246% against the national average for country banks of 233%; Reserve City member banks gained only 165% against the national average for Reserve Cities of 184%.

e. Looked at another way, member banks in the Kansas City district accounted for 4% of all demand deposits adjusted as of June 30, 1939, and 4.6% as of March 20, 1945; in contrast to this only nominal relative gain, banks in the San Francisco district gained from 7.7% to 11.8% of the total while banks in the New York district accounted for only 30.8% of the over-all total at 3/20/45 against 39.3% at 6/30/39.

f. A more recent study of de-

posits made by the Kansas City Federal shows that the over-all gain for all deposits, which includes both War Loan and inter-bank balances, was 194% during the period from 6/30/39 to 6/30/45 for banks in this district against a nation-wide average of 158%; for Reserve Cities the gain was 174% against the national gain for Reserve Cities of 170%; for country banks the gain was 233% against 200%.

## Shifts in Deposits

12. The situation with respect to deposits, as I see it, is that for the immediate future we will have a loss occasioned by War Loan withdrawals and that at the same time and probably for a somewhat longer period a shift in deposits from certain localities and sections of the country to other areas.

a. There will be no wholesale over-all loss of deposits for the simple reason that these deposits can be lost to the banking system only by reversing the process by which they were created—that is, by retiring bank-held debt or by shifting bank-held debt to non-bank investors.

b. In the shift of deposits as distinguished from the deposit loss resulting from War Loan withdrawals, I think it reasonable to assume that those areas that experienced relatively greater gains from war-time activities will be the larger losers and that over-all there may be a tendency for deposits to shift from country banks to Reserve Cities and Central Reserve Cities.

13. At the outset of my remarks I referred to the evolutionary changes which have taken place in banking during recent years. One of the changes to which I had reference was the growth of deposits brought about by bank purchases of Government securities. As I see it, we can look forward with relative certainty to a level of deposits around present levels, exclusive of War Loan balances, and to continued heavy holdings of Government securities. While some banks may be able to increase loans and discounts and thus be less dependent on income from Government securities the outlook for the banking system as a whole is for continued heavy holdings of Government securities. As a practical matter the Treasury will have to look to the banks as more or less permanent holders of a large proportion of the Federal debt while the banks will have to hold the debt to keep their funds employed and earn some income.

a. Only gradually can the Treasury retire bank-held debt or shift such debt to non-bank investors.

b. Considering the present level of deposits it is almost impossible to conceive of a demand for loans and discounts sufficient to cause any appreciable liquidation of bank-held debt to meet loan demands.

c. In brief, the Treasury and the banks are dependent on each other.

## Debt Management and Interest Rates

14. This, then, brings up the matter of debt management and interest rates,—matters of very great importance to banking. In considering this problem, it is my thought that certain factors involved should be kept in mind constantly.

a. We have a debt of about \$27½ billion and at 2% the annual interest cost alone would be over \$5 billion; this alone is more than what we spent not so many years ago for all activities of Federal government.

b. From this standpoint the Treasury naturally is interested



in maintaining low interest rates.

c. In Peoria last September, Mr. Vinson stated that rates "should continue low for a long time to come," and at Indianapolis last November he stated that the burden of the debt "would be much greater if the level of interest rates were only slightly higher"; these views were reiterated in his recent report to Congress.

d. In commenting on the bank-held debt the President had this to say in his budget message: "Since they have been purchased out of newly created bank funds, continuance of the present low rates of interest is entirely appropriate. To do otherwise would merely increase bank profits at the expense of the taxpayer."

e. It seems to me therefore that the Treasury is committed to a cheap-money policy, a thought which is supported by public statements of responsible officials as well as by official action, as, for instance, the Treasury's opposition to elimination of the  $\frac{1}{2}$ % preferential discount rate.

f. On the other hand it is known that the Federal Reserve authorities are quite concerned over the continued decline in interest rates and monetization of the debt. In a January 29 Washington dispatch to the "Journal of Commerce" Mr. Eccles is quoted as follows: "The primary source of the inflation danger which overhangs the domestic economy on all fronts is the vast accumulation of currency and bank deposits at the disposal of the public as a result of the fact that far too much of the cost of the war was financed through the creation of commercial bank credit and not enough was financed out of taxes and the savings of the public."

g. The position of the Federal is, I think, that as long as the public debt continues to be monetized through purchase of Government securities by the banking system the supply of money will continue to increase, thus tending further to reduce the interest rate on savings and investment funds; that the resultant pressure of an increasing supply of money and of lower interest rates is bound to have a further inflationary effect on all capital assets and will increase the difficulty of holding down the cost of living; that the process of further monetizing the public debt through the banking system should be ended so that the rate of return on investment would reflect the supply of savings and investment funds in relation to demand instead of reflecting an increasing amount of bank credit; that the whole process needs to be stopped, not only by bringing about a balanced budget but also through measures to check further unnecessary expansion of commercial bank holdings of Government securities.

#### Committed to War Time Interest Pattern

15. As I see it the Federal is more or less committed to a rate structure no higher than the war-time pattern of  $\frac{3}{8}$ %,  $\frac{1}{2}$ %, 2% and  $2\frac{1}{2}$ %, but is very much opposed to monetization of the debt through bank purchases of additional Government securities; it is not necessarily committed to a rate structure as low as that now prevailing.

a. Through open market operations the Federal has the ability to maintain a rate structure no higher than the war-time pattern; "The Guaranty Survey" of last September estimated that reserves could be made available sufficient to ex-

pand deposits and investments by \$189 billion.

b. The problem is not to keep rates from going up but to keep rates from going down.

c. From a practical political standpoint the Federal could hardly allow short term rates to rise; in his January budget message the President speaking of the short-term bank-held debt, had this to say: "Since they have been purchased out of newly created bank funds, continuance of the present low rates of interest is entirely appropriate. To do otherwise would merely increase bank profits at the expense of the taxpayer."

d. If the Bill and Certificate rates are maintained at  $\frac{3}{8}$ % and  $\frac{1}{2}$ % the Federal is more or less powerless to control longer term rates; it must stand ready to buy Bills and Certificates to replace reserves but in a free market it can make no distinction between sales to replenish reserves and sales to buy longer maturities.

e. It is this inability to peg short term rates and prevent long term rates from going still lower that has given rise to such proposals as that reserve requirements be increased, that banks be required to hold a given percentage of deposits in short-term Governments, or that the certificate reserve plan be adopted.

#### Plans for Debt Management

16. The alleged objectives of the various less orthodox plans that have been put forth for managing the Federal debt may be summarized as follows:

a. To maintain a level of bond prices and interest rates that will make for low cost financing of the national debt.

b. To establish a condition in which effective credit controls could be applied by the Federal to cope with a condition of expanding credit without disturbing unduly the stability of the Government securities market.

c. To regulate earnings of commercial banks.

d. And in the case of the Leland proposals to establish a mechanism whereby the Federal Government could do large amounts of financing through the Federal Reserve System.

17. Time will not permit of a discussion of these various plans, all of which, incidentally, would require legislative action. Moreover, for the time being at least the Federal has regained control over the market and it is to be hoped that the problems arising out of our financing entirely too much of the war costs through bank credit can and will be solved along orthodox lines.

#### Fiscal Situation Improved

18. Within the past few months the whole fiscal situation has taken a decided turn for the better. To a very considerable extent the change has been fortuitous but none the less real.

a. In the first place the Victory Loan was over-sold, giving the Treasury a working balance away and above likely requirements.

b. In the second place, Treasury expenditures were over-estimated and receipts under-estimated; the deficit for the current fiscal year already has been cut from a January estimate of \$28.620 billion to about \$21¼ billion while the 1947 budget may prove to be in balance; on a cash basis the 1947 budget, assuming no unanticipated changes, should produce an excess of cash receipts over expenditures.

c. As a result of these two rather fortuitous circumstances the Treasury has embarked upon a policy of debt retirement and by the end of the 1947

fiscal year as much as \$18 billion of the publicly-held debt may be retired in contrast to the President's January estimate of \$7 billion.

d. It is assumed that most of the debt retired will be bank-held debt—Certificates and other short term securities,—so that, in effect, the Treasury will have sold long term bonds,  $2\frac{1}{4}$ s and  $2\frac{1}{2}$ s, to non-bank investors and retired bank-held debt, thus adopting one of the basic principles of debt management advocated by the more orthodox.

e. A balanced budget,—likewise considered an essential to the orthodox management of the debt,—seems near to realization.

f. Thus, for the time being at least, the Treasury has embarked upon a very orthodox program for handling the debt,—a program dictated by circumstances and not necessarily indicative of the eventual policy to be followed, but nevertheless a real program which should allow full time for a consideration of the various less orthodox proposals which have been made and, it is to be hoped, time within which to demonstrate that the problem of debt management can be solved along orthodox lines.

19. As a result of the changed fiscal outlook and the program of debt retirement adopted by the Treasury the Federal has regained a considerable degree of control over the market.

a. As previously stated the Federal is, in my opinion, committed to maintaining a rate structure no higher than the war-time pattern but it is not committed to a rate structure based on 1.25% for 2s of 1952-54 or 2.25% for long term  $2\frac{1}{2}$ s.

b. With the Treasury not needing any new money for some time to come the Federal could, and in my opinion did, adopt a somewhat tighter money policy and as a result the Certificate rate has been allowed to rise to about .79%-81%.

c. Heavy War Loan withdrawals have necessitated bank liquidation and with the Federal adopting a less aggressive buying attitude prices have declined and yields risen, not only on Certificates but throughout the list.

d. No longer does one hear that the Certificate rate will be lowered and with this threat removed from the market, as well as with Certificates obtainable at current yields, there is considerably less inducement to lengthen maturities.

e. How long this condition will continue is conjectural, but all indications are that the Treasury will not need to raise any new money for some time to come; in the meantime it can refund with Certificates at  $\frac{7}{8}$ % and for all practical purposes allow the rest of the market to seek its own level.

f. I do not mean to imply that the Treasury is likely to countenance materially higher rates; the Treasury is committed to a cheap money policy but has never defined cheap money; my thought is that the Treasury is not likely to countenance rates higher than  $\frac{7}{8}$ % for Certificates and  $2\frac{1}{2}$ % for long term bonds; its views may be toward even lower rates but very definitely no higher rates.

#### Conclusions

20. If my analysis of the problems involved in having financed the war as we did is correct, I think the following observations and conclusions may be in order:

a. By June of next year War Loan balances will be reduced to, say, \$3 billion; most of the reduction will be occasioned by debt retirement and to the ex-

tent bank-held debt is retired the deposits will be lost to the banking system.

b. Except for the loss of War Loan balances there is not likely to be an over-all loss of deposits; on the contrary, an increase in deposits exclusive of War Loan is a more reasonable expectancy.

c. Some rather substantial deposit shifts, producing net gains in some areas and losses in other areas, may be expected, but no wholesale losses.

d. Securities portfolios should be adjusted to meet probable War Loan withdrawals as well as deposit shifts; for this purpose I would, by all means, recommend Certificates.

e. A high level of deposits and a continued dependence on income from Government securities are reasonable expectancies.

f. Some increased demand for loans,—probably relatively more important in the case of country banks than in the case of Reserve City banks,—is likely; every effort should be made to increase loans and thus minimize dependency on income from investments.

g. To the extent income from loans can be increased less reliance need be placed on income from Government securities; in some cases it may be desirable to capitalize bond profits, but if such a policy is followed I think it should be predicated on a substitution of income from other sources rather than on the premise that repurchases can be made at lower levels.

h. I see no reason to disturb portfolios well distributed as to maturities; attempts at trading the market are likely to prove costly, especially if interest income is taken into consideration as well as so-called bond profits.

i. For the banking system as a whole and for the great majority of individual banks income from investments is likely to prove a major source of income for many years to come; portfolios should be maintained with this thought in mind.

j. For the immediate future the Treasury may be less interested in bond prices than after it has used up its working balance; prices may drift lower for the immediate future but it should be remembered that we are operating under an economy of managed money and that we are committed to a cheap money policy.

k. The recent decline in prices and improved yields should be looked upon as an encouraging development and not as something to be afraid of; the Federal is committed to a cheap money policy,—not necessarily as cheap as the rates prevailing only recently, but still cheap money. Until the program of debt retirement was adopted the Federal was more or less powerless to stop the run-up of prices, but now that it has regained some degree of control over the market it will be more likely to use its powers toward stability of rates than toward producing materially lower prices.

l. In final analysis, we still are faced with the problem of servicing a \$250-\$275 billion debt at low cost; the Federal is fully aware of this but is opposed to further monetization of the debt; any differences of opinion which may exist between the Treasury and the Federal are, in my opinion, based on the consequences of a policy of cheap money under our present system of banking and reserve requirements, and not in any differences over the necessity of maintaining low rates.

## Soft Ball League Formed By Wall Streeters

A soft ball league comprised of 12 teams representing brokerage houses, the Exchanges and other Wall Street organizations has been organized for 1946 under the sponsorship of the Wall Street Athletic Association, Anthony J. Shields, of Harris, Upham & Co., President of the association, announced. The league is a revival of one which was active prior to the war for five or six years as a soft ball league and before that time as a hard ball league.

Play in the new circuit begins at 5:30 this evening at Croke Field, 240th Street near Van Cortlandt Park, with games scheduled between the New York Curb Exchange and the New York Stock Exchange Association of Bond Brokers; Carlisle & Jacquelin and F. V. Foster; and Carl M. Loeb, Rhoades & Co. and Goldman, Sachs & Co. Other teams in the league include DeCoppet & Demus; Harris, Upham & Co.; Hirsch & Co.; Merrill Lynch, Pierce, F. & Beane; Orvis Bros.; and Securities Traders of New York.

The league is divided into two divisions of six teams, the "Shorts," who will play each Monday evening, and the "Longs," who will play Thursday evenings. Every team will meet each other team in its own division for the division pennant. At the close of the season, it is expected that the division leaders will play for the Wall Street championship and the Jules Bache trophy which has been awarded the winners in the Wall Street league for many years.

It is possible, according to officials of the Wall Street A. A., that post-season games may be scheduled for the winning team to meet the champions of similar leagues in other leading cities of the country, as was the practice prior to the war.

## Blyth & Co. Offers Union El. of Mo. Pfd.

An underwriting group headed by Blyth & Co., Inc. offered to the public on May 14 130,000 shares of Union Electric Co. of Missouri preferred stock \$3.50 series (no par) at \$107 per share. The public offering is subject to an exchange offer being made by the company to holders of its outstanding \$5 preferred stock permitting such holders to exchange for the new \$3.50 series preferred stock on a share for share basis plus \$3 per share in cash and a cash dividend adjustment of 16 cents per share. Exchanges will be solicited by a nationwide group of dealers. The exchange offer will expire on May 20, 1946. Central Hanover Bank & Trust Co., New York and Mercantile Commerce Bank & Trust Co., St. Louis, are the exchange agents, with either of whom all \$5 preferred stock to be exchanged must be deposited before the expiration date. Any \$5 preferred stock not deposited for exchange will be redeemed on or about June 24, 1946 at \$110 a share and accrued dividends.

Union Electric Co. of Missouri serves the City of St. Louis and adjacent area. Giving effect to the present refinancing, outstanding capitalization of the company and its subsidiaries will consist of \$103,000,000 funded debt, 383,632 shares of preferred stock and 2,695,000 shares of common stock all of which is owned by the North American Co. For the year 1945 Union Electric Company of Missouri and subsidiaries reported gross operating revenues of \$52,584,000.



# A Reunited Labor and Congress

(Continued from page 2652)

it may take years for us to coax it back.

Now let me make it clear that the American Federation of Labor is strongly opposed to permanent Government controls over the national economy. In normal times we would uncompromisingly resist any effort to impose Government price-fixing. But our post-war economy is not yet hitting on all six. In such an emergency, sudden removal of price ceilings would be the signal for widespread profiteering and only those to whom price is no object would be able to buy what they need. Every wage earner would suffer because the purchasing power of his dollar would shrink.

Every citizen shares the responsibility of preventing this catastrophe from coming to pass. We of labor, particularly, must mobilize public opinion against inflation, because the workers we represent would be the first to suffer.

Therefore, I urge you with all the emphasis at my command to write or wire to your Senators to reject the crippling House amendments to the OPA bill. Demand that the OPA be extended as is for another year—the last year it will be necessary. See to it that the members of your unions do likewise. This is urgent.

## The Case Bill

Another critical measure now in the hands of the Senate contains a direct threat to the very existence of a free trade union movement in America. This is the Case Bill, recently adopted by the House of Representatives. To my mind, the Case Bill is one of the most vicious anti-labor proposals ever considered by Congress. It would revive government by court injunction and apply the hated doctrine of conspiracy against labor unions. Despite the fact that experience has thoroughly discredited the technique of compulsory cooling-off periods to prevent strikes, this bill would impose them. It also invokes jail penalties for union members and officials without prescribing any punishment for employers.

In fact, this bill is so bad and so dangerous and so obviously unconstitutional that the Senate Education and Labor Committee flatly rejected it and substituted a milder plan of its own, designed to deal with labor disputes through a new mediation agency. Even the Senate bill is not without serious faults. It may be ridiculed with much more dangerous amendments when it comes up on the floor for a vote. Furthermore, no matter what kind of a bill the Senate adopts, there is always the threat that some of the obnoxious provisions of the Case Bill may be restored when the Conference Committees of both the Senate and House try to work out a compromise.

Labor must rally against this assault upon the fundamental freedoms of the nation's workers. Only by eternal vigilance have we thus far prevented the passage of general labor legislation. We need your help to crush this latest assault. Inform your Senators and Congressmen of your unalterable opposition to the Case Bill in any form. That is the most effective way to kill it.

## Progress of Housing Program

So that you won't get the impression that everything is going against labor in Congress, I want to tell you next about the successful progress of our long-range housing program. I am happy to report that the Senate passed our bill—the Wagner-Ellender-Taft Bill—by the overwhelming vote of 51 to 20 two weeks ago. This is a highly important measure. It holds the key to the revival of in-

dustrial activity and prosperity in America. It provides for a clear and common-sense housing program, designed to assure the construction of 15 million new homes in America during the next 10 years. In addition, it carries an amendment, which we sponsored, calling for the payment of prevailing wages on all construction financed by loans guaranteed by the Federal Housing Administration.

It is impossible to over-emphasize the significance of this legislation to labor. Just think of it! Jobs for two million construction workers—steady jobs at prevailing union rates of pay—for 10 years. Millions of additional jobs in industries manufacturing building materials and home furnishings. And an intelligent effort at last to provide good, substantial homes so badly needed by the American people.

Yet the Wagner-Ellender-Taft Bill faces a hard fight in the House of Representatives. We must not let this great opportunity slip. Let us concentrate our forces on this legislation and prevail upon our Representatives in Congress to concur in the Senate Bill. The higher the tide of mail and telegrams from you and the members of your unions, the more certain it will be that the House will approve the Senate Bill. I appeal for your assistance in bringing about this vital legislative achievement.

The long-range housing bill is one of the "must" measures drafted by the American Federation of Labor after V-J Day as part of our legislative program for the postwar reconstruction of our country. Our program was so sound and logical that it later was approved almost in its entirety by President Truman and formally recommended by him to Congress. Unfortunately, Congress has seen fit to reject most of this program.

## Full Employment Bill Weak

First, there was the Full Employment Bill. This represented the first serious attempt to prevent future depressions in our country. We feared that after the postwar boom had spent itself, a major depression might ensue unless steps were taken in advance to prevent it. That is a threat which still confronts us. But Congress balked at the bill. It refused even to concur in the principle that every American able and willing to work is entitled to the opportunity for a job. After much debate and long delay, a substitute bill was passed—a measure which is so weak, so ineffective and so denatured as to be practically worthless.

Then labor demanded and the President supported legislation to raise the standards of unemployment compensation so that war workers suddenly thrown out of jobs and returning servicemen could be aided over the reconversion period until new employment opportunities opened up. The Senate passed an unsatisfactory unemployment compensation bill but the House Ways and Means Committee buried the legislation entirely.

The third of the "must" measures urged by the American Federation of Labor called for lifting the minimum wage level of the nation from the starvation rate of 40 cents an hour to 75 cents. The Senate passed a measure establishing a 65-cent minimum wage but it tacked on a farm parity-price amendment which is bound to raise the price of food throughout the land. If the House concurs in this rider, the President may be forced to veto the bill.

Another important feature of our legislative program called for the broadening and improvement of the nation's Social Security and

the establishment of national health insurance. These are matters of vital interest to all the American people, directly affecting their health, their security and their general welfare. Yet, after long delays, Congress is first getting around to holding hearings on these measures and indications are that no action will be taken at this session.

Now obviously, this unsatisfactory and chaotic legislative situation cannot be permitted to continue indefinitely. Congress can and must be called to account. But before considering what steps can be taken in that direction, I think it is important that we analyze the reasons for the errors of omission and commission by Congress.

## The Congressional Coalition Against CIO

We hear of a "coalition" in Congress between those described in the press as "Southern Democrats and reactionary Republicans." That such a coalition exists—at least in the House of Representatives—is beyond question. But what is this coalition for and what is it against?

Here is the answer. The coalition is for anything the CIO is against and it is against anything the CIO is for.

Today many members of Congress will vote against anything the CIO favors and will vote to adopt legislation that the CIO opposes, regardless of the merits of the measures.

That is the tragic situation which organized labor faces as the result of the division in the ranks of labor and the unsound policies which the rebel movement espouses.

Congress is not in revolt against the President. It has declared legislative and political war against the CIO.

