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'I Am Advocate of Small Business' —Truman

Would rather see a thousand insurance companies with four millions of assets than one of four billion assets; and a hundred steel companies than one U. S. Steel Corp.; and a thousand banks than one National City Bank.

President Harry S. Truman, in an extemporaneous address at the graduation exercises of Washington College in Chestertown, Md., on June 1st praised small business as well as small educational institutions and expressed the opinion that the United States—"the greatest country that the sun has ever shown upon"—faces the greatest age in history. The full text of the address, as reported by the Associated Press, is as follows:

President Truman

Dr. Mead, Colonel Brown, Governor O'Conor, distinguished Senators, Congressman Roe, ladies and gentlemen, and this wonderful bevy of graduates — young men and young women—here before me, it is a very great honor to me to be here today.

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The Communist Influence in American Labor Movement

By EUGENE LYONS

Former United Press Correspondent in Moscow; Former Editor "American Mercury"; Author, "Assignment in Utopia," "The Red Decade," et al.

Mr. Lyons declares current strike wave is political and ideological, rather than economic. States since John L. Lewis' original departure from AFL, Communist strength has been concentrated within CIO and colors its national policies. Warns current dominance of pro-Communist labor leaders in harbors and shipping might be disastrous in event of war. Urges public to support labor liberals in their efforts to eliminate Communist influence from the unions.

Those who still think of the "labor problem" as a simple contest between employers and organized labor over wages, hours and conditions of employment are at least a generation behind the times. That primitive period ended long ago. By this time the struggle extends into new and strange dimensions. Its battlegrounds are in the domain of foreign affairs, in the field of domestic politics, in the jungles of ideological warfare.

Eugene Lyons

Frequently, indeed, an ostensible dispute between management and labor is in reality the cover for a deadly feud between two opposing labor organizations or a showdown between entrenched factions within a union. The so-called "political strike"—in which the employers are innocent bystanders and the labor demands, if any, in no wise related to the industry affected—is gaining acceptance. Intra-union power politics in many industrial areas over-

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Self-Propelled Boom Financing

By MELCHIOR PALYI

Dr. Palyi points out current strikes by reducing output may be an inflationary influence and, combined with excessive deferred spending power, may put demand for goods and services far beyond ability of present production to satisfy. Sees end of hoarding propensity, but holds magnitude of inflationary boom will call for vast financial mobilization, now that Government deficit financing has ended. Sees an automatic credit expansion because volume of money is divorced from the gold base, but contends wholesale price level could rise 50% without "a single dollar borrowed from banks." Concludes Federal Reserve will not check bank lending as "dear money" may bring Government bonds below par.

The disbursement of liquid savings by strikers does not affect the inflation outlook. The money or bonds dishoarded by an unemployed family reduce its future spending potential but add an equal amount to the liquid holdings of storekeepers. True, the industrial paralysis caused by strikes has a depressing effect all around. But once work is resumed, and at higher wages at that, the restraint is bound to reverse itself in reinforced spending. In final result, prices will rise even more than they would have anyway, since consumers' satisfaction has been further frustrated, the urgency of pent-up demand further enhanced, and the flow of supplies further delayed.

Dr. Melchior Palyi

However, to evaluate the price

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The World's Investment Centre: London Looks to New York

By HAROLD WINCOTT

Editor, London "Investors' Chronicle"

British publicist cites injurious impact of nationalization program on London Stock Exchange causing disappearance of hundreds of seasoned securities, and highly intensifying competition among members. In international sphere declares shift from creditor to debtor status has drastically and irrevocably reduced London's importance. Because of her inability ever again to achieve favorable balance of payments, and Socialist Government's financial isolationism, predicts Britain's day as foreign lender has permanently passed. With certain transfer of world financial leadership to New York, Mr. Wincott urges us—in contrast to our irresponsible conduct in 1920's—to profit from Britain's long experience.

LONDON, England.—It may be doubted whether more than a small minority of members of the London Stock Exchange have given any serious thought to the future of their market in the post-war international set-up. There has been, it is true, a good deal of discussion as to the domestic future of the London market; and in fact there is a danger that, in becoming obsessed with this aspect of its affairs the London financial community may lose sight of the truth that its past greatness was built up very largely on its functions as the hub of the world financial machine, and not merely on the part it played in British domestic affairs. This preoccupation with internal matters is, of course, very natural. The

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UN Lays Another Egg

By A. WILFRED MAY

Sub-committee on Spain report represents a political compromise—wholly illogical, illegal, and unsatisfactory to all members. Mr. Stettinius' withdrawal reflects weakness in the State Department's method of UN representation. Economic and Social Council already beset by national political and ideological differences. Coming International Trade Conference and related lofty aims are inconsistent with Council's other grandiose goals for international relief and planning, and with members' autarchic domestic policies.