The reasons are not far to seek. First, the dual movement has been unable to hide the fact that many of its organizations are dominated by Communists and many of its policies follow the Communist Party line. Secondly, the CIO is engaging in a direct political war against many members of Congress on a purely partisan basis.

Now it must be remembered that the present Congress is largely made up of the same men and women who voted for the great body of enlightened labor and social justice legislation enacted in the past 12 years. Before the CIO even came into existence, we were able to secure the adoption of such great advances as the Norris-LaGuardia Act, the Wagner Labor Relations Act and the Social Security Act. Yet today, many of the Senators and Representatives who voted for these liberal measures are the most bitter enemies of similar legislative proposals.

Why this sudden change? The reason is clear and incontestable. Despite their good voting records, many of these members of Congress found themselves opposed in their political campaigns by the CIO for partisan political reasons.

Is it any wonder that legislators refuse to go along with an organization which seeks their political death? Is it at all surprising that a patriotic Congressman or Senator spurns appeals from an organization whose policies he believes originate in Moscow?

Of course, labor always has had enemies in Congress. But by patient work and through the existence of its non-partisan political policy, the American Federation of Labor had succeeded in reducing them to an ineffectual minority. Today, due to the wrecking policies of the CIO, the enemies of labor are in the driver's seat in Congress.

The American Federation of Labor is determined to combat

this situation and to save what it can from the wreckage.

## Calls for Reunited Labor Movement

I am confident that most of our legislative troubles would be solved overnight if we could achieve a reunited labor movement in this country. To this end we are dedicated, come what may. Definite progress is being made. Only a few months ago the United Mine Workers of America, which formed the original nucleus of the CIO, returned to our fold, following the footsteps of the International Ladies Garment Workers Union. They found an open door and a warm welcome. The same treatment will be accorded to other organizations which left us. As time goes on, they will learn to read the handwriting on the wall and realize that without unity labor is like a machine without a motor.

While a reunited labor movement is the certain, long-range solution to the legislative problems confronting us, there are other and more immediate steps which can and must be taken.

In the first place, State Federations of Labor, city central bodies and local unions should work together with our national organization in perfect teamwork on legislation. We must get quick action from you when we ask you to write to your Congressmen and Senators in support of or in opposition to legislation. After all, no voice is heeded more closely by members of Congress than the voice of the voters back home in their own districts.

Finally, I call upon you to co-operate closely and effectively with the American Federation of Labor in the application of our nonpartisan political policy in the coming primary and election campaigns. Our legislative committee in Washington is now carefully tabulating the record of every member of Congress. On the basis of this record, the American Federation of Labor will determine which members of Congress deserve support from labor and which ones should be defeated. Let me assure you that our endorsements this year will be made, as always, on a strictly nonpartisan basis. We do not give any blanket endorsement to the candidates of any particular party.

Our efforts to elect our friends and defeat our enemies can only be effective with your full and active cooperation.

Let us point out that the American Federation of Labor, with its seven million members and all their relatives and friends constitute probably the most powerful voting group in the nation. If we stand together on election day, we cannot be defeated. If we resist the siren calls of other organizations and the professional politicians who suddenly discover their friendship for labor in October and November, if we march in a body to the polls determined to back up the endorsements of the American Federation of Labor with our votes, victory is assured.

## Address at Asheville, N. C.

In a subsequent address at Asheville, N. C., before the American Federation of Labor Southern Labor Conference, broadcast over the NBC network, Mr. Green outlined the plan to organize workers in the South in the ranks of the A. F. of L. and attacked the "Communist" dual labor movement as follows:

Labor is making history here tonight—carving a new chapter in the chronicle of American progress. The American Federation of Labor is launching a crusade to organize the unorganized workers of the South.

Our purpose is to raise the standards of living of the millions of Southern workers and create a new era of lasting prosperity in

the land of Dixie. This drive will revive industrial activity in the South and benefit the farmers by providing wider markets and greater purchasing power. It will help promote the economic and social well-being of the entire nation. Make no mistake about it—this is an undertaking of Southern labor, by Southern labor and for Southern labor.

We come here, not as invaders from the North, but as old friends and associates, to offer encouragement and support to the aims and objectives of this Southern Labor Conference, the greatest gathering of trade union representatives ever assembled below the Mason-Dixon Line. You, the delegates to this conference, speak for 1,800,000 Southern workers who already have been organized into American Federation of Labor unions. I predict that before another year has passed your organizing campaign will have added another million new members to our ranks.

We start out with a strong nucleus. Our roots have taken firm hold in the South. Our unions have fought and won the initial battle for recognition. From now on, with careful planning, wise leadership and continuous effort, they are bound to expand and flourish. Despite the progress we have made, there is no gainsaying the fact that the South still lags behind the rest of the country in union organization. That is what we are determined to change.

For too many years, the South has suffered under the economic curse of cheap labor. Cheap labor means sub-standard labor, unorganized labor. Cheap labor lacks consumer purchasing power. Cheap labor results in economic stagnation and industrial paralysis. Any country where cheap labor exists is a backward country. China, India and Mexico are convincing examples. But where labor is well organized and union wages are paid, you will find a thriving country. Union wages create a higher standard of living and higher purchasing power. Trying to maintain industry and agriculture without high purchasing power is like attempting to operate an automobile without gasoline. It just can't be done.

Therefore, we are determined to raise wages in the South. The American standard of living must be the standard for the entire nation, not for certain favored geographical areas. We don't want high wages in the North and lower differentials in the South. The American standard of living is the only standard of living which the American Federation of Labor will accept in the South.

We insist that the South must not become a permanently blighted area, condemned forever to occupy a back seat in the nation's economic life. On the contrary, we regard the South as the land of opportunity. The war set in motion a tremendous industrial revival in the South. That trend must continue and expand. No section of the nation increased war production more rapidly than the South nor contributed more to victory. You showed what you could do then. This is no time to stop.

Our country—indeed, the entire world—is starved for the products of American factories and farms. It is our job to get busy and produce what is so urgently needed. You have what it takes—abundant resources, favorable climate and manpower blessed with the skill and vitality to accomplish miracles of production.

Here in the South stands a glorious and imperishable monument to the genius of American labor and American vision. I refer, of course, to the TVA. Every bit of that giant development, which is the world's greatest wonder of technical and human engineering, was con-



structed and is being operated by members of American Federation of Labor unions. They have made the TVA what it is—a model of efficiency and good labor relations. Not a single moment's time in TVA's vital war production program was lost due to disputes between labor and management.

The American Federation of Labor now offers private industry in the South the same opportunity for growth and prosperity through constructive labor-management cooperation. As our organization campaign progresses, our unions will seek to bargain collectively for workers who were never organized before, with employers who have stubbornly refused to deal with unions in the past.

I say to those employers here and now that the time has come for them to be realistic and show good business sense. They can no longer stem the tide of union organization. Whether they like it or not, the workers of the South are going to organize. Employer resistance will only redouble our efforts. Nothing can stop us, neither the opposition of reactionary management, nor the rivalry of the Communistic dual movement.

#### The Dual Movement

Let me say a few words now about this dual movement. With its usual flair for sensationalism, it announced recently that it intended to make the South a political battleground this year. That approach, however, didn't go over. It aroused more resentment than support. So now the dual movement has changed its tune. Now it proclaims its intention of starting a rival organizing campaign in the South.

The workers of the South will not be misled by this sudden and transparent reversal of policy any more than the American people were fooled by the abrupt changes in the Communist party line during the war. The CIO Communists condemned America for imperialism and picketed the White House during the Stalin-Hitler pact and then became super-patriots after Hitler invaded Russia. Now they have swung back again to the old charges of American imperialism because our country has had the courage to oppose Soviet Russia's aggressive foreign policy.

The weather vane of the dual movement swings to the right or to the left, whichever way the wind from Moscow blows. As far as their efforts in the South are concerned, I predict that though they may invade you today, they will be gone with the wind tomorrow!

For the workers of the South are patriotic Americans. They do not relish the idea of outsiders using them as political pawns. They cannot feel at home in an organization which seems incapable of cooperating with industry and spends most of its time in trying to destroy private industry. They have nothing in common with the foreign philosophies of the CIO.

We in the American Federation of Labor do not propose to achieve our objectives by political purges. We follow a strictly non-partisan political policy. We support the friends of labor in public office and we oppose labor's enemies. We have never bartered or surrendered the political independence of our members and we never will.

In the past decade, the American Federation of Labor has made great forward strides in organizing Southern workers. Our local unions, our State Federations of Labor and our city central bodies are firmly established in every industrial community and have earned the respect and the confidence of the workers and the public authorities.

We have not sent and we will not send outsiders into the South to tell you how to run your affairs. In accordance with our

principles of democracy and local autonomy, we have allowed and we are going to continue to let Southern workers run their own unions.

In the American Federation of Labor, even more than in our American Government, the principle of home rule, or State's rights if you will, prevails. The tendency in our nation to place ever-increasing power and authority in the central government in Washington has not been paralleled in the House of Labor. We don't operate that way. We think over-centralization is dangerous and may lead to dictatorship.

The American Federation of Labor rejects dictatorship in any form. We have complete faith in democracy and in democratic processes. Our Constitution lodges supreme power in our membership. Neither the American Federation of Labor nor its national officers can exercise any power or compulsion. Our policies are adopted and enforced solely through the consent of the governed. This is the American way.

## N.Y. Federal Reserve Sees Post-War Adjustments Unbalanced

(Continued from page 2645)

billion dollars, has been rapidly moving toward an even balance.

It is clear that there was a general underestimation of the force of the expansionary factors which the close of the war would let loose on the economy. The outstanding feature has been the continuous rise of consumption from month to month since the war ended. This is all the more remarkable in view of the fact that during the war consumption had been already at the highest level in our history. Perhaps an even more remarkable fact is that, so far as the data yet indicate,\* the rise of consumption, in the aggregate, has not been financed to any extent out of wartime savings but mostly out of current income. Apparently what is happening is that the public, while still retaining its huge backlog of savings, is spending much more freely out of newly received income than almost anyone anticipated, and in the process is generating new forces of expansion which are proving sufficient to offset very largely the great decline in military expenditures. Meanwhile, the replacement of persons temporarily employed during the war by returning veterans is proceeding more rapidly and smoothly than was anticipated.

These unexpectedly favorable developments in the initial phase of transition from war to peace have sharpened fears that we may repeat the experience after the last war. After a brief period of hesitation, a buying boom got under way in the spring of 1919. Wages and prices rose in a spiral. There was feverish inventory accumulation and forward buying, and export trade expansion, to meet the needs of a war-torn world, intensified the internal inflationary forces. In the spring of 1920, the boom collapsed, prices dropped 40% by July 1921, and unemployment rose to over 5 million. The American economy is much larger today than it was in 1919, and swings of the same relative magnitude in employment would run to considerably larger figures. We have, moreover, come through a much bigger war, particularly as regards the American effort, and the forces generated by it which can affect the post-war period are much more powerful.

\*It must be remembered that available figures of savings are net figures, and it is possible that there has been substantial use of wartime savings by some people while others have continued to save large amounts.

Let me give the workers of the South this solemn assurance—when you organize into unions affiliated with the American Federation of Labor, you will be promoting your own interests and you will run your own affairs.

Let me give Southern industry this warning—grow and cooperate with us or fight for your life against Communist forces.

Let me give the people of the South this pledge—the unions of the American Federation of Labor are not out to destroy you but to bring better and more prosperous times to the South. They seek your help and friendship.

When this conference adjourns, the organizers of our Southern unions, augmented by a large corps of assistants, will set out on their mission as good-will ambassadors of our great organized labor movement. Their task will be difficult, but they will never rest until all the workers of the South are able to clasp hands in the stirring symbol of unity and fraternity which is the proud emblem of the American Federation of Labor.

erful. There was little counterpart after the last war for the present huge accumulation of deferred demands. Comparatively, we took that war in our stride, with relatively little restraint upon the civilian economy. We produced, for example, a million passenger automobiles in 1918.

Undoubtedly, there are very strong expansionary forces at work today. One of the most striking facts is that the growth of consumption has been mainly in nondurable goods. Expenditures for such goods have been far higher in relation to disposable income than could have been expected on the basis of the relationships in the period 1929-40. Part of the explanation undoubtedly is that consumption had been at low levels during the depression years and supplies of many goods of this character, as well as of the durable goods, were limited during the war. The return of large numbers of servicemen to civilian life has also involved much special outlay, and with this has been coupled the sharp increase in Government transfer payments reflecting increased mustering-out pay to discharged servicemen and unemployment compensation. Undoubtedly, also, an important element has been the general sense of release from war and the resultant willingness to spend more freely.

Some of these influences are temporary and may already have reached or passed their peak. But against any leveling-off in this type of demand is to be put the fact that the expansion of durable goods, both consumers' and producers', has scarcely begun. It seems reasonably certain that the deferred demands for automobiles, housing, and other consumer durable goods, combined with replenishment of producers' inventories and demand for fixed capital goods, will carry civilian production, already at a new peacetime high, to substantially higher levels. To home demands will undoubtedly be added a substantial export demand, for the financing of which, in addition to Governmental aid and such private lending as may develop, there has been built up during the war a large volume of foreign gold and dollar balances.

All these factors lend force to the question whether we are now laying the groundwork for a fairly extended period of high output and employment or whether, as

after the last war, we are to have a sharp inflationary outburst followed by depression. Undoubtedly, there are strong inflationary pressures. The money supply has trebled since 1939, and business and the consuming public are more liquid than at any previous time in our history. Though production is rising, it will, under the best conditions, take some time to get a broad and well-balanced output, and until this is achieved there will be strong upward pressure upon prices. Another and related factor is the tendency toward a continuing decline of interest rates. The combination of low and declining interest rates, redundant money supply, and favorable business expectations has often in the past been a highly explosive inflationary force, pushing up prices in all markets, for both securities and commodities. To these forces are added, in the present case, the large and still untapped wartime savings and the huge backlog of deferred demands. Of special importance in such circumstances is the relation between wages and prices. As already stated, the inflationary outburst after the last war followed the familiar wage-price spiral, increases in each pushing the other higher. The dropping of wage controls after V-J Day and the early sanction given to wage increases which would not require price increases developed quickly into a general demand for higher wage rates to sustain the wartime level of take-home pay, and it soon became apparent that some offsetting price increases would be unavoidable.

In assessing our present situation, it may be helpful to list some of the main features of past inflationary periods. Historically, drastic inflation has usually been associated with budgetary deficits and with deficits in a country's international balance, leading to currency depreciation. With these, and largely as a consequence of them, has gone a distrust of the currency resulting in capital flight and a panicky desire to run away from money into commodities, real estate, and equity securities. These conditions are today fortunately absent in this country. The Federal deficit is rapidly diminishing, and there is a highly favorable prospect of a balanced budget for the fiscal year 1947. In the last bond drive, the Treasury overborrowed its requirements and with its present large balances is effecting some reduction of the debt. We should do everything possible to maintain revenue at its present high level and to reduce or postpone expenditures.

Internationally, there is no pressure on our balance of payments and no anxiety about the external stability of the dollar. There is, however, a danger of excessive exports at a time when supplies at home are still scarce. There is no fundamental distrust of our currency, such as characterized the great European inflations after the last war. But we do have a redundant money supply and a tendency toward continuing decline of interest rates, and these, when combined with other inflationary pressures, can have effects which, though much milder, are not dissimilar in character to distrust of the currency.

Probably the two most fundamental aspects of our situation today are the danger of a wage-price spiral, such as we had after the last war, and the related questions of the volume and cost of output. As has been stated, the drive for higher wage rates soon forced recognition that there would have to be some accompanying rise of prices. The problem is how to stabilize this relation. The modified wage-price policy announced by the President on February 14th recognized the need for reimposition of wage-rate control and established a procedure for wage-price adjustments

which may achieve a more stable relation, though in view of the fact that major strikes are still in progress it is too early to assess the results of the new policy. There have also been uncertainties and much division of opinion with regard to the operation of price controls. Extension of the Price Control Act seems an indispensable condition of a successful anti-inflationary policy in this immediate postwar period, when potential demand is so far in excess of available supply. But there has been a growing awareness that the control must be flexible and be based on recognition of the fact that price changes, in a period when we are trying to work back to a condition of free markets, have an indispensable role to play in bringing out a balanced output and directing and controlling demand.

Fundamentally, in a situation like the present, the antidote to inflation is a large and balanced output with rising productivity per worker. Viewed as a whole, there is evidence that output is expanding, but it takes time, under the best of conditions, after a great war to fill up the channels of trade with civilian goods and achieve a well-balanced output. To this objective Governmental and business policies must be mainly directed, and upon our success in achieving it will largely depend whether we shall lay the foundations in 1946 for a period of orderly prosperity or have an inflationary outburst terminating in depression. Perhaps equally important, especially for the longer run, is the emphasis on increasing productivity per worker. During the war, we achieved an enormous expansion of output, and by this means more than any other managed to ward off the danger of inflation. But we did it more through concentration of the war effort in the mass production industries than through any over-all increase in productivity. Indeed, there is considerable opinion that there was an actual loss in efficiency, and this is not surprising in view of the fact that war compels a country to get the largest output in the shortest time regardless of cost. But if history is any guide, the war should be followed by a resumption, and even an acceleration, of the sharp advance of productivity per worker which characterized the interwar period. Such an advance would provide the basis not only for reducing inflationary pressures through the rise of output, but also for establishing the relation of high incomes and low prices which is essential for continuing prosperity in the longer run.

### Funds Available for Pay't On Panama Bonds

The National City Bank of New York, as fiscal agent, is notifying holders of Republic of Panama 35-year 5% external secured sinking fund gold bonds, series A, due May 15, 1963, that funds have been received under the Fiscal Agency Contract of June 22, 1928, under which the above-entitled bonds were issued and are now available for distribution (a) as a final payment on account of the interest represented by the Nov. 15, 1941, coupon pertaining to the said bonds in the amount of \$3.62 for each \$25 coupon and \$1.81 for each \$12.50 coupon and (b) as a partial payment on account of the interest represented by the May 15, 1942, coupons pertaining to the said bonds in the amount of \$17.70 for each \$25 coupon and \$8.85 for each \$12.50 coupon.

The distribution will be made at the office of the fiscal agent, The National City Bank of New York, 22 William Street, upon surrender of the Nov. 15, 1941, coupons and upon presentation of the May 15, 1942, coupons, accompanied by properly executed letters of transmittal.



# Taxing For Better Living

(Continued from page 2641)

taxes shall we appoint to do the job? The answers we make to these questions will enormously influence the amount of purchasing power available to buy the goods our nation can produce.

If national income and employment are high, we may be able to raise the entire \$25 billion through taxes, and even reduce the debt. In these circumstances reduction of the debt has a healthy influence. If—I shall not say "when"—national income and employment are low, we shall hardly be able to raise all of the \$25 billion through taxes without further aggravating a deflationary situation. In these circumstances a budget deficit would almost certainly be needed to put idle men and money to work.

In choosing sources of revenue we must bear in mind that some taxes cut down private spending more than others. That is why our revenue structure and the size of the budget deficit or surplus are so closely related. If we select taxes which depress private expenditures least, any deficit needed to sustain an adequate level of total demand for goods in general will be relatively less. But when revenue requirements are high, the matter of selecting the least deflationary taxes is not as simple as it seems.

## Choice of Taxes

If we are to realize the immeasurable possibilities of the future in terms of employment and national income, it is essential that we maintain a high level of consumption and investment. But from the tax standpoint that requisite presents an awkward dilemma. Our national income is largely concentrated in the lower and middle income brackets. Generally speaking, the people in the lower income brackets have a high propensity to consume. If we deliberately set out to encourage consumption, we find that certain taxes, such as payroll, excise, and low-bracket income taxes are inimical to our objective. These taxes are soon reflected in smaller expenditures for consumption. The obvious way to stimulate consumption is to reduce this tax pressure.

But if we have a fixed revenue goal, we are driven over to middle and high-bracket income taxes, estate and gift taxes, and corporation taxes to make up the difference. These taxes fall principally on the people in the higher brackets, who have a strong tendency to save. By their saving, if it is not excessive, plus their willingness to invest—especially in risk ventures—the higher income groups provide funds for the expansion of the economy. To the extent that these taxes are not shifted to those who pay low-bracket income taxes and excise taxes, they do not significantly affect consumption. This is to the good. But middle and high-bracket income taxes and corporation taxes may, under some circumstances, deter investment. This is to the bad.

So we are faced with a conflict of objectives. Taxes cannot readily be designed to encourage both consumption and investment. The rub, of course, is that we need revenue and that we must obtain it from either the spending or the saving class. But when we tax people who spend, we reduce purchasing power. And when we tax people who save, we diminish both available investment funds and the incentive to invest. In the one case we curtail markets; in the other we deter expansion. Somehow, in this area of conflicting pressures we must make a choice which will favor one or the other of our objectives. That choice will call for the most delicate judgment. It will mean that

we must decide what part of our desires we can discard as least essential, and what combination of taxes will carry us nearest to our goals.

## Incidence of the Corporation Tax

In choosing between taxes which discourage consumption and taxes which deter investment the corporation tax presents a special problem. We do not know where the burden of this tax ultimately falls. Some people contend that the tax is shifted, that although it is paid by the corporation, all, or some of it, is passed on to consumers and wage-earners. To the extent that it is shifted to consumers in the form of higher prices, it becomes, in fact, a concealed sales tax and cuts capacity and incentive to spend. To the extent that it is shifted to wage-earners in the form of lower wages, it also has a tendency to reduce consumer expenditures. These two effects work hand in hand. To the extent that the corporation tax is paid by the owners of capital, it represents an additional personal income tax.

It is reasonably certain that shifting the corporation tax to consumers and wage-earners would have extremely unfortunate economic effects, if complete shifting were accomplished. A high national income and full employment depend upon high consumption, and any tax which bears unduly upon consumption places prosperity farther from our reach. What is more easily forgotten is that reduced consumption, as well as the corporation tax, will ultimately impair the desire to invest. For in the long run investment depends upon a market for goods produced, and taxes which reduce consumption are bound to contract that market. If businessmen cannot sell, they will not need the enlarged plant and additional equipment into which it is hoped corporations and investors will pour their surplus funds.

## Deterrants to Investment

If we set out to minimize tax deterrants to investment we are confronted with another difficult problem. Obviously nothing is gained in terms of total demand for the products of industry if tax pressures on consumption are lifted by, perhaps, \$500, while investment expenditures are cut down by the same amount. There are two facets to this problem. Taxation may reduce profits available for investment and thereby deter investors from purchasing stocks, or it may reduce the savings available for investment. In terms of total tax burden on investment funds the combined rates under the personal and corporation income taxes are an important consideration. But regardless of the rates there remains the question: What combination of the two tax pressures will be least detrimental to investment?

Where investment decisions are made by corporation executives, guided, perhaps subconsciously, by their interest in corporate profits and without full regard for the woes of their stockholders, the corporation tax will undoubtedly deter investment more than the personal income tax. Where decisions are made by the individual investor, theoretically it may make no difference whether the corporation pays the tax before dividends are distributed, or the investor pays the tax later on, if in either case dividend income bears the same total tax burden. But, practically, other motivations are involved. The individual investor's choice between corporate and personal taxes may very well be governed by his conception of the incidence of the corporation tax, by the extent of taxation of undistributed profits, and by the

alternative necessary to replace a lower corporation tax. If that alternative is a highly progressive individual income tax, he may prefer a tax at the corporate level. In the end his answer will depend upon the specific tax proposals which he compares.

## "Double Taxation"

No one will gainsay that our present tax system is far from perfect. One of the loudest complaints is lodged against so-called "double taxation," whereby corporate income is taxed once at the business level, and again at the individual level. In so far as corporate profits are distributed to stockholders it is true that an element of "double taxation" exists. The extent to which "double taxation" is real, rather than ephemeral, largely depends upon the extent to which the tax is shifted. If the final burden of the corporation tax falls on wage-earners and consumers, there is no "double taxation" because one of the two taxes imposed upon dividend income—the tax supposed to be paid by the corporation—is actually passed on to others. In this situation the corporation tax might be guilty on a charge of reducing consumption by raising prices and depressing wages, but it would be exonerated from the charges of inequity and discrimination against dividend recipients.

"Double taxation" is an elusive concept which calls for careful scrutiny. The premise of the criticism implied in the term is that corporation and stockholder are one economic entity. But taxpayers are quick enough to insist upon the separateness of corporation and stockholder when that doctrine permits tax avoidance, or is otherwise advantageous to them. Corporation and stockholder are one when separateness hurts; they are two when separateness pays.

From the legal and constitutional angle, the taxation of corporations as separate entities is completely justified. As a matter of legal history, "double taxation" is no novelty in the United States; and "double taxation," if it is all alike, can be perfectly equitable. It is not a crime *per se*. As Mr. Justice Holmes has said: "The Constitution no more forbids double taxation than it does doubling the amount of tax."

A corporation has many characteristics that distinguish it from the individuals for whom it is supposed to act. It gives limited liability to stockholders; they are not responsible for its debts as are the partners of a partnership. It has perpetual life and operative continuity as compared with the limited life span of an individual or a partnership. Its entity permits easy transfer of ownership and management. It has access to nation-wide, sometimes world-wide, sources of financing which are not available to other forms of enterprise. Its structure permits intercorporate affiliation with or without integration of management. Finally, individual stockholders may have little practical control over either the day-to-day operations or the major policies, including the dividend policies, of many corporations. They have inchoate ownership of the corporate assets and earnings, but that is quite different from the direct type of ownership enjoyed by partners. These special characteristics of corporations are integral parts of modern big business operation.

## Loss Offset

The cliché argument that the corporation tax "destroys incentive" and "kills the desire to take risks" also stands in need of candid reexamination. Certain critics charge that new investment in plant and equipment will not

be made unless the prospective return is sufficient to offset the fear of loss of principal invested and to indicate a minimum return on the principal. It seems almost axiomatic that businessmen would be more inclined to go into perilous ventures if they could keep more when they won. But some businessmen might reduce their risk-taking if they could make a satisfactory profit without risk. Others would not be satisfied with any particular amount of profit and would go on being venturesome. The temperament of each businessman would determine his reaction. Higher rates of profit would embolden some, but not others.

There is another chapter to this story—the fact that through taxes the Government shares in business losses, both corporate and individual. There would be discrimination against risky investments, if we had no provisions for offsetting losses. While the Treasury always shares in gains, it does not share completely in losses, since the provisions for loss offset are limited. If they were complete, and part of the investor's loss were always absorbed in a reduced tax bill, the investor's risk would be commensurately reduced and risk-taking would not become less attractive. However, the reduction in income because of the tax might induce the investor to take more risks.

The principal present limitation on loss offset lies in the provision that losses may be offset only against income of the two years preceding or succeeding the loss. In appraising loss offsets we must take into account the fact that small corporations experience greater fluctuations in income than large corporations. Large corporations are more certain to have a steady flow of income over the years, and are therefore in a better position to absorb their losses by applying them against the income of other years.

A generous allowance for the offset of losses reduces this discrimination between large and small corporations. The question then is: What kind of loss offsets are most beneficial to the economy? The carry-backs, which permit losses to be applied against the income of the two years preceding the year in which the loss occurs, help to keep dying firms alive and give a greater certainty of loss offset to old corporations with past net income than to new corporations with no past net income. Inequities of this type increase economic concentration and tend to lower the volume of new investment. If we want to increase the volume of new investment, we must give every possible impetus to new firms. A large part of the answer to the problem of increased risk-taking may, therefore, be in an improved method of loss offset. Here improvement lies in eliminating the carry-backs and substituting a longer carry-forward.

An improved method of loss offset cannot alone solve the problem of diminished incentive. Even an unlimited carry-over provision would not insure full loss offsets for corporations which never realized income equal to their unsuccessful investments. Moreover, there should be restraints upon the encouragement given by tax law to concerns which have proved by extended experience that they cannot operate successfully. In any event, we need not rush desperately to the conclusion that the corporation tax should be abolished because it limits investment to some unascertainable degree. We do not abolish taxes solely because they impose the measure of regulation and economic impediment involved in all taxes. We should rather attempt to eliminate defects and reduce economic impediments to a minimum. By this approach we may gain the benefit

of taxes without avoidable harmful effects.

## Is the Corporation Tax Regressive?

The corporation tax is also criticized on the ground that it is regressive and violates the principle of ability to pay. This criticism is directed to the impact of the tax upon common stockholders and is made regardless of whether the tax is shifted to consumers and wage-earners. If the tax is shifted, it is clearly regressive. If it is not shifted, analysis is more difficult.

It is true that the corporation tax takes no account of the differences in income of stockholders. In the sense of its original impact it falls as heavily on widows and orphans as on multimillionaires. But in effect stockholders "deduct" the corporation tax in computing their individual income taxes, since the tax paid by the corporation reduces profits available for distribution and is not included in the individual income tax base. In evaluating the final effect of the corporation tax we must remember that many stockholders are subject to the progressive individual income tax, while some stockholders are protected from this tax by personal exemptions. From this viewpoint the small stockholder who pays no individual income tax bears the greater burden of the corporation tax, since the "deduction" of the corporation tax saves none of his taxes. On the other hand, the high-bracket stockholder suffers very little reduction in net dividend income because in any event his personal taxes would have taken most of his dividend distribution.

But the issue is not as clear-cut as this analysis makes it appear. The wide distribution of stockholdings does not prove that the tax is unfair to low-income groups. There is a vast difference between the distribution of stockholdings and the importance of dividends in relation to total income in different income classes. Dividends constitute a much larger proportion of high incomes than of low. In 1942, for example, dividends amounted to less than 2½% of income of individuals with incomes of \$4,000 or less, and nearly 54% of income of individuals with incomes of \$200,000 and over. While the corporation tax, taken by itself, tends to be regressive because its burden is lower per dollar of dividend income, the higher the dividend recipient's income bracket, this regressive tendency is offset because the percent of income upon which the tax is imposed increases as income increases. A tax which reduces dividends which represent such a large percent of income of high-bracket taxpayers cannot be said to have a wholly regressive effect.

Looked at in another way, the net burden of the corporation tax on profits distributed as dividends could be replaced by increases in the individual income tax. It could be replaced not in the sense that the increases would fall upon exactly the same individuals, but rather in the sense that the same net amount of taxes could be levied upon each taxable income class. With a set of individual rates somewhat lower than present rates and roughly the present dividend distribution by income classes, the replacement would require additional surtaxes ranging from about 2% on incomes of less than \$2,000 to about 7% on incomes over \$8,000. This indicates that even though the corporation tax takes more per dollar of dividend income in the low-income brackets than in the high, the slight importance of dividend income to low-income individuals as compared with its major importance to high-income individ-



als is a factor that makes for a broadly progressive tax.

### Should the Corporation Tax Be Repealed?

Almost everyone agrees that the present tax treatment of corporate income is unsatisfactory. Theoretically, there is no good reason for taxing income at the business level, if it may be taxed as equitably after it is received by the individual owners of the business. But there are two practical reasons why outright repeal of the corporation tax in favor of increased reliance upon the individual income tax is not feasible. First, all corporation profits cannot be taxed when received as personal income by the shareholder, since a substantial part of corporation income remains, at least temporarily, with the corporation and is not paid out in dividends. If we abolished the corporation tax and made no provision for taxing undistributed corporate profits, corporations would be able to accumulate tax-free profits indefinitely. Stockholders could realize cash by occasional sales of stock, and gains on these sales would be given preferential capital gains treatment. The stock not sold during life could be passed on to heirs without the payment of any income tax. The estate tax would eventually reduce the amount of untaxed profits, but there would be left a substantial amount of transmitted wealth upon which taxes had been completely avoided. Furthermore, if the corporation tax were eliminated and no provision were made for taxing accumulated corporate profits, unincorporated business would be almost helpless in the face of the discrimination in favor of incorporated business. Stockholders as individuals would be completely favored over individuals who owned no stock. Persons owning stock at the time the tax was repealed would have enormous windfall gains.

The second reason for retaining the corporation tax in some form in our revenue system is that it would hardly be politically expedient to meet practically all of our revenue requirements from the individual income tax. From the standpoint of our economic goals of high employment and high national income, a corporation tax is distinctly preferable to increased reliance upon excise taxes. The tax escaped by corporations on their savings would have to be recovered from somewhere; without doubt, a large share of the burden would fall more heavily on consumption.

### Methods of Integrating Individual and Corporation Tax

How to diminish or eliminate "double taxation" on dividend income without involving ourselves in the worse alternative of permitting indiscriminate accumulation of corporate profits is a question to which tax scholars have given much of their thought and not a little of their emotion of late. So far a simple and easy solution has eluded them. However, three basic methods have been proposed.

The first method would not tax the corporation but would tax corporate profits as if the stockholders were partners, and perhaps even allow stockholders to treat corporate losses as their own. Corporation income would be taxed directly to the stockholders according to their holdings of stock, whether the income was distributed in dividends or not. Income from corporate activity would thus be taxed only once. Corporate managers would not have to worry about the corporation tax. There would be no corporation tax, and the desire to invest would be uninhibited. Of course, there is some doubt as to the constitutionality of taxing stockholders on income they have not received. There are also a number of technical and admin-

istrative difficulties involved in applying this method to large corporations with many stockholders. The plan would work best with closely-held corporations with simple capital structures. To the extent of its practicability, partnership treatment could be made either optional or mandatory.

The essence of the second method of coordinating individual and corporation taxes is to impose an income tax upon the corporation, but to grant a full or partial deduction to the corporation for dividends paid out. In net effect, this plan would impose a corporation tax only upon undistributed profits. One flaw in the method issues from the fact that many small and medium-sized corporations, without ready access to capital markets, must retain earnings in order to expand. A corporation tax which offered an inducement to distribute earnings might play into the hands of large, developed corporations in a position to distribute all or most of their profits to shareholders. Some modification which recognized the problems of financing small and medium-sized business would certainly be necessary.

The third method of coordinating individual and corporation taxes would make an adjustment for the corporation tax on distributed profits at the individual rather than the corporate level. This could be done in two ways: First, by imposing a tax on all corporate profits and treating it as a withholding tax when dividends were distributed; or, second, by crediting the corporation tax on distributed earnings against the personal income tax of the dividend recipient.

Under the withholding plan taxes paid by corporations could be deducted by dividend recipients in computing their income tax. The theory is that the corporation tax is a withholding tax on behalf of stockholders, and must be credited against the stockholders' dividend income to avoid "double taxation." This is the approach taken by British law. This method, the partnership method, and the dividend credit at the corporate level would give the greatest relief to taxpayers in the lowest brackets. All three would encourage individuals to invest in stocks, since they might expect a larger return on their investment after taxes.

On the other hand, nothing could be better calculated to encourage investment at the greatest cost in equity than the plan of allowing a credit or exemption to the individual stockholder against dividends received. It is heavily weighted in favor of high-income stockholders; low-income stockholders would come out at the short end of the economic stick. It gives too much relief to stockholders in high individual income brackets and too little relief to stockholders with incomes below the personal exemption level. The stockholder with no individual tax to pay receives no benefit at all; he is taxed just as heavily as the stockholder subject to the individual income tax at the normal rate. But the stockholder in the high surtax brackets might pay less combined corporation and individual tax on distributed corporate income than if he received the income from unincorporated business, or than he would pay in individual income tax alone, if there were no corporation tax at all.

### Recommendations

It is pleasant to think aloud when problems are so complicated and solutions are so difficult. But thinking without at least tentative decision is abortive. Therefore, with some misgiving, I am going to offer a few suggestions about the place the corporation tax should hold in our future Federal tax system.

Whether or not corporations are

separate economic entities seems to me finally to resolve itself into a question of degree about which reasonable men may honestly differ. It is a question which cannot be answered categorically for all corporations. Economically speaking, many small, closely-held corporations are nothing more than partnerships; and many large corporations with widespread ownership are much more than partnerships. In between are many hybrid corporations which are something more than partnerships and something less than economic entities distinct from their stockholders. The solution of the problem begins with drawing a workable line between corporations which derive sufficient advantage from economic separateness to justify tax and those which do not. Any line we draw may be arbitrary, but the resulting classification will at least be better than our present confusion.

Where should the line be drawn? I can do no more than state a guiding principle—a selection between corporations which are economically, not merely legally, separate from their stockholders and those which are not. There are several possible tests for this selection. Do the stockholders have a real voice in the formulation of important corporate policies, such as wage, price and dividend policies? Does the fact of incorporation bestow substantial economic advantage, such as accessibility to national, and perhaps world, capital markets? Are corporate characteristics—such as limited liability of stockholders, easy transfer of ownership and perpetual life—essential to the very manner of doing business? These attributes suggest the economic separateness of the corporation and justification for a corporation tax. If they are missing to a marked degree, the imposition of a corporation tax is much more questionable.

I believe that a substantial tax should be imposed upon corporations which may be classified as economic entities distinct from their stockholders. A corporation tax is justified by the economic advantages these corporations enjoy and by revenue considerations which dictate that no potential source of revenue should be left untapped. I cannot believe that it would stifle incentive to risk investment, or that it would unduly hamper management in its price, wage and other policies, particularly if a differential is made for distributed income, and adequate provision is made for offsetting losses and, perhaps, for accelerated depreciation.

Of course, the tax would be a stiffer brake on risk-taking than no tax at all. If to some extent enterprise is cramped, the result is unavoidable. Revenues must come from somewhere and the same burden placed directly upon individuals through the individual income tax, or indirectly by excises, might well produce even more disastrous results. If a larger share of the tax burden fell more heavily on consumption, consumption would necessarily decline and the market for manufactured products would correspondingly shrink. In the end we would be almost impossibly handicapped in achieving our goals of high production, employment, and national income. Enlightened self-interest dictates that we choose our sources of revenue on the basis of minimum harm to the economy as a whole.

I would eliminate the corporation tax—or charge only a nominal franchise tax—for corporations which in a predominate sense may not be classified as economic entities distinct from their stockholders. In general, these would be small corporations with a limited number of stockholders. The corporation tax could be eliminated by granting these corporations and their stockholders the option of reporting as partner-

ships. This method of reporting could be made mandatory rather than optional, but in the absence of a stiff undistributed profits tax it would be harsh medicine for some small and new enterprises with prosperous stockholders. Corporations of this type might be put at a disadvantage as compared with larger corporations to which the partnership technique could not be applied. On the other hand the optional method presents many technical difficulties which are a long way from being solved.

The partnership method of reporting corporate income would give complete relief from "double taxation" and wipe out the discrimination in favor of interest income. Where it was not applied—to large corporations with separate economic entities—I believe relief should be given by making a substantial differentiation in favor of corporate profits which are distributed as dividends. A differential in favor of distributed corporate earnings would partially offset the existing premium on the use of borrowed, rather than equity, capital.

It is not easy to decide what form this differential should take. It is much easier to state the form it should not take. I have no sympathy for techniques which concentrate relief in the high brackets. The plan of allowing dividend credit at the corporate level poses many difficulties; the withholding tax approach raises many more. But both methods could be made fair to low-bracket stockholders. From the economic standpoint these two methods would mitigate our over-saving problem, while the method of granting a dividend credit at the individual level would, in addition to its other faults, intensify that problem.

To give maximum encouragement to risk capital, it may not be enough to provide a tax differential in favor of distributed corporate earnings. Although a differential would promote distribution and a substantial corporation tax on undistributed earnings would minimize the use of corporations as instruments to avoid taxes, inside financing might remain difficult. Getting corporation earnings distributed is not a complete solution to this complicated problem. In many cases it is much better for the corporation—and the economy—to retain earnings for use in the expansion of the corporate business and in new ventures.

One basic remedy for this condition is appealing, however forbidding the administrative obstacles may be. If we could allow some deduction for purposes of the tax on undistributed earnings—or the entire corporation tax, if the differential in favor of distributed earnings takes the form of a credit to stockholders—for investment in new capital additions, new investment would be encouraged. If we resorted to this heroic remedy, no deduction should be allowed for the purchase of an old plant but only for the construction of a new plant. We might also consider the Swedish plan of reducing taxes for enterprises that undertake construction during periods of business recession. These expedients come so close to being subsidies that I believe they should be adopted only if it is absolutely necessary to stimulate the expansion and increased production that are indispensable to a high level of income and employment.

Part of the problem of undistributed corporate earnings stems from the fact that, from the stockholders' viewpoint, these savings constitute untaxed capital gains. Other things being equal, the value of stock rises as undistributed corporate profits accumulate. If a stockholder sells his stock, the undistributed profits will be at least indirectly subject to capital gains taxation. But if the

stockholder does not sell his stock, a potential capital gain escapes taxation. Although in many instances this gain will ultimately be subjected to estate tax, our tax structure should contain a provision to stop this serious income tax leak. I believe the most feasible technique would be a tax upon the gain—with perhaps a corresponding treatment of any loss—at the time of any gift of the stock even to a charity and at the time of death. A provision of this kind would capture the tax in the end, although somewhat tardily if no gift were made.

### Conclusion

No single proposition makes either sense or nonsense, except when considered as part of the problem as a whole. Our tax problems are only one part of a vast economic problem our country faces today. Our attitude, as we attempt to deal with these problems, is of overriding importance. We should not be so blind that we cannot see that solutions inspired by special interests will not take us forward. Nor will undue emphasis upon the immediate desires of a particular community, or group in society, or industry, or unit of industry, give us the kind of tax system we imperatively need. No one segment of society is entitled to ride roughshod over others. The end products should be fair to all interests and all groups. Yet too often when a proposal promises to work to the present advantage of a particular group, human frailty asserts itself. It is perhaps the most chilling commentary on our times that immediate self-interest, dressed up in sonorous sophistry, too often cancels out more remote general values, even though the self-interest may be misguided when all factors are taken into account. I am not so unrealistic as to ask for an unselfish attitude which will nobly surrender undeniable advantages. You are practical businessmen, not starry-eyed idealists. But I do ask for a far-sighted attitude that intelligently appraises advantages and disadvantages. I do ask for the imagination to balance long-run against short-run effects. On this level the real value is a sound fiscal system under which industry may thrive for years to come.

Opportunity is knocking, even pounding, at our door. Today we have the magnificent opportunity to achieve a level of employment and living standards higher than any we have ever known in peacetime. A sound tax system, constituted as a part of an integrated social and economic program, will help us toward patterns of existence far better than any we have yet attained.

## Texas National Corp. Formed in San Antonio

SAN ANTONIO, TEX.—Texas National Corp. has been formed with offices in the Transit Tower to engage in the securities business. Officers are Gus Nelson, President; Attila N. Striegler, Vice-President; and Edward Herman Keller, Secretary-Treasurer. Mr. Nelson was formerly an officer of Pitman & Co. with which Mr. Striegler and Mr. Keller were also associated.

## Ray Morreale Opens Office

Ray X. Morreale will engage in the investment business from offices at 685 East 183rd Street, New York City. He was formerly manager of one of the up-town New York City branches of Francis I. du Pont & Co. and Granbery & Co.



# Federal Deposit Insurance and Recent Banking Developments

(Continued from page 2646)

much to nullify any other steps taken to facilitate our economic rehabilitation.