HUNTER COLLEGE, NEW YORK, June 5—Again UN has "laid an egg!" The subcommittee on the Spanish question, after 18 meetings of wrestling with another "too hot to handle problem," has staggered forth with an illogical political compromise.

This committee had been established by the Security Council as a fact-finding organ, solely and clearly to determine whether or not "the situation in Spain has led to international friction, and does endanger international peace and security." On the basis of such findings the Security Council itself—not this sub-committee—was intended to be responsible for determining what practical measures, if any, should be taken.

A. Wilfred May

The subcommittee has made two errors — one of commission and one of omission. In the first place, it has not reasonably answered the first-mentioned question whether a threat to peace has been brought about. Instead, it has in effect strangely stated that such a situation does not exist now, but that it will obtain in September (when the General Assembly meets). In the second place, it has made the self-contradictory recommendation for subsequent action by the Assembly; although this exceeds the committee's terms of reference; and also is out of order, because under the Charter it is not the Assembly but the Security Council itself which takes affirmative action.

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World Bank Should Finance Transportation Equipment

By ERNEST H. WEINWURM

Writer holds financing purchases of railroad equipment would promote early foreign rehabilitation more than other time-consuming projects. Holds sales of equipment trust certificates which are highly regarded by investors would greatly facilitate initial security flotations by the World Bank. Says they would be attractive to commercial banks and others interested in shorter-term maturities. Contends strength of collateral of equipment obligations is unaffected by transfer problems, and states similar financing of automotive and inland waterway equipment would be equally important.

A flood of applications may be expected to swamp the World Bank when it will start operating later in the year. Member nations will be eager to get a preferred position for their pet projects in order to secure accommodation from the proceeds of initial bond issues.

Ernest H. Weinwurm

Definite Schedule of Preferences Required

Most of these projects will need a long time for completion. A good many years may pass until they will make any actual contribution to their national economies. In the meantime, they will often represent a heavy drain on scarce resources of manpower and materials which might be put to better use elsewhere.

In the circumstances the Bank will have to concentrate upon the most urgent projects which will be effective and useful in the shortest possible time. Moreover it will have to set forth definite schedules of preferences to assure orderly procedures and early selection of projects promising to make the most valuable contributions toward reconstruction as soon as possible.

To get agreement on such a schedule will not be an easy matter. Too many conflicting conceptions and viewpoints are involved. In the end, there will have to be a good deal of compromising to reconcile basic differences.

Transportation Equipment Deserves Top Priorities

However, there should hardly be any objections to priority claims of the transportation field. For transportation is the backbone of every economic system in peace and war. In fact, tremendous efforts were made during the war to smash enemy transportation facilities as a preliminary to major military operations. It is well known how thorough a job was done by the Allies particularly the U. S. Air Force. In addition, the retreating enemy tried to complete the work of destruction to the best of his ability.

As a result, the intricate systems of inland transportation in the war torn countries, particularly in Continental Europe, have been reduced to a mere fraction of their prewar capacity. Much has been done during the last year to repair and rehabilitate tracks and other facilities as well as rolling stocks. Yet the deficit is still enormous as far as the latter is concerned and the present unsatisfactory situation represents a main stumbling block to

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The Problem of Interest Rate Control

By AUBREY G. LANSTON*
Vice-President, The First Boston Corp.

Mr. Lanston analyzes proposed Treasury credit control devices, viz: (1) the initiation of a policy of liquidation of bank ineligible bonds held by Government trust funds and agencies; (2) the refunding of maturing short-term into long-term bank ineligible bonds; (3) application of pressure on commercial banks for curtailment of speculative loans; and (4) giving Federal Reserve more powers of credit control. Holds we cannot avoid facing fact Government interest control will lead to (1) further increases in money supply and (2) national socialism. Concludes situation is sufficiently dangerous from a financial, economic and social viewpoint to justify some relaxation in rigidity of controls, particularly in the short-term area.

This morning I would like first to comment on several unrelated items. I would like then to present for your consideration an analysis of the assets and liabilities of the commercial banking system. I plan to tie this in with reports of the testimony given last Thursday by Chairman Eccles of the Federal Reserve Board before the House Banking and Currency Committee with the hope that by doing so we can see more of the forest and less of the trees. Finally I shall question whether the continuing control of interest rates by Government is worth the cost.