Federal deposit insurance has now been in operation for a little over 12 years. During this period the public has been freed from concern about the loss of their deposits in banks. In this respect, the past 12 years have been unique in the history of the country. Anxiety over potential or actual failures was present in greater or lesser degree continually from the beginning of this nation until 1933. For example, in the period 1892 to 1920 there was not a year in which the country experienced less than 30 bank suspensions, and the typical number was about 100. However, thanks to alert and capable bank management during recent years, plus deposit insurance, we find ourselves today, May 2, 1946, at the threshold of the third consecutive year without an involuntary bank liquidation.

The function of deposit insurance is two-fold. On the one hand, it protects the depositors and, on the other it protects the banks from disastrous runs which might force them to close. In addition, businessmen have been assured that their working capital will not be frozen by bank suspensions. Consequently, the entire economic life of our country has benefited. It now is free from the sudden crippling effects of bank suspensions which from time to time in more or less regular cycles formerly struck communities throughout the nation.

There are two ways in which the corporation provides protection for depositors. First, their claims and balances in insured banks are paid immediately when a bank is placed in receivership. Further, the law was amended in 1935 so as to permit financial aid by the corporation to facilitate a merger of a weak bank with another insured institution, rather than pay off the insured deposits through an involuntary liquidation. In such a consolidation, acceptable assets of the merging bank are transferred to the absorbing bank while the corporation makes available enough cash so that the value of the quality assets and cash equals the amount of the liabilities which the absorbing bank assumes. In extending financial aid in this manner, the corporation may either make a loan secured by assets of one or both of the banks or it may purchase the substandard assets from them. The use of this optional provision of law protects all the deposits in the weak bank, thus eliminating fear and uncertainty on the part of the depositors both large and small. It also permits continuity of banking services without disruption to the business life of the community involved.

Furthermore, the corporation is not restricted in liquidating the assets it has acquired in the process of facilitating a merger as is the receiver of a closed bank. Such assets may be held until their sale will not upset or in any way threaten the economic stability of the community, after which they can be liquidated gradually, but profitably from the standpoint of the deposit insurance fund. Consequently, the procedure of making advances to facilitate a merger provides in many ways a more flexible and advantageous method of liquidating the affairs of an insolvent bank than does placing it in a receivership.

It is indeed a tribute to FDIC and to the common sense of the public that, though depositors have been aware of occasional banking difficulties and bank fail-

ures since 1933, the quiet yet effective operations of the corporation to protect depositors have allayed all fears, have caused no runs on banks, and have, in fact, made an FDIC pay-off or merger generally an occasion for thanksgiving.

During the last 12 years the corporation has disbursed \$300 million to protect depositors in 398 insured banks which closed or were merged because of their insolvent condition. Payments to insure depositors in the 245 banks placed in receivership have amounted to \$87 million. Total disbursements in connection with the merger of 153 banks have amounted to \$213 million. These disbursements have afforded protection to all of the \$390 million of deposits in the banks which were merged and to most of the \$110 million of deposits in the insured banks which went into receivership.

Recoveries on the above mentioned disbursements already have been substantial. Thus the final net loss will be infinitesimal compared with the service rendered in keeping our banking system on an even keel.

From June 30, 1935, to Dec. 31, 1945, the corporation has levied an annual assessment as required by statute of 1/12 of 1% on the average total deposits of insured banks. Income from this source together with income from the investment of its capital funds permitted the corporation to accumulate by Dec. 31, 1945, an earned surplus of \$640 million which in addition to the original capital of \$289 million, makes a total of capital and surplus of \$929 million.

Despite this substantial earned surplus, the total capital funds of the corporation have not grown as rapidly as have the deposits of insured banks. Total deposits in insured banks amounted to \$40 billion at the end of 1934 as compared with approximately \$157 billion at the end of 1945, an increase of almost 300%. Total capital and surplus of the corporation during the same period increased from \$292 million to \$929 million, or 218%. As a result, the ratio of capital and surplus of the corporation to deposits of insured banks has declined. On Dec. 31, 1945, this ratio was .59% as compared with a high point of .83% on Dec. 31, 1938.

Out of a total of 14,725 operating commercial and mutual savings banks in the United States and its possessions, 13,495 or 92% were insured on Dec. 31, 1945. These insured institutions held a total of 95% of all bank deposits in the country. During 1945, 122 banks were granted insurance, of which 19 were in operation before Jan. 1, 1945 and 103 began operations after that date. There were 87 insured banks which ceased operations during the year, either through voluntary liquidation or merger. Please note again that there were no failures in 1945.

## Importance of Bank Examinations

The FDIC recognizes the importance of bank examinations for the purpose of preventing a few careless bankers from subjecting their depositors and the corporation to inordinate risks. Consequently, in the interest of protecting safe, sound and conservative bankers and the banking system generally, as represented by the fund, the corporation carefully reviews all examination reports of insured institutions which are made by the Comptroller of the Currency representing national banks and by the respective Federal Reserve examiners for state member banks of the Federal Re-

serve System. The corporation makes examinations of all other insured state banks. These examinations are usually made jointly or alternately with state examinations and in the closest cooperation with the state bank supervisors.

In Illinois the FDIC makes regular examinations of 349 banks and reviews the reports covering the examination of 491 banks made by the Comptroller of the Currency and the Federal Reserve. Incidentally, in examining the insured state chartered banks in Illinois we have always received the wholehearted support and splendid cooperation of the Hon. Arthur Luëder and his fine associates. These gentlemen are, in every sense of the word, rendering real service to the people of this great state. I know that they are held in high esteem by all members of your splendid association.

The present period is not one of bank failures. The FDIC, nevertheless, is a factor of major importance in the economic structure of our country in that it insures at all times the stability of our banking system. We hope that the time will never come when the FDIC will have to engage in making widespread disbursements to a great number of depositors. If such an occasion ever arises these payments may be taken to be an indication that management has failed in its attempt to maintain stable employment and business activity at a high level. However, it is our duty to be realistic and to recognize the possibility that if we do not meet public problems in a manner adjusted to changing conditions, days of business depression and bank failures may again be with us. It is to the interest of the FDIC and the bankers whom it represents to cooperate in securing the adoption of policies which will make it unnecessary for the corporation ever to be faced with a banking catastrophe such as that of the early 1930's.

## Problems of FDIC

Now let's look at some of the problems which we at the FDIC think require the cooperative efforts of all of us if banking is to continue in its present status.

Because of the close relation between general economic conditions and the success of deposit insurance, we have been concerned with those great public issues related to the question of how we could convert from a war to a peacetime economy without either crashing into a deep economic depression or experiencing a disruptive inflation.

As the war drew to a close, there seemed to be a prevailing opinion that the great danger was one of unemployment, declining income and business failure. In a large measure those fears have proved as yet to be unfounded. General opinion has come to believe that the chief economic danger is one of inflation rather than of deflation. It has come to recognize that the public is in possession of an unprecedented volume of liquid funds, that there is a tremendous demand for goods and that the immediate problem is one of inadequate production or excessive demand rather than of unemployment. Therefore, one of the great problems for the time being is to prevent any further increase of liquid funds in the hands of the public so long as the said funds (which the public stands ready to spend) exceed the possible supply of goods.

There is a great tendency, and rightly so, for bankers currently to be proud of the growth of their institutions. Some note with satisfaction the rise of deposits and total footings to amounts never before reached. It seems to give a great deal of pleasure to some bankers who formerly had normally \$400,000 of deposits to observe that they now are "a mil-

lion dollar bank." Yes, we are the only group of businessmen in America who brag about our total liabilities—because after all deposits are liabilities. It is not a growth of bank deposits but in a sense an inflation of bank deposits. The bank which has grown relatively to the total banking system or to his neighbor may derive some justifiable satisfaction from this situation. But on the average it is a mistake for bankers to feel that they have made a great accomplishment by participating in this general increase in bank deposits. The rise on account of the war was necessary and I do not believe that we will see a reversion to the deposit levels of the past. However, the development is not a sign of tremendous progress in itself and, until production speeds up, may well be looked upon by the banker as an unavoidable headache.

The FDIC should stand ready to insure the quantity of bank deposits necessary to meet the needs of the public under conditions of high employment at stable prices, but sound public policy does not permit the creation of a volume of deposits that will promote inflationary price rises. These would lead to maladjustments harmful to the general public and incidentally to the deposit insurance system.

The most dangerous harbinger of a substantial inflation is the tremendous volume of funds in the hands of the people. At the end of December 1945, cash and deposits held by the public stood at \$136 billion as compared with \$58 billion five years earlier. Should they decide to use these holdings to purchase the present supply of goods available the pressure upon prices would be exceedingly great.

Furthermore, there is every prospect that the liquid funds of the public, namely, cash and bank deposits, will continue to expand in 1946.

In this connection, it should be noted that bank loans have been increasing rapidly in the past six months. Business loans by banks reporting weekly have increased 25%. Receivables will no doubt continue to increase substantially as the demand for GI loans, consumer and business credit expands. As stated, any additional increase in bank loans will add to the total volume of liquid funds in the hands of the public.

Manifestly, the increased volume of liquid funds would not add to the inflationary process if said increase was accompanied by a decline in the desire of the public to spend their money. Unfortunately, however, there is every indication that the inclination to spend is increasing rather than decreasing. As wage controls and rationing disappear, the general atmosphere becomes increasingly one of spending rather than saving.

The real problem, then, is to prevent inflation. A basic device would be to shrink deposits by continually encouraging your customers to invest in governments. More specifically, the self-interest of all of us interested in banks and banking seems to require that we give our serious attention to the adoption of public policies and procedures which will adequately control inflation and credit expansion without crippling enterprise.

## Bank Capital

Now let us look at another problem, namely the amount of capital funds of insured banks. It is a matter of primary concern to this corporation. For better than a 100 years, and particularly since the advent of bank supervision, it has been considered fundamental that bankers should maintain an adequate amount of capital funds to cushion their depositors against asset fluctuations. The ratio of capital to deposits had shrunk

from 25% in 1914 to 11% in 1940, and is only about 6% today.

It is particularly encouraging to us of FDIC to notice that in 1945, the net profits of all insured banks after income taxes amounted to \$911 million and that the management of same chose to retain in the capital account \$637 million, or 70% of said profits. This is both the greatest amount and the greatest percentage of net profits utilized for this purpose since formation of the dual banking system in 1863. You here in Illinois, however, were somewhat more generous to your stockholders than the average bank throughout the country, paying out in 1945 as dividends some \$30 million out of \$64 million of net profits after taxes.

As I previously stated, there seems little likelihood that bank deposits will revert to their pre-war levels and the question arises whether it would be good public policy to require such increases in bank capital as to restore capital ratios to their former status or whether some new standard or standards may be developed. New standards might simply take the form of establishing a required minimum ratio of capital to total funds at some new level. On the other hand, some entirely different ratio, such as a ratio of capital funds to risk assets, might be suggested. It should be recognized, however, that this problem of capital ratio which is of such great interest to bankers is being likewise watched by both depositors and the general public. Thus, maintenance of a really significant investment as represented by capital funds invested by bankers in their institutions is necessary in order to insure the perpetuation of the present dual banking system. Sound bankers who have the long run interests of the system at heart will want to be protected from the repercussions and ill effects which might come to the system from the attempts of a small minority of the bankers to do business on a shoe string and an inadequate capital.

Incidentally, we are all cognizant that bankers could be doing an excellent job in the performance of their strictly banking functions but still be so weak from a public relations point of view as to be constantly in danger from a legislative standpoint. We have all known men with moderate ability to achieve considerable success because of their personality; by the same token we have seen brilliant men who have been failures because of kinks in their personality. The American banking system is no less dependent on good public relations than an individual is on his ability to make and retain friends.

However, one of the greatest vehicles with which to serve and build good solid public relations ever to be created has been offered the banking fraternity in the GI bill. Some 12,000,000 potential borrowers, each with a government guarantee up to \$4,000 in principal with a 4% return, add up to a lot of good business and the possibility of creating a tremendous amount of good will. But the opportunity is not without its responsibility. The banker must help the veteran to help himself into a successful career and must guide him away from pitfalls into which his enthusiasm might carry him.

## G. Parr Ayers Joins Staff Of Bache in Columbus

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, OHIO—George Parr Ayers has become associated with Bache & Co., 16 East Broad Street. Mr. Ayers for many years headed his own investment firm in Columbus. Prior thereto he was with the Huntington Securities Corp. and Maynard H. Murch & Co.



## Dealer-Broker Investment Recommendations and Literature

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

(Continued from page 2646)

**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.

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

**Le Roi Company**—Study of common stock as a sound speculative purchase—First Colony Corporation, 70 Pine Street, New York 5, N. Y. 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 Corporation**—Circular—Herrick, Waddell & Co., Inc., 55 Liberty Street, New York 5, N. Y.

**Midland Utilities Company and Midland Realization Company**—Analyses—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

**Midland Utilities Company and Midland Realization Company**—Current memorandum and balance sheet—Doyle, O'Connor & Co., 135 South La Salle Street, Chicago 3, Ill.

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

**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.

**Pacific American Investors, Inc.**—Memorandum on leverage trust—Kitchen & Co., 135 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.

**Pennroad Corporation**—Analysis of investment company with holdings concentrated largely in the railroad industry—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

**Reda Pump Co.**—Study of situation—Syle and Co., 19 Rector Street, 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.

**Seaboard Air Line**—Memorandum—Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

**Sheller Manufacturing Corp.**—Recent report—Mercier, McDowell & Dolphyn, Buhl Building, Detroit 26, Mich.

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

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

**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.

**Taylor-Wharton Iron & Steel Co.**—Circular—Ward & Co., 120 Broadway, New York 5, N. Y.

Also available are circulars on **Mohawk Rubber** and **Hartford Empire Co.**

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

**United Printers & Publishers**—Memorandum—Buckley Brothers, 1529 Walnut Street, Philadelphia, 2, Pa.

Also available are memoranda on **Eastern Corporation** and **Standard Stoker Co.**

**Upson Co.**—Descriptive Circular—Seligman, Lubekin & Co., 41 Broad Street, New York 4, N. Y.

Also detailed circulars on **Tennessee Products**; **Wellman Engineering Co.**; **Shatterproof Glass**.

**Wellman Engineering Co.**—A study—Edward A. Purcell & Co., 50 Broadway, New York 4, N. Y.

## Holly Stores Stock Goes on Market

Carl M. Loeb, Rhoades & Co. on May 14 offered to the public a new issue of 32,000 shares of 5% cumulative convertible preferred stock (\$25 par) and 100,000 shares (\$1 par) common stock of **Holly Stores, Inc.**

The preferred stock was priced at \$25 a share and the common at \$10.50 a share. Each share of preferred is convertible at any time into two shares of common stock.

Net proceeds from the sale of all of the preferred stock and of 36,000 shares of common stock, estimated at \$1,068,350 after underwriting discount and expenses, will revert to the company. Proceeds from the sale of 64,000 shares of the common will go to three present stockholders of the company who agreed to sell that amount to the underwriters.

**Holly Stores, Inc.**, operates a chain of 64 retail stores located principally in the Middle West, South and East, selling principally women's and misses' wearing apparel. Upon completion of this financing, outstanding capitalization of the company will consist of 32,000 shares of 5% cumulative convertible preferred stock of \$25 par and 296,000 shares of common stock.

**Kasai Securities Co.** (Special to THE FINANCIAL CHRONICLE) SAN FRANCISCO, CALIF.—Kenja Kasai has formed **Kasai Securities Co.** with offices at 1 La Avanzada, to engage in the securities business.

## Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

**Coal rally dies aborning. Another rally indicated if rail strike is avoided. Suggest using strength from here on to lighten or dispose of long positions.**

Last week it was the coal strike that was keeping the market from going up. At least that was the widely accepted excuse. Get that settled and everything would go up—way up.

Well, the miners were sent back to work last Friday and the market did go up. In fact the way it went up in the last hour's trading of Friday was something to marvel at. Stocks were bought like they were being given away. Some of the order room windows looked like they were selling nylons. Steady readers of this column know what I think of this kind of buying. It has no sense at any time. It has no sense now. Has it occurred to all those buyers of Friday's hectic upsurge, who was doing the selling?

So now the coal strike is out of the way. By the time you get this the railroads may be on strike. So what then? I don't know the answer. All I know is that the market has not been acting too well for weeks. The reason doesn't interest me. The best reason I ever heard is just another excuse. And excuses never take the place of profits.

From where I sit this market is loaded with Johnny-

## Stuart A. Prosser Joins Bache & Co.

CHICAGO, ILL. — Stuart A. Prosser, well known on LaSalle Street for the past 25 years, has become associated with the Chicago office of Bache & Co., 135 South LaSalle Street, it is announced. Mr. Prosser was formerly with **Fahnestock & Co.** and during World War II served as major in the Army Air Corps.

## Wadden Co. Incorporates

CHICAGO, ILL. — Wadden & Company, 209 South La Salle Street is now doing business as a corporation. Officers are **William M. Wadden, Jr.**, President and Treasurer; **Dayton H. Mudd**, Vice-President; and **Mary E. Wadden**, Secretary. Mr. Wadden was formerly proprietor of the firm.

## Denault Gets New Teletype

SAN FRANCISCO, CALIF.—**Denault & Co.**, Russ Building, announce the installation of a Bell System Teletypewriter, SF-272.

Come-Latelys who have read and heard so much of inflation that they're busy turning all their cash into vari-colored engraved paper. Most of it isn't even that. It's just a short form saying "We have this day bought for your account and risk . . ."

In my last week's column I devoted some space to the art of taking profits. I used the word "Wart" deliberately. Taking profit takes a lot of intestinal fortitude. It means closing your ears to the stories everybody around is repeating. It means that you have to forget about the mysterious "they" who are always putting 'em up or driving 'em down. Because even if these mythical "they" were doing all these things the chances of your knowing about them would be very slim.

There is a much easier way to determine for yourself when and what to sell. The solution is right in the market. It calls for independent thinking; cold calculating reasoning which refuses to be swayed by speeches from biased sources. It requires an ability to arrive at decisions by oneself for oneself. Because the man sitting next to you is buying, and maybe even making money, is no reason to believe that the road to advance is full of green lights. It may be for him. For you they may be red. If taxes were eliminated from market reasoning I would say that the time to sell is when stocks have stopped advancing. I know this sounds naive. First of all taxes cannot be shrugged off, and secondly, how does one tell when stocks have stopped going up.

You can assume that an advance has hit a real obstacle when new rallies cannot, or do not, make new highs. You have almost a guaranty if on subsequent declines new lows, even if only by a point or so, are made. Studying the averages will give you the general picture. Studying your stocks will give you a specific picture. Following such a plan is lonesome work. If the pic-

ture you get points down you can't run to your broker, neighbor or market letter writer for assurance. If you want assurance better sell, and then ask yourself if you want the stock back again. You'll make mistakes but if you keep at it long enough and look on trading as an art (it's not a science—if it were anybody applying himself diligently could master it) which requires nerves of steel and no emotional attachment, you'll do better than most. If you depend on hearsay, gossip, emotional outbursts and news columns, nothing I can say will help you.

Trading has to be impersonal. One way to impersonalize it is by the use of stops. These are not infallible but they serve a purpose if only that they call for selling at specified levels or when these levels are violated. None of the stocks you are holding broke through their stop levels up to the time of this writing, though a few of them touched the figures. So they are repeated. I also give you prices at which to sell in case another upsurge occurs: **American Car & Foundry**, stop at 65; take profits at 69 or better; buying price was 60. **Bethlehem**, stop at 101, take profits at 107 or better; buy price was 99. **Electric Auto-Lite**, stop at 71; profits at 77 or better; bought at 71. **Superheater** bought at 30, stop at 31, sell at 33 or better. **U. S. Rubber** bought at 65½, stop at 74; sell at 78 or better.

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.]

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# Securities Now in Registration

• INDICATES ADDITIONS SINCE PREVIOUS ISSUE

## Alaska Explorations, Inc., Seward, Alaska

April 26 (letter of notification) 1,000,000 shares (par \$100). Price to public 10¢ per share. No underwriter selected at this time. Purchase of mining equipment, development, etc.

## Aldens, Inc., Chicago, Ill. (5/22)

April 25 filed 40,000 shares cumulative preferred stock (par \$100). Dividend rate by amendment. Underwriters—Lehman Brothers. Offering—Price to public by amendment. Proceeds—\$1,500,000 to reduce company's outstanding \$3,000,000 3% sinking fund debentures to \$1,500,000 and balance added to working capital. For details see issue of May 2.

## All American Aviation Inc., Wilmington, Del.

April 24 (letter of notification) 3,602 shares common (par \$1). Offering—Solely and exclusively to employees and officers of the corporation, pursuant to resolution of stockholders, adopted in September, 1945. Proceeds—Working capital.

## Allied Investm't & Discount Corp., Philadelphia

May 14 (letter of notification) 8,000 shares of 5.4% cumulative preferred stock (par \$25). Company is offering the stock beginning July 1, 1946 at \$25 per share. Subscriptions will close Nov. 1, 1946. Proceeds will be used for incorporation expenses and as capital in operation of business. Not underwritten.

## American Screw Co., Providence, R. I. (5/31)

March 29 filed 21,550 shares of 4½% cumulative convertible preferred stock (par \$50). Underwriters—G. H. Walker & Co. Offering—Common stockholders of record May 9 have the right to subscribe to new preferred at rate of one share of preferred for each four shares of common held at \$52 per share. Rights expire May 29. 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.

## Arapahoe Chemicals, Inc., Boulder, Colo.

May 7 (letter of notification) 800 shares 6% voting, cumulative when earned (par \$100). Price to public \$100 per share. No underwriting. Proceeds—To building chemical plant, working capital, etc.

## Arkansas-Missouri Pwr. Corp., Blytheville, Ark.

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.

## Aviation Maintenance Corp., Van Nuys, Calif. (4/25)

May 6 filed 493,750 shares of common stock (par \$4). Underwriters—Livingstone & Co. Offering—Price to public \$4 per share. Proceeds—For machinery, tools, furniture, fixtures, etc. and for working capital. Business—Sales service and storage of planes.

## Bardwell & McAllister, Inc., Los Angeles

May 3 (letter of notification) 50,000 shares common (par \$1). Price to public \$6 per share. Underwriter—Crutenden & Co. To increase working capital.

## Barium Steel Corp., S. E. Canton, O.

March 30 filed 350,000 shares of common stock (par \$1). Underwriters—By amendment. 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.

## Belcher Oil Co., Miami, Fla.

May 3 (letter of notification) 6,710 shares common stock (par \$10). The shares are being sold by certain stockholders. The price to the public is \$12 per share. Underwriter—Atwill & Co. will act as agent in connection with the offering.

## 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.

## 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 \$3.50 per share. For details see issue of March 21.

## Bingham Stamping Co., Toledo, Ohio (5/20)

April 29 filed 100,000 shares 5% cumulative convertible preferred stock (par \$10). Underwriters—Wm. J. Mericka & Co., Inc., Cleveland, and Goshia & Co., Toledo. Offering—Price to public is \$10 per share. Proceeds. Financing of acquisition of a majority stock interest in Herbrand Corp. of Fremont, Ohio. For details see issue of May 2.

## Brockway (Pa.) Glass Co. Inc.

April 24 filed 10,000 shares 5% cumulative preferred stock (par \$50). Underwriting—None. Offering—Price to public \$50 per share. Company proposes to offer the securities 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.

## Brooklyn (N. Y.) Union Gas Co. (5/23)

May 3 filed \$34,000,000 general mortgage sinking and improvement fund bonds due June 1, 1976, and 100,000 shares of cumulative preferred stock (\$100 par). Underwriters—To be filed by amendment. Probable bidders include Halsey, Stuart & Co., Inc. (bonds only); Harriman Ripley & Co., and Mellon Securities Corp. (jointly); The First Boston Corp.; F. S. Moseley & Co., and Otis & Co. (stock only). Proceeds—Company plans to refund its entire outstanding long-term debt, to reimburse the treasury for expenditures made for construction purposes, and to provide funds for the completion of a construction program now in progress and one contemplated to be commenced in the immediate future by the sale of \$34,000,000 general mortgage bonds and 100,000 shares of preferred stock. In addition, a \$1,000,000 bank loan will be obtained. The company will redeem \$29,240,000 general mortgage sinking fund bonds, 3½% series, due Sept. 15, 1969, and \$11,850,000 25-year 4% sinking fund debentures, due Sept. 15, 1969. In addition, \$4,000,000 will be used to provide funds for the construction program now in progress and contemplated, each involving the installation of additional production, pumping, storage and distribution facilities.

## Brooks Green Co., Boston

May 9 (letter of notification) 6,000 shares common (\$5 par). Price to public \$10 per share. Underwriter Parker Harrison & Co.

## Calif. Electric Pwr. Co., Riverside, Cal. (5/29)

May 10 filed \$16,000,000 first mortgage bonds due June 1, 1976, and 169,636 shares common stock (\$1 par). Underwriters—Names to be filed by amendment. Probable bidders include Dillon, Read & Co., Inc. (bonds); The First Boston Corp.; Halsey, Stuart & Co., Inc. (bonds); Kidder, Peabody & Co., and Stone & Webster Securities Corp. (stock). Offering—Securities will be offered for sale at competitive bidding. Price to public by amendment. Proceeds—Proceeds will be applied to the redemption of \$16,000,000 first mortgage bonds 3½% series and premium on bonds \$1,000,000 and balance to general funds.

## Caterpillar Tractor Co., Peoria, Ill. (5/20)

May 1 filed \$20,000,000 10-year 1¾% debentures. Underwriters—Blyth & Co., Inc.; Dean Witter & Co.; Stone & Webster Securities Corp., and Harris Hall & Co. (Inc.). Offering—Price to public by amendment. Proceeds—Expansion of company's plant at Peoria. For details see issue of May 2.

## Celotex Corp., Chicago

April 26 filed for 100,000 shares common stock. Underwriters—Paul H. Davis & Co. and Union Securities Corp. Offering—Price by amendment. Proceeds—To provide in part for expansion program, etc. For details see issue of May 2.

## Central Indiana Gas Co., Muncie, Ind.

April 25 filed \$3,250,000 first mortgage bonds. Bonds will be sold at competitive bidding with the interest rate being named by the successful bidder. Underwriters—By amendment. Probable underwriters include Halsey, Stuart & Co. Inc.; First Boston Corp.; Stroud & Co. Offering—Price to public by amendment. Proceeds—Redemption of first mortgage 3¾% bonds; construction fund. For details see issue of May 2.

## Chefford Master Manufacturing Co., Inc., Fairfield, Ill. (5/27)

May 8 filed 40,000 5% cumulative convertible preferred shares (par 25) and 40,000 common shares (par \$2). Underwriter—Crutenden and Co. Offering—Price of preferred is \$25 per share; price of common by amendment. Proceeds—\$300,000 will be used to discharge bank loans, \$60,963 to discharge machinery purchase notes and approximately \$909,694 for additional working capital. Business—Automobile replacement parts, etc.

## City Investing Co., New York (6/3)

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. Rights expire June 3. Price by amendment. Unsubscribed debentures will be sold to underwriters to be offered the public. Proceeds—Proceeds will be added to working capital. For details see issue of April 25, p. 2262.

## Columbus (O.) & Southern Ohio Electric Co. (5/21)

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. Probable bidders include Dillon, Read & Co. Inc.; Smith Barney & Co.; Lehman Brothers; Kidder, Peabody & Co., and Mellon Securities Corp. (jointly). Bids Invited—Bids for the purchase of the stock will be received up to 11:30 a.m. (EDST) May 21 at room 1730, 165 Broadway, New York, N. Y.

## Compania Litografica De La Habana S. A. (Havana (Cuba) Lithographing Co.) (20/27)

March 18 filed 19,419 shares of 6% cumulative convertible preferred stock (par \$25) and 197,000 shares of common (par 10c). The 19,419 shares of preferred and 162,000 shares of common are being purchased by the underwriters from certain stockholders. The remaining 35,000 shares of common are being purchased from the company. Underwriters—Hirsch & Co., New York. Offering—Price by amendment. For details see issue of March 21.

## Corporate and Public Financing



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● **Corcoran, Inc., Stoughton, Mass.**

May 13 (letter of notification) 1,000 shares preferred (par \$100). Price to public \$100. Underwriting—None. For working capital.

**Crampton Mfg. Co., Holland, Mich. (5/23)**

May 3 filed for 240,000 shares common stock (\$1 par). Underwriters—Baker, Simonds & Co. Offering—Price to public by amendment. Proceeds—Purchase of additional machinery and equipment and to increase working capital. Business—Commercial die-castings and hardware for plumbing fixtures, etc.

● **Daunt Corp., Brooklyn, N. Y.**

May 13 (letter of notification) 9,000 shares of preferred stock (no par). Shares will be sold direct by the company at \$10 per share. Proceeds for purchase of machinery and working capital. No underwriter.

**Dayton Power & Light Co.**

May 1 filed 1,530,000 shares common stock (\$7 par). Underwriters—To be named by amendment. Probable bidders include Morgan Stanley & Co., and W. E. Hutton & Co. (jointly); Blyth & Co., Inc., and Lehman Brothers. Offering—The shares are owned by Columbia Gas & Electric Corp. and (per amendment filed May 12) will be offered to underwriters at competitive bidding. Stock will not be offered to Columbia stockholders.

**Denver Tramway Corp., Denver**

May 3 (letter of notification) 1,000 shares \$2.50 (no par) first preferred. Price to public at the market, or approximately \$44 per share. Offering by International Trust Co., Denver. The securities are to be sold either direct through International Trust or through Garrett-Bromfield & Co.

**Diamond T Motor Car Co., Chicago, Ill.**

March 29 filed 60,000 shares of common stock (par \$2). Shares are being sold by certain stockholders. Underwriters—Hallgarten & Co. Offering—Price based on market. For details see issue of April 4.

● **Diebold, Inc., Canton, Ohio**

May 7 (letter of notification) 8,141 shares common. Price to public \$28 per share. No underwriting. For working capital.

**DuMont (Allen B.) Laboratories, Inc., Passaic, N. J. (5/20-22)**

March 29 filed 650,000 shares of class A common stock (par 10 cents), of which 525,000 shares are being offered for sale by underwriters. Underwriters—Van Alstyne, Noel & Co. and Kobbe, Gearhart & Co., Inc. Offering—Price by amendment. Proceeds—To expand television broadcasting and manufacturing facilities and operation in the low-frequency fields. For details see issue of April 4.

● **Emery Air Freight Co., New York**

May 13 (letter of notification) 55,000 units, each unit consisting of one share 25¢ convertible preferred stock (par \$1) and one share of common stock (par 20¢). Underwriter—Gillen & Co., New York. Offering—To be offered at \$5 per unit. Corporation will sell to underwriter stock purchase warrants at 5¢ per warrant, entitling underwriter to purchase 55,000 shares of common stock at 20¢ per share. Proceeds—For working capital in connection with inauguration and establishment of business. Business—Company organized in Delaware April 22, 1946, proposes to engage in pick-up and delivery of air freight at various points throughout the United States.

**Eureka Williams Corp., Detroit**

April 17 filed 17,000 shares common stock (par \$5). Shares being sold by officers and employees or their relatives. Offering—Shares may be sold from time to time upon the New York Stock Exchange or the Detroit Stock Exchange by the owners of such shares. For details see issue of April 18.

● **Faircraft Corp., Dansville, N. Y.**

May 8 (letter of notification) 1,575 shares 7% participating preferred, non-cumulative (par \$10) and 725 shares of common (7% dividends, non-cumulative) par \$1. Price to public \$10 per unit. No underwriting.

● **First Thought Mine Corp., Orient, Wash.**

May 8 (letter of notification) 500,000 shares, par 10 cents. Price to public 20 cents per share. Underwriters—E. J. Gibson & Co. Preston & Raef and Ben Redfield.

## New Issue Calendar

(Showing probable date of offering)

**May 16, 1946**

Fleetwood-Airflow, Inc. .... Common  
Monroe Gasket & Mfg. Co. .... Capital Stock

**May 17, 1946**

McGraw (F. H.) & Co. .... Preferred and Common

**May 18, 1946**

Minneapolis-Honeywell Regulator Co. .... Preferred

**May 20, 1946**

Bingham Stamping Co. .... Preferred  
Caterpillar Tractor Co. .... Debentures  
Havana Lithographing Co. .... Preferred  
DuMont (Allen B.) Laboratories, Inc. .... Class A Com.  
Harrison Wholesale Co. .... Common  
Heyden Chemical Co. .... Preferred  
Hytron Radio & Electronics Corp. .... Common  
L'Aiglon Apparel Inc. .... Common  
New York Stocks Inc. .... Special Stock  
Piper Aircraft Corp. .... Preferred  
Public Flyers, Inc. .... Common

**May 21, 1946**

Columbus & So. O. El. Co. (11:30 a.m. EDT) .... Com.  
Neiman-Marcus Co. .... Preferred  
Thomas Steel Co. .... Preferred and Common

**May 22, 1946**

Aldens, Inc. .... Preferred  
General Finance Corp. .... Debs., Pfd. and Com.  
Hoffman Radio Corp. .... Common  
Jersey Central Power & Light Co. ....  
(12 Noon EDT) .... Bonds and Preferred  
Liebert & Obert .... Common  
Trailmobile Co. .... Preferred

**May 23, 1946**

Brooklyn Union Gas Co. .... Bonds and Preferred  
Crampton Mfg. Co. .... Common  
Hanson-Van Winkle-Manning Co. .... Debs. and Com.  
Michaels Brothers .... Common  
Radford (J. M.) Grocery Co. .... Preferred

**May 25, 1946**

Aviation Maintenance Corp. .... Common  
Flying Freight Inc. .... Common

**May 27, 1946**

Chefford Master Mfg. Co. .... Preferred and Common  
Midland Cooperative Wholesale .... Preferred  
Miles Shoes, Inc. .... Preferred and Common  
Miller-Wohl Co. .... Preferred and Common  
Mountain States Tel. & Tel. Co. ....  
(11:30 a.m. (EDST)) .... Debentures  
Namm's Inc. .... Common  
National Bellas Hess Inc. .... Common  
Paulsboro Mfg. Co. .... Preferred and Common  
York County Gas Co. .... Bonds

**May 28, 1946**

Pittston Co. .... Debentures  
Spiegel, Inc. .... Common

**May 29, 1946**

California Electric Power Co. .... Bonds and Common  
United Cigar-Whelan Stores Corp. .... Common

**May 31, 1946**

American Screw Co. .... Preferred

**June 1, 1946**

General Tire & Rubber Co. .... Preferred  
Houston Oil Field Material Co. Inc. .... Common  
Powdrell & Alexander, Inc. .... Common  
United Grocers Co. .... Debentures  
U. S. Airline, Inc. .... Common

**June 3, 1946**

City Investing Co. .... Debentures  
Franklin Simon & Co., Inc. .... Preferred and Common  
Steep Rock Iron Mines Ltd. .... Capital Stock  
United Investors Corp. .... Trust Fund Certificates  
United Cigar-Whelan Stores Corp. .... Preferred

● **Fleetwood-Airflow, Inc., Wilkes-Barre, Pa. (5/16)**

May 9 (letter of notification) 91,767 shares of common stock, of which 75,267 are being sold on behalf of the company and 16,500 shares on behalf of selling stockholders. Underwriters—Amos Treat & Co.; McAlister, Smith & Pate, Inc.; Irving T. Rice & Co., and Weil & Arnold. Offering—To be sold to public at \$3 per share. Proceeds—General corporate purposes. Business—Manufacture and sale of Fleetwood refrigerated display cases, dispensing and cooking equipment.

**Flying Freight Inc., New York (5/25)**

May 6 filed 300,000 shares common stock (par \$1). Underwriters—J. F. Reilly & Co., Inc. Offering—Price to public \$3.50 per share. Proceeds—Proceeds will be used for the purchase of six land planes, ten flying boats, reconditioning of flying boats and working capital. Business—Company was incorporated on March 9, 1946, to operate as a charter air carrier.

**Food Fair Stores, Inc., Philadelphia**

April 29 filed 40,000 shares of common stock (\$1 par), issuable upon exercise of options to purchase common stock. The options to purchase common stock entitle the holders to purchase between Sept. 5, 1946 and Sept. 4, 1950, shares of common stock at \$19.50 per share. The options were granted on Sept. 5, 1945. Proceeds—In the event that all options are exercised, corporation will realize \$780,000, which it intends to use for increasing inventory, acquiring and equipping additional supermarkets, warehouses, etc. Business—Food stores.

● **Franklin Simon & Co., Inc., N. Y. (6/3)**

May 14 filed 50,000 shares of cumulative convertible preferred (par \$50) and 70,000 shares of common (par \$1). Of the total covered, the 50,000 shares of preferred and 60,000 shares of common will be offered to the public, and 10,000 shares of common will be offered at \$20 per share to certain officers and employees. Underwriter—W. E. Hutton & Co. Offering—Prices to public by amendment.

Proceeds—Proceeds from sale of the preferred and common stock together with part of working capital will be applied to the redemption of 21,339 outstanding shares (excluding treasury shares) of the company's 7% cumulative preferred. The preferred will be redeemed at \$115 per share and accrued dividends. Atlas Corp., parent and controlling stockholder of Franklin Simon, owned as of April 15, 1946, 15,030 shares of the 7% cumulative preferred stock. Business—Operates specialty store.

**General Finance Corp., Chicago, Ill. (5/22)**

May 3 filed \$1,250,000 15-year 4% subordinated debentures, Series B, and 60,000 shares 4% cumulative convertible preferred stock, Series C (par \$50) and 180,000 shares of common (par \$1) reserved for conversion of preferred. Underwriters—Paine, Webber, Jackson & Curtis. Offering—Price to public by amendment. Proceeds—To retire outstanding 6% cumulative preferred stock, Series B, \$761,000; remainder approximately \$3,294,000 will be added to general working funds. For details see issue of May 9.

● **General Tire & Rubber Co., Akron, O. (6/1)**

May 13 filed 25,000 shares of cumulative preferred stock (par \$100) and 25,000 shares convertible second preferred stock (par \$100). Stockholders will meet on May 29 to authorize 30,000 shares of new preferred stock a portion of which is included in the registration statement. Dividends rates on preferred stock offerings by amendment. Underwriters—Kidder, Peabody & Co.; Goldman, Sachs & Co., and Ball, Burge & Kraus. Offering—Price to public by amendment. Proceeds—Proceeds will be added to the corporation's general funds and will be available for the reduction of bank loans, which amounted at March 31, 1946 to about \$9,000,000, the reimbursement of the company for expenditures made in the acquisition of interests in related business and for additional working capital. Business—Tires and tubes for automobiles and buses, etc.

(Continued on page 2694)

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(Continued from page 2693)

**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.

**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.

**Goodall Rubber Co., Trenton, N. J.**  
May 6 (letter of notification) 1,000 shares of 5% preferred stock (par \$100). Proceeds will be used to partially replace cash used to call 7% preferred stock at \$100 per share (\$161,700 cash used). No underwriters. Company will accept subscriptions on basis of two shares of 5% preferred for each three shares of 7% formerly held. Price par and dividend.

**Great Circle Airways, Inc., New Orleans**  
May 9 (letter of notification) 55,000 shares capital stock (par \$1). Price to public \$5. Underwriters—Kohlmeier, Newburger & Co.; D'Antoni & Co., and T. J. Feibleman & Co. For equipment and working capital.

**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.

**Hanson-Van Winkle-Munning Co., Matawan, N. J. (5/23)**  
April 24 filed 1,250,000 4½% sinking fund debentures and 105,000 shares of common stock (\$3.50 par). Of the common stock 39,400 shares are being sold by the corporation and 65,600 shares by certain stockholders. Underwriters—Maxwell, Marshall & Co. Offering—Debentures are being offered at 100 and the common stock at \$10.65 per share. Proceeds—Approximately \$600,000 will be used to retire first preferred stock at \$40 per share, \$600,000 for payment of bank indebtedness and \$143,500 for the purchase of additional land and buildings. For details see issue of May 2.

**Harrison Wholesale Co., Chicago, Ill. (5/20)**  
April 30 filed 85,600 shares of common stock (par \$1). Shares are being sold by two stockholders, Albert L. Arenberg, President, 73,000 shares, and Louis Siskind, Vice-President and Secretary, 12,600 shares. Underwriters—Brailsford & Co. Offering—Price to public \$9.625.

**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—To be named by amendment. Offering—Price to public by amendment. Stop order hearing continued by the SEC to May 13. For details see issue of March 7.

**Heyden Chemical Co., New York (5/20)**  
May 1 filed 90,000 shares cumulative preferred stock, Series A. Underwriters—A. G. Becker & Co., Inc. Offering—Price to public by amendment. Proceeds—\$4,983,000 will be applied to redemption of 38,000 shares of 4% cumulative preferred Series A and 10,000 shares of 4% cumulative preferred Series B and \$2,500,000 to prepay a promissory note. For details see issue of May 2.

**Hoffman Radio Corp., Los Angeles (5/22-23)**  
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.

**Houston (Texas) Oil Field Material Co., Inc. (6/1)**  
May 13 filed 100,000 shares of common (par \$1). Underwriters—Dallas Rupe & Co.; Dittmar & Co.; Dewar, Robertson & Pancoast; Fridley & Hess; Creston H. Funk; Milton R. Underwood & Co.; Rauscher, Pierce & Co., Inc.; Pitman & Co., Inc.; Gordon Meeks & Co.; Dallas Union Trust Co.; Moroney, Beissner & Co., and Rotan, Mosle & Moreland. Offering—Price to public by amendment. Proceeds—Proceeds will be used to augment the working capital of the company. The additional working capital is presently intended to be utilized primarily to retire bank indebtedness. Business—Oil well supply and service business.

**Hudson Motor Car Co., Detroit, Mich.**  
April 26 filed 226,973 shares of common stock (no par). Underwriters—W. E. Hutton & Co. Offering—Stock

will be offered for subscription to common stockholders at the rate of one share for each seven shares of common held. Price by amendment. Purpose—To augment working capital. For details see issue of May 2.

#### Hydraulic Products Co., Chicago

May 9 (letter of notification) 120,000 shares 7% cumulative preferred (par \$1) and 30,000 shares common (\$1 par). Price to public of unit consisting of 4 preferred and one common, \$10. No underwriting. For acquisitions, working capital, etc.

#### Hy-Pure Laboratories, Inc., Cincinnati

May 7 (letter of notification) 3,333 shares of common. Offering being made by Elsa S. Joseph. Price to the public \$30 per share. The principal underwriter is National Guild of Hy-Pure Druggists, a national association of druggists, which is acquiring the securities on behalf of various members of its organization.

#### Hytron Radio & Electronics Corp., Salem, Mass. (5/20)

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.

#### Industrial Machine Products, Inc., Pontiac, Mich.

May 7 (letter of notification) 110,000 shares common (par \$1). Underwriter—Carr & Co. Price to public \$1 per share. For working capital.