A. G. Lanston

In the beginning, however, may I correct an impression which I created several weeks ago in a talk at New Haven, Conn. Apparently I caused some to understand that I was predicting that the 2½% ineligible Treasury bonds would sell to a 2% basis. In referring to the prospects for stabilization of the long-term interest rates, I was trying to point out that the changing position of the Treasury made it likely that public offerings of long-term marketable issues would be infrequent and so limited as to size as to require increased restrictions on subscriptions. Under these cir-

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*An address by Mr. Lanston before the Maryland Bankers Association, Atlantic City, N. J., May 28, 1946.

Inflationary Menace of Government Credit Activities

By FRANK C. RATHJE*
President, American Bankers Association

Mr. Rathje points out Government activities which by fostering private debt structure through guarantees, insurance, and direct lending, constitute pressures for higher prices. Sees repetition of early 1930's in this over-extension of private debt structure. Asks for careful Government planning, free from political expediency, and urges: (1) restoration of civilian production efficiency; (2) rebuilding of foreign trade; and (3) maintenance of the American dollar value.

Nothing that I may say should be construed as an evidence of a lack of faith in the American dollar. I think it is, and will continue to be the strongest man-made force in the world. But that does not gainsay the fact that it will fluctuate from time to time in the terms of commodities, nor does it preclude the possibility that the dollar will permanently step from one plateau to another in the terms of its purchasing power.

Frank C. Rathje

We have read much of the possibility of inflation. Personally, I think the word "inflation" should be stricken from our vocabulary when we discuss our monetary affairs.

The word "inflation" had its

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*An address by Mr. Rathje before the Annual Convention of the Colorado Bankers Association, Estes Park, Colo., June 5, 1946.

Inflation and Interest Rates

By PROFESSOR FRIEDRICH LUTZ
The Institute for Advanced Study, Princeton, N. J.

Professor Lutz cites stimuli to future inflation likely to arise from incomes enlarged by new production, from financing of business reconversion, and from inflation-conscious consumers' spending of their idle balances. Asserts a rise in interest rates would counteract present inflationary tendencies, by discouraging speculation, and by inducing public to use its idle balances for purchasing Government bonds instead of consumers goods. While such anti-inflationary interest rise would be altogether beneficial, it is held unlikely because of adverse effect on Federal budget. Concludes other anti-inflationary measures must be adopted such as reduction of Federal debt.

The interest rate is the price for loanable funds in the market and is, like any other price, determined by supply and demand. The market for loanable funds consisting, of course, of many separate markets, one for each maturity: thus there is a separate market for three months' paper, for nine months' paper, and for longer term securities of different maturities. These separate compartments of the "capital market" are, of course, not water-tight, since both lenders and borrowers can shift from long-term loans to short-term loans and vice versa. The interest rates for different maturities are therefore interconnected. A good illustration of this interconnection is the present tendency of the long-term rates to fall. Commercial banks have recently increased their legal reserves by selling short-term paper (Treasury bills, notes and certificates) to the Federal Reserve Banks, and, on the basis of these reserves, have bought long-term governments, which lowered the rate on long-term governments

Friedrich Lutz

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NASD Governors to Consider SEC's Proposed 'Insider' Allotments Rule

NASD reported seeking to compromise issue with SEC by voluntarily limiting action of its own members in sale of new stock offerings. Board to consider problem at meeting in Bretton Woods next Monday and Tuesday.

The Securities and Exchange Commission's proposed Rule X-15C2-3, which has stirred up heated discussion among underwriters and distributors of new issues for nearly two months, will be one of the main topics of business to be taken up by the Board of Governors of the National Association of Securities Dealers at its meeting at Bretton Woods next Monday and Tuesday.

The rule, which would classify as "fraudulent, deceptive and manipulative" the allotting of stock to so-called "insiders" in new offerings of common stock, is called "unfair," an "unwarranted use of police power," and entirely "unnecessary" by underwriters and dealers throughout the country.

Though they applaud the fact that some leaders of the NASD were themselves convinced from the beginning that the proposed rule is undesirable in just about every aspect conceivable, the feeling in many quarters is that the Gov-

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Holds NASD Is An SEC Subsidiary

Partner of Detroit firm writes "Chronicle" of irritation and expense of running his business under four regulating and controlling masters. Refers to work of "Society of Sentinels" to combat growth of bureaucracy.

Editor, Commercial & Financial Chronicle:

I am a partner of one of our local stock exchange firms, having been in the brokerage business 16 years, and a regular reader of your paper since its start (from the old "Financial Chronicle"). *You are to be commended* on your splendid articles, and the position you take on the "5% rule," also on those absurd NASD amendments on which there are no membership agreements, the ban on allotments, the constant assumptions of dishonesty of the members, etc., etc. The letter by an "Outraged Member" to Mr. Fulton in your March 14, 1946, issue expresses my sentiments exactly.