#### International Paper Co., New York

April 26 filed 400,000 shares of cumulative preferred stock and an indeterminate number of common shares (par \$15). Dividend rate on new preferred will be filed by amendment. Underwriting—The securities are to be offered for exchange and no underwriting discounts or commissions are to be paid in connection with the offering. Offering—Company proposes to offer holders of its cumulative convertible 5% preferred stock (par \$100) the right to exchange 400,000 of such shares for new preferred and common on the basis of one share of new preferred and an indicated fractional share of common for each share of 5% preferred. For details see issue of May 2.

**Jefferson Lake Sulphur Co., Inc., New Orleans**  
May 6 (letter of notification) 500 shares common, par \$1. To be sold for benefit of L. L. Lassalle at prevailing market price at ordinary broker's commission.

#### Jersey Central Power & Light Co. (5/22)

April 24 filed \$34,000,000 first mortgage bonds and 145,000 shares of cumulative preferred stock (par \$100). Interest and dividend rates by amendment. Underwriters—By amendment. Probable underwriters will include Halsey, Stuart & Co., Inc. (bonds only); Harriman Ripley & Co. (bonds only); Merrill Lynch, Pierce, Fenner & Beane (stock only); First Boston Corp.; Glore, Forgan & Co. (stock only). Offering—Prices to public by amendment. Proceeds—To redeem and retire all of the presently outstanding bonds, notes and preferred stock. Bids Invited—Separate bids for the purchase of the bonds and preferred stock will be received by the company at Room 2601, 61 Broadway, New York, up to 12 noon (EDST), May 22. Successful bidders must specify coupon and dividend rates, respectively.

#### Knott Corp., New York

May 3 (letter of notification) not less than 8,571 and not more than 9,090 shares of capital stock, par \$1. Underwriter—Reynolds & Co. The price to the public shall be determined by Reynolds & Co. in connection with a formula. For working capital.

#### Langley Aircraft Corp., New York

May 10 (letter of notification) 50,000 shares of capital stock (par \$1). Price to public, \$2 per share. With each share of stock sold there will be issued and delivered a stock option warrant to purchase one additional share of stock at \$4 per share at any time up to March 1, 1951. Company proposes to sell the securities to personal friends and acquaintances of officers and directors. Proceeds for corporate purposes.

#### Lattner Industries, Inc., Detroit

May 1 (letter of notification) 100,000 shares common (par \$1). Price to public \$1 per share. Underwriter—Chapin & Co. For operating capital-expansion purposes.

#### L'Aiglon Apparel, Inc., Philadelphia (5/20)

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.

#### Liebert & Obert, Philadelphia, Pa. (5/22)

May 3 filed 120,000 shares common stock (par \$1). Of total company is selling 40,000 shares and stockholders 80,000 shares. Underwriters—Newburger & Hano and Kobbe, Gearhart & Co., Inc. Offering—Price to public \$6.50 per share. Proceeds—Net proceeds together with treasury funds will be used to purchase brewery plant and equipment now operated under lease for \$325,000. For details see issue of May 9.

#### McGraw (F. H.) & Co., Hartford, Conn. (5/17-20)

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.

#### Marshall Adrain Co., Denver, Col.

April 29 (letter of notification) 10,000 shares preferred stock (par \$10). Price to public \$10 per share. Underwriter—Robert James Botkin. To assist in expense of publication.

#### Mary Foster-Humboldt, Inc., Boulder, Colo.

May 9 (letter of notification) treasury stock in a total amount of \$15,000. Price to public, 10¢ per share. No underwriting.

#### Merchants Distilling Corp., Terre Haute, Ind.

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.

#### Michaels Brothers, Brooklyn (5/23-24)

April 30 filed 100,000 shares of common stock (par \$1); also 60,000 additional shares of which 50,000 are reserved for issuance upon exercise of warrants, and 10,000 shares for issuance upon exercise of options granted to George Markelson and Irving Isaacs. Underwriters—Burr & Co., and Reynolds & Co. Offering—Price to public by amendment. Proceeds—To replace working capital extended to redeem class A and B first preferred stock; balance will be used to increase merchandise inventories, finance instalment sales, etc. For details see issue of May 2.

#### Middle States Petroleum Corp., New York

May 10 (letter of notification) 75,800 shares of class B (v.t.c.) stock (no par). Shares to be sold shall not aggregate \$300,000 in amount. Stock will be offered at market on the New York Curb Exchange through brokers selected by the management. Proceeds will be used to retire debt and increase working capital.

#### Midland Cooperative Wholesale, Minneapolis (5/27)

May 8 filed 10,500 shares of series D non-cumulative 4% preferred stock (par \$100). Underwriters—No underwriters. Offering—Price to public will range from \$100 per unit in January, February and March, 1946, to \$103 per units in October, November and December, 1946. Proceeds—To pay off first mortgage loans and for operating capital. For details see issue of May 9.

#### Miles Shoes Inc., New York (5/27-28)

April 29 filed 23,444 shares of cumulative preferred (par \$100) and 56,267 shares of common stock (par \$1). The shares are to be sold by five stockholders following a recapitalization of the company in May. Underwriters—Wertheim & Co., and Lehman Brothers. Offering—Price to public will be filed by amendment.

#### Miller-Wohl Co., Inc., New York (5/27-28)

April 29 filed 40,000 shares 4½% cumulative convertible preferred (par \$50) and 50,000 shares common stock (par 50¢). The common stock is outstanding and is being sold by four stockholders. Underwriters—Allen & Co. Offering—Price to public by amendment. Proceeds—Construct and equip additional stores; working capital. For details see issue of May 2.

#### Minneapolis-Honeywell Regulator Co., Minneapolis (5/18)

April 17 filed 85,700 shares of 3.20% cumulative convertible preference stock, Series A (par \$100) and 114,267 shares of common stock reserved for conversion of Series A preference stock. Underwriters—Union Securities Corp. Offering—New preference stock is being offered to the holders of outstanding preferred stocks in an exchange offer which expires May 18. 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.

#### Mohawk Foundries, Inc., Garfield Heights, O.

May 7 (letter of notification) 1,750 shares cumulative preferred (par \$100) and 1,750 shares common (no par). Price to public \$100 for preferred and \$10 for common. No underwriting. For improvement of building, purchase of new machinery and working capital.

#### Monroe Gasket & Manufacturing Co., Rochester, N. Y. (5/16)

May 9 (letter of notification) 72,000 shares of capital stock (par \$1). Underwriter—R. H. Johnson & Co., New York. Offering—To be offered to public at \$4 per share. Proceeds—Purchase and equipping of building, working capital, etc. Business—Mechanical packing and gaskets for industrial use, manufacture of aluminum products, such as radio cabinets, etc.

#### Moore Corporation, Joliet, Ill.

May 6 (letter of notification) \$250,000 first mortgage 4½% sinking fund bonds. Price to public 100% of principal amount. Underwriters—Illinois Securities Co.



**Mountain States Tel. & Tel. Co., N. Y. (5/27)**

April 26 filed \$35,000,000 40-year debentures and 96,099 shares of common stock (\$100 par). **Underwriters**—Bonds will be offered at competitive bidding. Probable bidders include Morgan, Stanley & Co., and Halsey, Stuart & Co. Inc. Offering of common stock not underwritten. **Offering**—The 96,099 shares of common stock will be offered for subscription at par to holders of record May 27, 1946, of the 480,497 shares of common, in the ratio of one share for each five shares then held. **Proceeds**—Proceeds from sale of debentures will be used to retire \$30,000,000 3½% debentures called for redemption June 1, 1946, at 105, and to reduce the amount of advances from American Telephone & Telegraph Co., parent. Company intends to use proceeds from sale of the stock to pay advances from parent. **Bids Invited**—Bids for purchase of the bonds will be received up to May 27 (11:30 a.m. EDST) at office of company, 195 Broadway, New York City. The interest rate to be specified in the bids. For details see issue of May 2.

**Mutual Loan Co., Portland, Ohio**

April 25 (letter of notification) 1,500 shares 5% cumulative series preferred (\$100 par). **Offering**—Price to public \$100 per share. Stock is being sold by officers of company, but stock not sold by them is to be offered by Wm. P. Harper & Sons & Co., Seattle, as agent.

**Namm's Inc., Brooklyn, N. Y. (5/27-31)**

May 3 filed 100,000 shares common stock (par \$1). The statement also covers 45,000 shares of common issuable upon the exercise of warrants. **Underwriters**—Van Alstyne, Noel & Co. **Offering**—Price to public by amendment. **Proceeds**—Proceeds will be added to general corporate funds and used, as conditions permit, for purchase of additional inventory, etc. For details see issue of May 9.

**National Bellas Hess, Inc., N. Kansas City, Mo. (5/27)**

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**—Will be added to working capital. For details see issue of April 25, p. 2264.

**Neiman-Marcus Co., Dallas, Texas (5/21)**

April 29 filed 25,000 shares of cumulative preferred stock (par \$100). **Underwriters**—Lehman Brothers. **Offering**—Price to public by amendment. **Proceeds**—Retirement of \$396,800 first mortgage 4% serial bonds at 103; redemption of the 6,198 shares of 5% cumulative preferred stock at \$105 per share plus dividends; working capital.

**Nekoosa-Edwards Paper Co., Port Edwards, Wis.**

May 3 (letter of notification) 3,144 shares common stock (par \$25) being offered by John E. Alexander. Price to public \$27 per share. **Underwriters**—Loewi & Co. and Schoellkopf, Huton & Pomeroy, Inc.

**New York Stocks, Inc., New York (5/20)**

May 1 filed 1,500,000 shares of special stock. **Offering**—At market. **Proceeds**—For investment.

**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.

**Oscar Mayer & Co., Inc., Chicago**

May 10 (letter of notification) 7,000 shares common (par \$10). Price to public, \$38 per share. No underwriting.

**Pan American Mining & Developing Co., Salt Lake City**

May 9 (letter of notification) 62,000 shares common (25¢ par). Price to public, \$1 per share. **Underwriter**—Kay Luke Stoker.

**Paulsboro (N. J.) Manufacturing Co. (5/27)**

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.

**Pennsylvania-Dixie Cement Corp., N. Y.**

April 25 filed 80,000 shares capital stock (par \$7). **Underwriters**—None named. **Offering**—The 80,000 shares are reserved for issue upon the exercise of warrants which were issued to holders of common stock of General Cement Corp. in connection with a merger of that corporation into Pennsylvania-Dixie effective Dec. 21,

1945. The warrants are exercisable on and after June 1, 1946, and on and before May 31, 1949, at \$20 per share. For details see issue of May 2.

**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. (5/20-24)**

May 26 filed 150,000 shares 4½% convertible preferred stock (par \$10). **Underwriters**—Hayden, Stone & Co. **Offering**—Price to public by amendment. **Proceeds**—Working capital. For details see issue of May 2.

**The Pittston Co., Hoboken, N. J. (5/28)**

May 9 filed a \$7,000,000 15-year 4% debentures due April 1, 1961, and \$1,242,300 20-year 5½% cumulative income debentures due Jan. 1, 1964. **Underwriters**—Blair & Co., Inc. **Offering**—Price to public by amendment. **Proceeds**—Proceeds with other funds of company will be applied to payment of promissory notes aggregating \$8,000,000. **Business**—Subsidiaries engaged in production of bituminous, and in distribution of bituminous and anthracite coal, etc.

**Plastics Materials Corp., Laconia, N. H.**

May 3 (letter of notification) 99,900 shares common, par \$1. Price to public \$3 per share. **Underwriter**—J. F. Reilly & Co., Inc. To purchase a wood flour mill, inventories, etc.

**Powdrell & Alexander, Inc., Danielson, Conn. (6/1)**

May 13 filed 82,316 shares of common stock (par \$2.50). Shares are being sold by certain stockholders. **Underwriter**—Blyth & Co., Inc. **Offering**—Price to public by amendment. **Business**—Manufacture of cotton and rayon fabrics, etc.

**Public Flyers, Inc., New York (5/20-24)**

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.

**Radford (J. M.) Grocery Co., Abilene, Texas (5/23)**

April 29 filed 15,000 shares cumulative preferred stock (par \$50). **Underwriters**—Rauscher, Pierce & Co., Inc. **Offering**—Price to public by amendment. **Proceeds**—To finance in part acquisition of the stock of the predecessor company. **Business**—Wholesale grocery company.

**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.

**Ross Industries Corp., Highland Park, N. J.**

May 9 (letter of notification) 20,000 shares of common stock (par \$1), of which 11,000 are on behalf of the company and 9,000 in behalf of two stockholders. **Underwriter**—Granbery, Marache & Lord, New York. **Offering**—Company is offering 11,000 shares to stockholders at \$11 per share. Unsubscribed shares and 9,000 on behalf of selling stockholders will be purchased by the underwriters and offered to the public at \$11 per share. **Proceeds**—Company will apply proceeds to retirement of \$250,500 5% income debentures.

**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.

**Schwarz Engineering Co., San Francisco**

April 17 (letter of notification) 150,400 shares of capital stock (par \$1) to be offered present stockholders at par. A total of 110,000 rights to buy same class of stock being sold by certain stockholders. Price per share of new stock arising from four rights is \$1. **Underwriters** of rights: J. Barth & Co., and Shuman, Agnew & Co., Inc.

**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.

**Spiegel, Inc., Chicago (5/28)**

May 9 filed 117,000 shares of common stock (par \$2) and options to purchase 111,800 shares of common. **Underwriters**—No underwriting. **Offering**—Of the shares covered, 101,500 are issuable or have been issued under options. In addition the company expects to grant options to purchase 15,500 shares of common stock to certain of its employees. **Business**—Mail order.

**State Finance Co., Youngstown, O.**

May 8 (letter of notification) 2,250 \$5 cumulative preferred (no par) at \$100, and 7,000 shares common (no par) at \$1 per share. No underwriting.

**Steep Rock Iron Mines Ltd., Ont., Can. (6/3-7)**

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.

**Thomas Steel Co., Warren, Ohio (5/21-24)**

May 2 filed 16,428 shares of 4¼% preferred stock (par \$100) and 246,420 shares of common (par \$1). The shares are issued and are owned by C. G. Thomas, a former President and Chairman of the Board, who owns beneficially approximately 72.8% of the outstanding common and 82% of the outstanding preferred. **Underwriters**—McDonald & Co., Cleveland, O. **Offering**—Price to public by amendment. **Business**—Various steel products.

**Trailmobile Co., Cincinnati, Ohio (5/22-24)**

May 1 filed 60,000 shares of 4¼% cumulative convertible preferred (par \$50). **Underwriter**—W. E. Hutton & Co. **Offering**—Price to public by amendment. **Proceeds**—Redemption of \$2.25 cumulative preferred stock; acquisition of additional facilities, reduction of bank loans, 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. (jointly). **Offering**—Federal will offer the stock for sale at competitive bidding and price to public will be filed by amendment.

**Union Wire Rope Corp., Kansas City, Mo.**

Feb. 4 filed 42,000 shares capital stock (no par). **Underwriters**—P. W. Brooks & Co., Inc., New York. **Offering**—Company will offer the 42,000 shares for a period of two weeks after the effective date of registration for sale to stockholders at \$15.50 per share. For details see issue of Feb. 7.

**United Cigar-Whelan Stores Corp., N. Y. (5/29)**

May 10 filed 400,000 shares of common stock (par 30¢). **Underwriters**—Allen & Co. **Offering**—Initial public offering price will be determined by a formula. **Proceeds**—Proceeds will be used to reimburse company in approximate amount of \$845,000 spent in acquisition of the Dade Pharmacies and Dade Cut-Rate Liquor Store, for redemption of shares of prior preferred stock which are not exchanged for convertible preferred stock under the terms of an exchange to follow authorization of 50,000 shares of convertible preferred stock by the stockholders on June 24, for the acquisition of additional stores, and increase in working capital. **Business**—Sale of cigars, cigarettes, etc., and merchandise, drugs, liquor, etc.

**United Cigar-Whelan Stores Corp., N. Y. (6/3)**

May 14 filed 50,000 shares of convertible preferred stock. Cumulative dividend, \$3.50 per annum (par \$100). **Underwriters**—Allen & Co. **Offering**—Holders of outstanding prior preferred stock will be given privilege of exchanging such shares for shares of new convertible preferred stock at rate of four shares of prior preferred for one share of convertible preferred with a cash adjustment. All shares of convertible preferred not issued under the exchange offer will be sold to underwriters and offered to public at \$100 per share. Company proposes to redeem all unexchanged prior preferred stock. The issue of new preferred and redemption of old preferred is part of a financing program which includes public offerings of 400,000 shares of common stock. **Purpose**—To refund old preferred stock.

**United Grocers Co., Brooklyn (6/1)**

April 25 (letter of notification) \$300,000 5% debentures dated June 1, 1946; due June 1, 1956. **Offering**—To be offered by company to stockholders and customers; also exchanged for \$75,000 6% bonds to be redeemed July 1, 1946. Price, par. **Proceeds**—Proceeds will be used as follows: payment of bonds, \$75,000; construction of new building, \$150,000; mechanizing warehouse equipment, \$25,000; working capital, \$50,000.

**United Investors Corp., Denton, Texas (6/3)**

May 14 filed \$1,000,000 investment trust fund certificates, in units of \$10 and up, in multiples of \$10. **Offering**—At market. **Proceeds**—For investment. **Business**—A management investment company.

(Continued on page 2696)



(Continued from page 2695)

**U. S. Airlines, Inc., St. Petersburg, Fla. (6/1)**

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.

**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.

**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.

**Western Kentucky Gas Co., Owensboro**

May 6 (letter of notification) 11,320 shares 4.80% cumulative preferred. Price to public \$26.50. Underwriter—J. J. B. Hilliard & Son.

**Wiggins (E. W.) Airways, Inc., Norwood, Mass.**

May 10 (letter of notification) 6,000 shares common (par \$50). Price to public, \$50 per share. No underwriting.

**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. Of-

fering—Price to public 30 cents per share, United States funds. For details see issue of Feb. 21.

**York (Pa.) County Gas Co. (5/27)**

May 8 filed \$1,700,000 first mortgage bonds, due 1976. Will be sold at competitive bidding. Interest rate by amendment. Offering—Price by amendment. Proceeds—Refunding. For details see issue of May 9.

**Young Radiator Co., Racine, Wis.**

Jan. 29 filed 100,000 shares of common stock (par \$1); also registered 40,000 shares of common for issuance upon exercise of warrants. Underwriters—Van Alstyne, Noel & Co. Offering—Price to public \$8.25 per share. Of 40,000 warrants to purchase common stock at \$8.25 per share prior to Feb. 1, 1951, 20,000 were issued to stockholders on recapitalization and 20,000 are being sold to underwriters at 10 cents per warrant share. Offering postponed indefinitely. For details see issue of Feb. 7.

## Prospective Security Offerings

(NOT YET IN REGISTRATION)

### • 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.

**American Eemberg Corp., New York**

June 25 stockholders will vote on proposal that present 7% preferred stock be exchanged for new 4½% issue. Alternative plan would be the refunding of the issue through sale of other securities.

**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 Broadcasting Co., New York**

April 25, E. J. Noble, Chairman, announced company is planning to offer a substantial amount of authorized but unissued common stock to the public and to owners of radio stations affiliated with the network, through an underwriting group headed by Dillon, Read & Co. Inc. Offer is dependent on approval of FCC.

**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.

**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.

**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.

**Atlantic Refining Co., Philadelphia**

May 7 stockholders approved proposal to increase the company's indebtedness from time to time by additional amounts not in excess of \$50,000,000 in aggregate. The purpose of the plan, it was said, is to place the company in a position to fund bank loans, add to working capital and to provide funds for capital expenditures. Probable underwriters include Smith, Barney & Co.

**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 Harri-man, Ripley & Co., Inc.; Lee Higginson Corp., and Halsey, Stuart & Co. Inc.

**Beatrice Creamery Co., Chicago**

May 1 company stated early registration of 59,862 shares of cumulative convertible preferred stock (par \$100) expected. The new issue, to be voted on by stockholders June 1, will be offered in exchange for \$4.25 preferred. Glore, Forgan & Co. will be underwriters.

**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.

**(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.

**Central & Southwest Utilities Co., Wilmington**

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 \$58,900,000 lower-coupon first mortgage bonds, proceeds from the sale of which would be used to redeem first mortgage 4% bonds, 1994, now is expected to be delayed until all litigation on 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., Inc.

**Consolidated Edison Co. of New York, Inc.**

March 18 stockholders granted management's request to mortgage system's properties said to be forerunner to refund \$304,240,000 callable debentures. Contemplated new bonds, to be sold at competitive bidding, would initially, it is said, involve \$100,000,000. Morgan Stanley & Co. probable underwriters.

**Consumers Power Co., Jackson, Mich.**

March 14 filed with Michigan P. U. Commission application to sell at competitive bidding 876,568 common shares, after capital adjustment. Proceeds for extensions. Probable bidders include Morgan Stanley & Co.; Lehman Brothers; Harriman, Ripley & Co., and Mellon Securities Corp. (jointly).

**Detroit Edison Co., Detroit, Mich.**

March 19 committee of directors formed to consider refinancing of \$65,000,000 3½s and 4s. Probable bidders include: Mellon Securities Corp., First Boston Corp., Dillon, Read & Co. Inc., Coffin & Burr, Halsey, Stuart & Co., Inc., and Spencer Trask & Co.

**Empire District Electric Co., Joplin, Mo.**

May 3 company filed application with the Arkansas P. S. Commission for authority to issue \$2,000,000 2½% first mortgage bonds due in 1976. Proceeds would be used for additions and improvements to the company's properties in Missouri, Arkansas, Kansas and Oklahoma. Probable bidders include The First Boston Corp.; Halsey, Stuart & Co. Inc.; Shields & Co. and Lehman Brothers.

**General Cable Corp., New York**

June 10 stockholders will vote on recapitalization plan which will provide a new issue of \$15,000,000 4% first preferred stock (par \$100) and \$7,500,000 4% cumulative convertible second preferred stock (par \$50) and the reclassifying of the class A stock with arrears of \$4 per share into common stock at rate of 4 common shares for each class A share. Plan provides for refunding the outstanding \$15,000,000 7% preferred with dividend arrears of \$52.50 per share by making holders a voluntary exchange offer of one share of 4% preferred, one share of 4% second preferred and \$12.50 in cash, plus dividends accrued from May 1 to exchange date, for each 7% preferred share. Exchange offer will be underwritten by Blyth & Co., Inc.

**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.

**Graef & Schmidt, Inc., New York**

The Alien Property Custodian invites bids for the purchase, as a whole, of 100 shares of common stock (no par) constituting all the issued and outstanding common stock. Company presently is engaged in the manufacture and sale of a line of scissors and shears. All bids must be presented at the Office of Alien Property Custodian, 120 Broadway, New York 5, N. Y., on or before 12 noon (EDST), June 7, 1946.

**Green's Ready Built Home, Inc., Rockford, Ill.**

May 15 it was reported that early registration of 350,000 shares of common stock (par \$1) was expected. Company, it is stated, will also sell 150,000 warrants to underwriters at 10¢ per warrant. Price of stock to public is expected to be \$3.50 per share. Underwriters, it is understood, will be R. H. Johnson & Co., New York, and Shillinglaw, Bolger & Co., Chicago.

**Gulf States Utilities Co., Beaumont, Texas**

May 13 company, subsidiary of Engineers Public Service Co. proposed a \$27,300,000 refunding program to SEC to effect interest savings. Company proposes to sell at competitive bidding \$27,000,000 new bonds with interest rate to be fixed by successful bidder and to borrow \$2,000,000 on its 1¼% promissory note from Irving Trust Co. Proceeds would be used to redeem \$27,300,000 first mortgage and refunding bonds, series D, 3½% due May 1, 1969. Probable bidders include Stone & Webster Securities Corp.; The First Boston Corp.; Halsey, Stuart & Co. Inc., Blyth & Co., Harriman, Ripley & Co.

**Huyler's, New York City**

May 5 reported that stockholders' meeting will be convened shortly for purpose of increasing authorized common from 600,000 to 700,000 shares; to authorize the sale of the 100,000 shares plus 41,530 now unissued (total 141,530) at not less than \$10 per share. Proceeds would be used to redeem loan, preferred stock and for working capital.

**Illinois Central RR.**

May 3 it was announced that in connection with proposed bond refunding plan company proposes to sell \$35,000,000 first and refunding mortgage bonds Series B. Proceeds would be used to retire outstanding refunding mortgage bonds to be called for payment Nov. 1 at 107½. Probable bidders: Kuhn, Loeb & Co. and Halsey, Stuart & Co. Inc.

UNITED STATES GOVERNMENT,  
STATE, MUNICIPAL AND  
CORPORATE SECURITIES

**BLAIR & CO.**

INC.  
NEW YORK

BOSTON BUFFALO CHICAGO CLEVELAND  
PHILADELPHIA PITTSBURGH ST. LOUIS



**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.

**Indianapolis (Ind.) Power & Light Co.**

April 24 it was reported that company probably will replace its \$32,000,000 first 3 1/4% due May 1, 1970, with new lower-cost securities. Probable underwriters include Lehman Brothers; Blyth & Co., Inc., and Halsey, Stuart & Co. Inc.

**Indianapolis (Ind.) Water Co.**

May 6 company filed a petition with the Indiana State P. S. Commission asking permission to sell \$14,725,000 bonds bearing 2 1/4% interest and due in 1976 at not less than 101 1/2%. Proceeds will be used to redeem \$14,425,000 of 3 1/2% bonds callable at 104 and due in 1966. Probable underwriters include Morgan Stanley & Co., and Harriman, Ripley & Co.

**Insuranshares Certificates, Inc.**

May 2 company announced that 101,700 shares of capital stock (par \$1) would be offered for subscription to stockholders of record May 27 at \$5 per share. Rights expire June 17 3:00 p.m. Offering is contingent on registration statement (yet to be filed) becoming effective.

**International Minerals & Chemicals Corp., Chicago, Ill.**

May 20 stockholders will vote on approving sale of 145,334 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.

**Iowa Public Service Co.**

May 14 company applied to the SEC for permission to sell at competitive bidding \$13,750,000 of new first mortgage bonds and 42,500 shares of cumulative preferred stock. The company would also issue \$1,750,000 bank notes and give present common stockholders the right to purchase 137,333 shares of additional common stock (par \$15) on the basis of one share for each three shares held, at a price to be determined later. The company plans to refinance bonds, debentures and first and second preferreds outstanding in an aggregate amount of \$20,283,946. The securities to be retired include first mortgage bonds, 3 3/4%, \$13,753,000; 5% debentures, \$1,442,000; first preferred, \$3,841,146, and second preferred, \$1,247,000. Probable bidders for the new securities include Halsey, Stuart & Co. Inc. (bonds); First Boston Corp.; W. C. Langley & Co. (stock); A. C. Allyn & Co., and Blyth & Co.

**Kurman Electronic Corp.**

Company, manufacturer of various electrical relays and clocks, is reported planning the sale of 90,000 shares of common stock through B. G. Cantor & Co. An additional 7,500 shares would be sold for account of N. S. Kurman, President. Price \$3 per share.

**Lowenstein (M.) & Sons, Inc., New York**

May 14 it was reported that due to expansion and acquisition of grey mills company, has need of additional capital. If additional stock is required, Eastman, Dillon & Co. are expected to head the underwriting syndicate.

**Mead Corp., Chillicothe, Ohio**

June 9 stockholders will vote on authorizing refunding of \$8,000,000 privately-held first mortgage 3 1/4% bonds due 1960 and refinancing the outstanding 30,755 (no par) \$6 cumulative preferred stock Series A and 49,079 (no par) \$5.50 cumulative preferred stock. The refinancing would be accomplished through the sale of new bonds and preferred stock carrying lower dividend rate. The proposed financing would also provide for \$7,000,000 new capital for expansion purposes. Probable underwriters include Drexel & Co., and Lehman Brothers.

**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.

**Michigan-Wisconsin Pipe Line Co.**

May 3 it was reported that Michigan Consolidated Gas Co., through the purchase of \$17,000,000 in common stock, would acquire full control of the Michigan-Wisconsin Pipe Line Co. Sale of the stock to Michigan Consolidated would be a part of the initial financing of the new company, which proposes to build a \$71,000,000 pipe line to bring natural gas from Texas to Midwest States. Michigan-Wisconsin's proposal also contemplates issuance of \$6,000,000 in 2% 5-year serial notes and of \$34,000,000 in 3 1/4% 20-year first mortgage bonds to complete the "initial financing." The plan has yet to be presented to the SEC. Probable bidders of the

bonds include Dillon, Read & Co. Inc.; Glore, Forgan & Co.; White, Weld & Co.; Halsey, Stuart & Co. Inc.; and Mellon Securities Corp.

**Milwaukee Gas Light Co.**

May 6 it was reported company is considering refunding its \$3,000,000 4 1/2% bonds due 1967 and the refunding or retiring of the \$2,000,000 outstanding 7% preferred stock. Refunding step would strengthen company's capital structure as a forerunner to distribution of its stock by the American Light & Traction Co., parent, to enable latter to meet Utility Holding Company Act requirements. Probable bidders include Otis & Co., Glore, Forgan & Co. and Lehman Brothers (jointly); Halsey, Stuart & Co. Inc., and Dillon, Read & Co. Inc.

**Missouri Power & Light Co., Jefferson City, Mo.**

May 3 company, a subsidiary of North American Light & Power Co., requested the SEC for authority for a proposed refinancing program. Missouri proposes to redeem and retire all of its 50,000 shares of \$6 preferred stock and to issue and sell for cash 40,000 shares of new (\$100 par) preferred stock; reclassify and convert its 75,000 shares of existing common stock (no par) into 165,000 shares of new common (\$20 par) and retire all and refund part of its outstanding debt by redeeming its \$9,000,000 aggregate principal amount of first mortgage bonds, 3 3/4% series due 1966, and issuing and selling \$7,500,000 new first-mortgage bonds, due 1976 at competitive bidding. Probable bidders include Halsey, Stuart & Co. Inc. (bonds only); The First Boston Corp.; Blyth & Co., Inc.; Coffin & Burr, Inc., and Kidder, Peabody & Co.

**Montgomery Ward & Co., Chicago**

Sewell L. Avery, Chairman, following the annual stockholders' meeting, indicated that rights may shortly be offered to shareholders to raise funds to finance an expanded volume of business. Probable underwriters if stock is offered include Glore, Forgan & Co., and Shields & Co.

**National Gypsum Co.**

May 15 it was reported that early registration of 275,000 shares of common stock is expected. Probable underwriters include W. E. Hutton & Co.; Blyth & Co., Inc.; Hemphill, Noyes & Co.

**New England Gas & Electric Association, Cambridge, Mass.**

March 27 filed amended recapitalization plan with SEC providing for sale at competitive bidding of (a) \$22,500,000 20-year sinking fund collateral trust bonds, plus (b) sufficient shares of new common stock out of the original issue of 2,300,000 shares to supply \$11,500,000. Proceeds will be used to retire at par and interest outstanding debentures. Bidders may include Halsey, Stuart & Co., Inc. (for bonds only), Bear, Stearns & Co. (for stock only), First Boston Corp., White, Weld & Co.-Kidder, Peabody & Co. (Joint).

**New York 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 3 1/4% 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 4 1/2% bonds due 1975 and the issuance of a new series of collateral trust bonds. Prospective bidders, Morgan Stanley & Co., Halsey, Stuart & Co. Inc., and Kidder, Peabody & Co.

**Ohio Edison Co., Toledo, Ohio**

March 21 filed with Ohio P. U. Commission application to sell through competitive bidding 204,153 shares of common stock. Proceeds for expansion, etc. Hearing on application before SEC will be held June 5. Probable bidders include First Boston Corp.; Glore, Forgan & Co.; White, Weld & Co.-Shields & Co. (jointly); Morgan Stanley & Co., and Stone & Webster Securities Corp.

**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.

**Pennsylvania Gas & Electric Corp., York, Pa.**

May 7 corporation applied to the SEC for permission to sell all of the common stock of the Petersburg & Hopewell Gas Co. (a subsidiary) consisting of 55,000 shares (par \$10) to Scott, Horner & Mason, Inc., of Lynchburg, Va., for \$600,000, plus closing adjustments.

**Pere Marquette Ry.**

April 24, W. H. Wenneman stated that refinancing of company's \$59,749,000 first mortgage 3 3/4% will be undertaken following consummation of merger of road with Chesapeake & Ohio Ry. Probable underwriters include Halsey, Stuart & Co., Inc., and Blyth & Co., Inc.

**Philadelphia (Pa.) Electric Power Co.**

April 19 company filed with SEC a plan to simplify capital structure which embraces among others the proposed sale through competitive bidding of \$30,000,000 first mortgage bonds due 1975; \$12,000,000 of serial notes to be sold to banks, insurance companies and institutions; issue of 242,000 common shares in exchange for demand notes of Philadelphia Electric Co., parent, and sell 120,000 common shares to Philadelphia Electric Co. Probable bidders will include Halsey, Stuart & Co., Inc.; Drexel & Co.; Kidder, Peabody & Co.; Shields & Co., and White, Weld & Co. (jointly); Morgan Stanley & Co.

**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.

**Radio-Keith-Orpheum Corp., New York**

May 4 L. Boyd Hatch, Executive Vice-President of Atlas Corp., stated that company may shortly dispose of all or part of its holding of R-K-O common stock; which amounted to 1,329,020 shares (43%) Dec. 31, 1945, with a total market value as of that date of \$21,762,702. Sale may be made by June 30 or some time in the fall. Probable underwriters if stock is sold, Dillon, Read & Co. Inc.

**Reynolds International Pen Co., Chicago**

An early offering of 200,000 shares of common stock at about \$10 per share is expected, with Allen & Co. as principal underwriters.

**St. Louis (Mo.) Public Service Co.**

April 19 the company petitioned the Missouri Public Service Commission to simplify its financial structure, including reduction in interest and sinking fund charges. 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.

**Seaboard Corp., Harrisburg, Pa.**

April 30 John Stapf, President, announced that proposals and plans for the refinancing of corporation and affiliated interests will be received until June 1, 1946, by the company. Operations consist mainly of owning and managing 22 water utilities located in several states. Interested firms are invited to communicate with the general office, N. Sixth St., Harrisburg, Pa.

**Seaboard Fruit Co., Inc., New York**

It is understood that company will file a letter of notification in the near future covering an issue of convertible Class A stock and common stock to be offered in units of one share of each, the aggregate to be in the neighborhood of \$295,000. It is expected that Hill, Thompson & Co., will be underwriters. Company, which is in business for about nine years, is engaged in the exporting of fruit, meats, vegetables, etc., to Latin American countries.

**Socony Vacuum Oil Co., Inc.**

May 7 reported company contemplating refunding its \$50,000,000 outstanding 3%, sinking fund debentures due July 1, 1964, and possibly a part of the \$50,000,000 serial notes now held by banks. It is believed new issue would carry a coupon rate of 2 3/4-2 1/2% and would mature in 25 years. Probable underwriter, Morgan Stanley & Co.

**Southern Co., New York**

The Southern Co. (to be successor to Commonwealth & Southern Corp.) proposes to sell for cash (when Commonwealth's recapitalization plan becomes effective) sufficient common stock to realize \$10,000,000, to be invested in Southern Co.'s subsidiaries and new construction.

**Southern Electric System, Inc.**

May 10 pursuant to substitute plan for retirement of preferred stocks of Electric Power & Light Corp., filed with SEC common stockholders of Electric Power & Light Corp., would be given rights to subscribe to United Gas Corp. common stock and stock of the new holding company Southern Electric System, Inc. The latter company would be formed to hold the stocks of Arkansas Power & Light Co., Louisiana Power & Light Co., Mississippi Power & Light Co., and New Orleans Public Service Inc.

(Continued on page 2698)



(Continued from page 2697)

**Standard Gas & Electric Co.**

May 15 hearing will be held before SEC on application of Standard Power & Light Corp. for authority to sell from time to time all or any part of 1,600,000 common shares of S. G. & E., now owned by it, such sales to be either private sales for investment or to be made in the open or counter market.

**Sunray Oil Corp.**

May 1 proposed merger of Sunray and Transwestern Oil Co. announced, subject to stockholders' approval. Public distribution of securities of Sunray is proposed with Eastman, Dillon & Co. principal underwriters.

**Sutherland Paper Co., Kalamazoo, Mich.**

May 6 it was reported company had under consideration some new financing. Probable underwriter, Harris, Hall & Co. (Inc.).

**Textron, Inc.**

April 30 it was stated that a plan was under way to finance a new company to acquire the assets of Nashua Manufacturing Co., 95% of the common stock of which is owned by Textron. Probable underwriter, Blair & Co.

**Union Electric Co. of Missouri**

It is rumored that company contemplates refunding its outstanding \$90,000,000 3½s of 1971 with lower cost obligations. Possible bidders would include Dillon, Read & Co. Inc., and Halsey, Stuart & Co., Inc.

**Union Pacific RR.**

May 9 it was reported officials are considering the question of meeting the \$100,000,000 first mortgage railroad and land grant 4s due July 1, 1947. However it is felt maturity date is too far away to determine now whether issue will be paid off in cash or will be refunded. If company decides to refund through new issue probable bidders will be Kuhn, Loeb & Co., and Halsey, Stuart & Co. Inc.

**United Drug, Inc.**

May 4 it was stated that public offering of between 600,000 and 1,000,000 shares of additional capital stock now being negotiated with underwriters. The actual size of the offering will depend on progress of financ-

ing discussions and prevailing business conditions. Stockholders voted May 14 to reduce the par value of the capital stock from \$5 to \$2.50 a share, and to increase the authorized capital stock from 1,400,560 shares to 5,000,000 shares. Stockholders also approved a two-for-one split of the present capital stock. A proposal to change the name of the company to United-Rexall Drug, Inc., was also voted. Probable underwriter, Smith, Barney & Co.

**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 Lines Co., Hoboken, N. J.**

June 4 stockholders will vote on creating a new issue of 4½% cumulative preferred stock junior to the present 7% preferred stock. It is proposed to offer the new preferred in exchange for the 7% preferred stock share for share. Unexchanged 7% preferred will be called for redemption. It is not the present intention to issue any new preferred except in exchange for the 7% preferred.

**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.

**Vacuum Concrete Inc., New York**

May 3 reported stockholders approved increase in authorized capital from 310,000 shares (par \$1) to 350,000 shares (par \$1). Additional stock will be used to obtain working capital and for purchase of assets of Vacuum Concrete Corp., parent, which it is planned to liquidate. Probable underwriter, Hanson & Hanson.

**Wabash Railway**

May 1 it was reported that company may possibly refund its \$47,000,000 first mortgage 3½s of 1971 with a lower coupon issue. Possible bidders include Halsey, Stuart & Co., Inc., and Kuhn, Loeb & 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.

**Willys-Overland Motors, Inc., Toledo, O.**

May 29 stockholders will vote on authorizing an issue of 250,000 shares of preferred stock, of which 155,000 shares carrying dividends not to exceed \$4.50 per share and convertible into common stock would be issued immediately. Authorized common would be increased to 4,100,000 from 2,850,000 of which 310,000 additional shares would be issued. Common stockholders would be given right to subscribe for one new preferred share for each 16 common shares held and one common share for each eight shares held. Kuhn, Loeb & Co. are expected to underwrite the preferred issue. Willys-Real Estate Realization Corp., together with Empire Securities, Inc., and Willys-Overland Branches, Inc., are expected to purchase any common shares not subscribed for by common stockholders.

**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 debts, int. rate not to exceed 2¾%, to be guaranteed by parent. Issue to be sold through competitive bidding. Possible bidders include Halsey, Stuart & Co., Inc.; Morgan Stanley & Co.; Lehman Bros., Harriman Ripley & Co. and Union Securities Corp. (Joint); Blyth & Co., Inc.; Shields & Co. and White, Weld & Co. (Joint); W. C. Langley & Co.; Merrill, Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly).

## The Farmer and National Debt

(Continued from first page)

prediction of the Department of Agriculture that cash receipts this year from farm marketings will fall only half a billion dollars short of the record of \$20,700,000,000 of 1945—and what do you have?

Many of you deal mostly with farmers. I do not need to tell you what we have in this situation. We have something like the power locked up in uranium 235—it can be a power for good or it can blow the farmer all the way back to 1920.

The outcome depends largely upon what farmers do in this critical year 1946. What they do with their savings and their current income will affect their welfare and yours for at least a generation to come. And what they do depends to a large degree upon the advice they get from their bankers.

I come before you as a kind of Prophet Daniel from Washington to point out the handwriting on the wall.

**Farm Land Prices**

Today, average farm land prices in the United States are 71% above the 1935-39 levels. That's inflationary pressure very near the point where the boiler might "bust."

Reckoning 1912-14 averages as 100, farm real estate prices in Mississippi reached 155 in 1919, right after World War I, and climbed to 218 in the peak of 1920. Prices dropped to 73 during the depression low point of 1933. At the outbreak of World War II in 1939, this figure stood at 106. It had risen to 172 in November, 1945, after World War II, and had reached 196 as of March, 1946. It had only 23 points to rise to top the folly of 1920. In other words, in the six and one-half year period from September, 1939, through March, 1946, farm real estate in Mississippi has increased 90% in price with a 24% increase in the past four months alone. I need not tell you that continuation of the present trend can end only in a disaster such as farm-

ers suffered in the crash of 1920. You remember well the effect that boom and "bust" had on your bank and community.

Financial income from farm marketings in Mississippi in 1944 amounted to \$369,000,000. In 1945, due to bad weather and labor conditions at harvest time, income dropped to approximately \$300,000,000. However, the prospects for 1946 indicate that income from marketings will again approach the 1944 level. This will mean that the farmers of your State will get an estimated \$60,000,000 more in 1946 than they did in 1945.

**A Hazardous Business**

During this year of 1946, many farmers will be solicited to invest their wartime earnings in speculative enterprises, most of which will have little or no merit or chance of survival. Farming itself is a highly speculative and hazardous business at best. Farmers will be infinitely better off if they balance the necessary risks of their own business with financial reserves invested in the soundest possible security—United States Savings Bonds. There is nothing that will be better for your community in the long run than to get farmers to hold the Savings Bonds they now own and to make substantial additions to them.

To help you reach those with excess cash, we have planned the first extensive peacetime publicity promotion for United States Savings Bonds, starting on June 6, second anniversary of D-Day in France, and ending on July 4, Independence Day. This program will dramatize the self-interest theme as never before. In addition, we are planning another campaign which will come after harvest time in the fall.

**A Reserve for Farmers**

It is not only good for your community, but I believe it is to the self-interest of bankers to get more of the farmers' present cash holdings and current receipts into

United States Savings Bonds. The farmer who has three or four times as much in his checking account as he used to have or who has a big roll of currency behind the clock is not likely to be a customer for bank credit any time soon. If he dissipates what he has saved in unwise investments he may turn to some other source when he again needs credit. On the other hand, if he has substantial holdings in Savings Bonds he will likely come to your bank when he needs money. If his anticipated income would cover the loan in a reasonable time, you can talk the possibility of his borrowing . . . instead of redeeming Savings Bonds. When the loan is paid the farmer will still have his financial reserve in Bonds and will continue to be a sound credit risk for the bank, not to speak of how much happier the farmer will be.

A recent survey made by the Department of Agriculture indicates that 62% of the farmers of the nation prefer to buy Savings Bonds through their bankers. That's why you gentlemen can play such an important part in our present program.

We have seen that 1946 farm income could easily equal the all-time high of 1945. It is also true that the national income for 1946 will approach the all-time high. This, plus the vast accumulation of liquid assets in the hands of individuals—about \$181,000,000,000 last month—makes it imperative that we siphon the overflow of this purchasing power into savings accounts, insurance and United States Savings Bonds in order to hold the lid down against pressure on prices.

**Savings Bonds Best Security Aid**

We urge the bankers of Mississippi and the nation to help us siphon excess funds into Savings Bonds. This will serve three very important ends—(1) ease the pressure on prices by reducing the amount of money available for scarce goods, (2) maintain widespread ownership of government securities, and . . . at the same time, give the Treasury additional funds for the retirement of maturing bonds held by commercial banks, (3) provide personal se-

curity for the individual. The best aid to social security that anyone can have is a safety deposit box full of United States Savings Bonds.

Gentlemen, most of your friends, neighbors, and customers are interested in personal financial security more than anything else on this earth. You don't have to be told that you serve your own interests by helping your depositors toward this goal. Cash in the bank or in the pocket tends to slip away into non-productive channels, thereby weakening your community. There are always plenty of slickers on hand to see to this and 1946 may set another crop record—a bumper crop of suckers—if we don't watch out.

I cannot stress too strongly that all thrift promotion by the Treasury Department will be in the future, as it has been in the past, beneficial to the banks in the end. Therefore, we can solicit your aid not only as an obligation to your country but as a solemn duty to your depositors and in the interest of your own bank. The fate of the American farmer, I repeat, depends largely upon the wisdom of his banker. This is not a situation that can be met sitting down—you've got to go out and battle with it.

Two years ago, our brothers and sons were dying in the bloody hedgerows of Normandy, on the beach at Iwo Jima, in the graveyards of Okinawa. They did what no human force was supposed to be able to do; they smashed through Hitler's West Wall and were in Berlin in a year, in Tokyo a few weeks later.

If we tackle the problems of the present with one-tenth the determination and will it took to win that double war, gentlemen, we can even keep the American farmer from going down that lonesome road again—the road to ruin. And on the welfare of the farmer, God bless him, depends the welfare of us all.

## Longines-Wittnauer Stock Offered by Paul H. Davis Group

Paul H. Davis & Co. head a banking group which today is making public offering of 125,000 shares (\$1 par) common stock of the Longines-Wittnauer Watch Co., Inc., priced at \$15 per share. The company distributes in this country some of the world's foremost watches, the movements of which are made by the internationally-known Longines and Wittnauer companies in Switzerland and other companies. Others in the banking group include A. C. Allyn and Company, Inc. and Emanuel, Deetjen & Co.

The stock being offered today represents a portion of the holdings of a large stockholder and no proceeds from its sale will accrue to the company. The company, however, has registered 100,000 shares of its authorized but unissued common stock so that any of this stock issued in converting its preferred stock will not have to be registered again with the Securities and Exchange Commission.

Net earnings for the year ended March 31, 1945, after all charges and provision for taxes, were \$195,506 as against \$206,963 in 1944 and \$170,140 in 1943. Net for the nine months ended December 31, 1945 were \$417,369. Capitalization will consist of 50,000 shares of \$1.20 cumulative convertible preferred stock, without par value, and 500,000 shares of common, \$1 par of which 400,000 shares will be outstanding.

**Roy Rife With Bache & Co.**

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, OHIO—Roy E. Rife has become associated with Bache & Co., Dixie Terminal Building. Mr. Rife was formerly general manager for the Cincinnati Board of Trade and prior thereto for many years was with Thomson & McKinnon.



## Carey Defends Restriction On Interest Rates

(Continued from page 2652)

added, "their position briefly and in essence was that such control is no longer necessary as conditions have changed and the individual bank boards are competent to decide, and should decide, what can be paid safely to depositors in the form of interest or dividends on time or savings deposits." Continuing, he said:

"The proponents of Senate 68 among other things, called attention to the following factors:

"The major portion of depositors' funds is invested in U. S. Government bonds and opportunities for profitable investment in this field have decreased during the current year and show no signs of improvement in the immediate future as a result of the U. S. Government's financial policy emphasizing low interest rates. In this connection, some United States Government bond issues have dropped over 3 points during the past month and a further substantial drop in bond values would seriously affect bank capital accounts.

"Mortgage money is overabundant and has forced down mortgage rates of interest. Furthermore, mortgage loans are being made on highly inflated real estate values with an attendant increase in the credit risk. Reserves should be set up against possible losses in mortgage portfolios as we have no assurance that we won't have a recurrence of periods of economic stress within the next few years.

"Expenses—particularly in payrolls—have substantially increased during the current year and probably will continue to increase.

"The capital accounts in banking institutions generally are still thin in proportion to deposits and should be further strengthened. As the result of the sad experience of banks in the nineteen thirties, all of us, the public, bankers and bank supervisory agencies, learned a hard and costly lesson. It was this: A bank cannot pay out to depositors most of what it earns and at the same time protect the deposits of such customers by building up capital or surplus buffers to take the shocks of future disturbances, the kind or extent of which no one can foretell. It was tried in the nineteen twenties when banks paid interest rates as high as 4½% on savings accounts, as well as low rates on demand accounts, lured on by stimulated conditions following a world war, a surprisingly similar picture to that we find today. When the crash came, we woke up sadder, wiser, but much poorer, with many of our banking institutions mere shells of what they once were, ready to tumble over, as too many did, at the first unfavorable economic wind.

"If we learned anything during those troublesome days, it was that institutions which loan money on rising real estate values at 4 to 5½%, when prime securities like Government bonds pay less than half that, it is that such banking institutions should retain a reasonable part of such interest receipts as a protection of the public's deposits against economic disturbances, postwar or otherwise. The control of interest rates has been helpful in building up such protection of the public's deposits.

### The Proposed Bank Revision Bill

"In conclusion, it might be pertinent to observe that the whole question and philosophy of the wisdom of reposing such power in the Commissioner will be resolved definitely and permanently when the bank revision bill comes before the 1947 Legislature and, therefore, S-68 merely fills in the

gap which otherwise would ensue, until the revision is passed on next year.

"Looking forward to the time of decision, therefore, may we suggest that you carefully consider this matter from all angles and make your conclusions known so that the committees of your respective banking associations, your Banking Commissioner and your legislators may have the benefit of your views and so be able to reach a decision in the best interests of both the banks and the people of this state.

"The second and last subject which I would like to call to your attention is the proposed revision of the banking code and a program to insure its adoption next year.

"During the past year, a tremendous amount of time and effort was spent on the revision and the commercial bank and trust company section was submitted to the Legislature in the closing weeks of their sessions but, unfortunately, too late for adoption into law. Your committee, our Banking Advisory Board, the Bureau of Banking and the several attorneys attached to these groups tried to crowd three years' work into one, and very nearly succeeded in accomplishing the task. However, it's an 'ill wind that blows no good' and we will now have an opportunity to further refine the suggested revision and also add the savings banks section on which considerable work has already been done.

"I won't discuss the details of the changes at this time as most of you have read the revision and know the substantial nature of the improvements and streamlining of the proposed code. If any of you folks haven't read the revision you should be thoroughly grounded in it so that you can help sell it to the public and to your legislators.

"In order to properly publicize the proposed revision, I have suggested to your association that it be printed in final form and a pamphlet be prepared showing the changes and advantages of the new code as compared with the old. Your public relations men and advertising experts should have a hand in the preparation of this pamphlet in order to dramatize it to the best effect. Copies of the code should be sent to every bank, every legislator, the newspapers and other interested publications. This should be done well in advance of the next session of the Legislature. On the first day the Legislature meets, I would suggest that your association sponsor the bill and have it placed in the hands of the proper legislative committee.

"Furthermore, I believe it would be helpful if you had a small committee explain the bill thereafter so it will receive favorable consideration. If we, in the Department, can be helpful, just call on us and we'll gladly do everything we can for you.

"And don't forget the Governor and the Attorney General. They also have to be informed as to what the bill is all about and be certain of its advantages in helping you better serve the public."

### Cleveland Bond Club To Hold Spring Party

CLEVELAND, OHIO — The Bond Club of Cleveland will hold its annual spring party at the Sleepy Hollow Country Club on June 21. Since dinner accommodations will be adequate only for the membership, the usual guest privilege will be omitted.

## Broker-Dealer Personnel Items

(Special to THE FINANCIAL CHRONICLE)  
BOSTON, MASS.—Paul S. Vaites, Jr. has joined the staff of W. H. Bell & Co., 49 Federal Street.

(Special to THE FINANCIAL CHRONICLE)  
BOSTON, MASS.—James S. L. Kidd is with Carver & Co., Inc., 75 Federal Street.

(Special to THE FINANCIAL CHRONICLE)  
BOSTON, MASS.—Russell C. Bramble has become associated with Ira Haupt & Co., 10 Post Office Square. In the past he was with W. F. Rutter & Co.

(Special to THE FINANCIAL CHRONICLE)  
BOSTON, MASS.—Joseph M. Rinaldi is now with Lerner & Co., 10 Post Office Square.

(Special to THE FINANCIAL CHRONICLE)  
BOSTON, MASS.—Duncan F. Heslin and William E. Lambert are connected with F. L. Putnam & Co., Inc., 77 Franklin Street.

(Special to THE FINANCIAL CHRONICLE)  
FORT WAYNE, IND.—Robert M. Howe is with Slayton & Co., Inc.

(Special to THE FINANCIAL CHRONICLE)  
GLENDALE, CALIF.—Wallace T. Hunter has become associated with Robert L. Winters & Co., Inc.

(Special to THE FINANCIAL CHRONICLE)  
INDIANAPOLIS, IND.—James D. Barr has joined the staff of Slayton & Co., Inc., Circle Tower.

(Special to THE FINANCIAL CHRONICLE)  
LANTRY, SO. DAK.—Paul F. McLellan is with Herrick, Waddell & Co., Inc. of New York City

(Special to THE FINANCIAL CHRONICLE)  
LOS ANGELES, CALIF.—Agnes B. Potocar is now affiliated with Blyth & Co., Inc., 215 West Sixth Street.

(Special to THE FINANCIAL CHRONICLE)  
LOS ANGELES, CALIF.—Bertam S. Urbach has been added to the staff of Buckley Brothers, 530 West Sixth Street.

(Special to THE FINANCIAL CHRONICLE)  
LOS ANGELES, CALIF.—Kenneth E. Smith is with Harker & Co., 210 West Seventh Street.

(Special to THE FINANCIAL CHRONICLE)  
LOS ANGELES, CALIF.—Willis T. Jordan and Thomas V. Waitt have become associated with J. A. Hogle & Co., 507 West Sixth Street.

(Special to THE FINANCIAL CHRONICLE)  
LOS ANGELES, CALIF.—Leo F. Flower is now affiliated with Oscar F. Kraft & Co., 530 West Sixth Street. He was previously with Slayton & Co. and G. Brahears & Co.

(Special to THE FINANCIAL CHRONICLE)  
LOS ANGELES, CALIF.—Cecil C. Russell has been added to the staff of Revel Miller & Co., 650 South Spring Street.

(Special to THE FINANCIAL CHRONICLE)  
LOS ANGELES, CALIF.—Bernard Brown is with Paul D. Speer & Co., 610 South Broadway.

(Special to THE FINANCIAL CHRONICLE)  
LOS ANGELES, CALIF.—Kenneth R. Cutler is connected with William R. Staats Co., 640 South Spring Street.

(Special to THE FINANCIAL CHRONICLE)  
LOS ANGELES, CALIF.—Frank A. Thomas has become associated with Dean Witter & Co., 634 South Spring Street.

(Special to THE FINANCIAL CHRONICLE)  
MILWAUKEE, WIS.—Lawrence H. Hoerres has rejoined Bache &

Co., 229 East Wisconsin Avenue, after serving in the armed forces.

(Special to THE FINANCIAL CHRONICLE)  
NEW BEDFORD, MASS.—Wm. E. Belknap 2nd has joined the staff of Gregg, Storer & Co., Merchants Bank Building.

(Special to THE FINANCIAL CHRONICLE)  
OAKLAND, CALIF.—John C. Mueller has become connected with Mason Brothers, Central Bank Building.

(Special to THE FINANCIAL CHRONICLE)  
PORTLAND, ME.—Sumner W. P. Leighton has become associated with W. E. Hutton & Co., 188 Middle Street.

(Special to THE FINANCIAL CHRONICLE)  
RALEIGH, N. C.—Paul O. Latham has joined George I. Griffin, Insurance Building.

(Special to THE FINANCIAL CHRONICLE)  
SAN FRANCISCO, CALIF.—P. R. Palmer is with Bacon & Co., 256 Montgomery Street.

(Special to THE FINANCIAL CHRONICLE)  
SAN FRANCISCO, CALIF.—Eleanor T. Gatti is now connected with Barbour, Smith & Co., Los Angeles investment firm. Miss Gatti was formerly with Franklin Wulff & Co., Inc.

(Special to THE FINANCIAL CHRONICLE)  
SAN FRANCISCO, CALIF.—Ordo W. Irwin is with North American Securities Co., Russ Building.

### Britishers Betting On American Loan

dent during the last few days even when the outlook appeared to be most unpromising. The reason for the difference is that refusal of the loan would no longer be considered to be such a disaster as it was considered two months ago.

Even though the rejection of the McFarland amendment strengthened hopes in British official circles, they are aware that it is still a long way to ratification in the House. For this reason, the steps to be taken in case of refusal remain under active consideration. The immediate measures may be summed up as follows:—

(1) The Government would notify the International Monetary Fund and the International Bank for Reconstruction and Development that the United Kingdom wishes to withdraw from both organizations.

(2) The Government would notify the United States Government that the undertaking given in the agreement of December 6, to support American commercial policies at the coming international trade talks, is no longer valid, even though the less precise undertaking given in Article 7 of the Lend-Lease Pact remains in force.

(3) Restrictions would be imposed on transfers to the United States arising from current trade transactions. In particular, remittances to Hollywood would be blocked as they were in 1940.

(4) The import of goods for which payment has to be made in dollars would be drastically curtailed.

(5) The existing bilateral trade pacts would be reinforced, and new pacts would be sought to be concluded. Countries which have export surpluses on their trade with the United Kingdom would be informed that such surpluses could only be maintained if payment is accepted in "sterling area balances," that is, sterling balances that can be spent in any sterling area country.

(6) The existing Imperial Pref-

erence system would be sought to be reinforced.

(7) The raising of private credits for financing imports, purchases abroad against payment in blocked sterling balances, and barter transactions would be encouraged.

All these and other measures are contrary to declared American policies. Nevertheless, the British Government would do its utmost to apply them in a way that would cause the least possible irritation in Washington. Official circles in London hope that, if the breakdown of the December agreement is due not to any British action but to non-ratification by Congress, the Washington Administration would view with understanding the defense measures necessitated by that breakdown. Had Britain rejected the terms offered by the United States Government, there might have been some justification for fears of the development of a spirit of hostility between London and Washington in a financial and commercial sphere. As it is, there is believed to be reasonable hope that the alternative to ratification is not a trade war but merely a lessening of the degree of co-operation between the two countries.

### DIVIDEND NOTICES



Dividend Notice May 4 1946

## BURLINGTON MILLS CORPORATION

The Board of Directors of this Corporation has declared the following regular dividends:

**4% CUMULATIVE PREFERRED STOCK**  
\$1 per share

**3½% CUMULATIVE PREFERRED STOCK**  
87½ cents per share

**3½% CONVERTIBLE SECOND PREFERRED STOCK**  
(for period April 23 to June 1)  
37 cents per share

**COMMON STOCK (\$1 par value)**  
50 cents per share

Each dividend is payable June 1, 1946, to stockholders of record at the close of business May 15, 1946.

WILLIAM S. COULTER, Secretary

### THE DUPLAN CORPORATION

Textile Weavers and Throwsters

*Duplan*

### DIVIDEND NOTICE

(Common dividends paid each year since 1908)  
**STOCK DIVIDEND** of 1 share of common for each 50 shares held, to holders of record May 20, 1946. Fractional shares to be paid in cash, at value based on last sale on New York Stock Exchange on May 20, 1946. Distribution on May 28, 1946.  
**CASH DIVIDEND** on common stock of 30 cents a share to holders of record July 15, 1946, payable August 1, 1946.  
L. GORDON HALE, Secretary  
Declared May 9, 1946

### THE BUCKEYE PIPE LINE COMPANY

30 Broad Street

New York, N. Y., April 29, 1946

The Board of Directors of this Company has this day declared a dividend of Twenty (20) Cents per share on the outstanding capital stock, payable June 15, 1946 to stockholders of record at the close of business May 17, 1946.  
C. O. BELL, Secretary.

### Magma Copper Company

Dividend No. 95

On May 15, 1946, a dividend of Twelve and One-half Cents (12½c) per share was declared on the capital stock of Magma Copper Company, payable June 15, 1946, to stockholders of record at the close of business May 25, 1946.

H. E. DODGE, Treasurer.

### Newmont Mining Corporation

Dividend No. 71

On May 15, 1946, a dividend of 37½ cents per share was declared on the capital stock of Newmont Mining Corporation, payable June 15, 1946, to stockholders of record at the close of business May 25, 1946.

H. E. DODGE, Treasurer.



## Organization Problems of International Fund and Bank

Contract with managing director of Fund not yet signed. Tax status of executives' salaries still undetermined. Announcement of appointment of President of the World Bank expected in two weeks.

WASHINGTON, May 15.—One of the organizational topics under discussion at early meetings of the executive directors of the International Fund has been the drafting of a contract of employment of the managing director.

The managing director is hired for a five-year term under the by-laws drafted at Savannah. This position in the Fund corresponds to that of President of the World Bank. The managing director is the chief of the operating staff of the Fund and conducts, under the direction of the executive directors, the Fund's ordinary business. Both he and the staff owe their whole duty to the Fund and must respect the international character of this duty, the Bretton Woods Agreement provides. The managing director appoints the Fund's staff, with due regard to geographical considerations as well as efficiency and general competence.

Though Mr. Camille Gutt has been selected as managing director of the Fund, his contract has not yet been signed. Mr. Gutt informs the "Chronicle" that the lawyers are still moving some commas about. One feature of the draft contract, early versions of which were drawn up in the U. S. Treasury, has to do with a lump sum payment to the managing director's estate, in the event of his death while in office. Apparently contemplated in such contingency is the payment of a year's salary; in this case, \$30,000. Whether the Fund also pays estate taxes on that lump-sum payment is a feature of the contract which may be answered in the negative. The Savannah by-laws provide that "the Governors and the Executive Directors, and their alternates, the Managing Director and the staff members shall be reimbursed by the International Fund for the taxes which they are required to pay on such salaries and allowances." The question is whether this language covers a lump-sum payment to the estate of a deceased officer. Persons who seem to know answer this question in the negative. They point out that the language cited is understood to refer to payments to the individuals themselves and not to their estates. Estate and gift taxes are not included in the provision.

While there is nothing in the

Bretton Woods Agreements or in the Savannah meeting by-laws to provide for or preclude contracts between the International Fund and the Bank on the one hand and other officers than the managing director and president, respectively, it is said that no elaborate contracts with other officers are now contemplated.

Doubtless the contract the Fund makes with its managing director will be used as a model when the World Bank gets around to electing a president.

In reliable quarters it is stated that within two weeks the Administration's choice for president of the World Bank will be announced.

### Senior Margin Clerks Elect Cook President

Walter Cook of Laird, Bissell & Meeds was elected president of the Senior Margin Clerks Section of the Association of Stock Exchange Firms. George A. Hug, Henry Clews & Co., was named vice-president; Walter Hanratty, W. E. Burnet & Co., was chosen treasurer; G. Arthur Behrmann, Hirsch & Co., secretary, and Douglas Calder, Hayden, Stone & Co., assistant secretary.

Guy Pepper, Hornblower & Weeks; Joseph A. Steiner, Carl M. Loeb, Rhoades & Co.; James J. Clark, Hoppin Bros. & Co.; Gerald P. Kossmann, W. E. Hutton & Co.; and Anton Benson, Paine, Webber, Jackson & Curtis.

### H. J. Eble to Manage Merica Department

CLEVELAND, OHIO—Wm. J. Mericka & Co., Inc., Union Commerce Building, announce that Howard J. Eble, Assistant Vice-President, is now Manager of the Corporate Trading Department. Mr. Eble returned Nov. 1, 1945, after approximately three years in the Armed Forces.

He is assisted by Robert E. Bor-

### William Edmonds Dies

William E. Edmonds, member of the New York Stock Exchange for the past 28 years, died at his home at the age of 74. Mr. Edmonds was head of Edmonds & Co., 115 Broadway, New York City.

Mr. Edmonds began his career in Wall Street in 1885, spending 30 years in the employ of Content & Co. before he bought his seat on the Exchange.

### Claybaugh in New Location

The New York offices of Blair F. Claybaugh & Co. have been removed from 72 Wall Street to the 22d floor of 52 Wall Street, where the investment firm has additional space and facilities. The telephone number remains unchanged—Whitehall 3-0550.

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