Seward N. Lawson

We are only a little house, but serving *four* masters; all of whom we pay for: SEC, NASD, Mich. Corp. and Sec. Commission, and Detroit Stock Exchange. *All* and any comments we have seen of general nature are negative; never any encouragement, never any constructive suggestions, never any commendation for a good job well done. Always more regulations, examinations and supervision with more expense added each time somebody has a brain storm on how to run *our* business for us more to *their* liking.

I was one of those who signed up at the start of NASD—thinking from the propaganda at the time that it would be run in a democratic manner, with a few helpful suggestions to members once in a while such as other trade organizations obtain from their associations, or like the Detroit Board of Commerce, to help its members fight their battles for lower taxes, simpler methods, clearer laws and lower overhead methods of operations.

I am firmly convinced that the NASD is now an SEC subsidiary, in order to help make doing our business tougher, rather than cleaner, or easier, or better. Why must these government financial agencies always refuse to take the constructive side of controversial questions—or on *any* ques-

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Prospect for Higher Stock Prices

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

Analyst holds that, subject to minor irregularity, further extension of upward movement is in prospect. Looks for rise in commodity prices and in rail rates to offset wage increases, but warns substantial price rises may lead to buyers' strike with disastrous marketwise effects. Says advance in stocks is far below rise in real estate, and contends greatest boon to stock market is repeal of excess profits taxes.

Selective Aggressive Demand

Settlement of the railroad and coal strikes during the past week brought an aggressive, although selective, demand for stocks. Dealings were on a somewhat expanded scale and, despite profit-taking, new highs were established for a long list of issues, including auto, auto equipment, steel, railroad equipment, farm equipment and other heavy industry shares which have been adversely affected by labor and price problems.

Gordon Y. Billard

Subject to perhaps near-term minor irregularity, further extension of the main upward trend appears in prospect in anticipation of a rather sharp increase in industrial activity during coming months, thereby further accelerating demand for raw and semi-finished materials with resultant higher prices and restoration of corporate earning power commensurate with production.

The Solution

Solution arrived at for the return of the rail workers and coal miners will mean a further considerable boost in the price level.

None of the basic issues has been solved so that underlying inflationary forces will continue as primary factors in supporting prices for equities even where earning power is currently lacking.

Under the present set-up—and this seems likely to continue at least until after the fall elections—giving labor what it demands is simply not enough. Each wage advance is accepted as a concession—more or less as a sort of partial payment. The significance of recent developments will not be lost on the rank and file of labor. Last fall A. F. of L. went along with the Administration's efforts to negotiate a relatively moderate wage increase, while C.I.O. refused and got the 18½c pattern; the Rail Brotherhoods accepting arbitration got 16c but the Whitney group balked and got 18½c; then Lewis rejected everything obtained heretofore and demanded and won the grand prize of a wage boost and royalty for a welfare fund—all of which, according to coal operators, is equivalent to a 25c hourly increase. Now the Maritime Unions demand a 22c to 35c hourly rise.

Wage increases have now about made the rounds but new wrinkles have been added in the form of welfare funds and new working rules so that another cycle of wage demands will probably appear by summer or fall. The sig-

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R. S. Hudson Elects McPherson & Cecil

DALLAS, TEX.—R. S. Hudson & Co., Gulf States Building, announces the election of W. Perry McPherson as Vice-President, and O. V. Cecil as Treasurer. Both were formerly with Walker, Austin & Waggener, Mr. Cecil handling municipals, and Mr. McPherson corporate issues. Mr. Cecil served three and one-half years in the Navy as a Senior Lieutenant. He is a member of the Dallas Bond Club, the NSTA and the Texas Group of the IBA. Mr. McPherson is a member of the executive committee of the NSTA and is a committee member of District No. 3 of the National Association of Securities Dealers.

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Opportunities in Stockholder Relations

By WESTON SMITH*

Mr. Smith reviews present economic conditions and contends problems of industrial strife and price control are only temporary setbacks to industrial progress and can be remedied by public paying the costs. Sees danger of price controls becoming permanent and says so-called powerful lobbies of business have got to do better if they are to keep free enterprise from attacks of organized labor lobbies. Looks for lower taxes and development of new industries, as well as greatly enlarged number of corporate shareholders for encouraging signs, and urges corporations to improve and embellish their annual reports as a means of cultivating better stockholders' relations.

Members of trade associations always make me feel at home, because they are public-relations minded. And being a public relations man myself, I enjoy most the opportunity of talking with men who are vitally interested in the progress of their communities, and who give freely of their own valuable time to foster a better understanding of business.

Weston Smith

I have been asked to point up one of the powerful influences at work, which afford assurance that our country has a bright future, and how advertising can play a vital part in this development. But, first let us take a look at the "status quo." And what is the status quo? As Andy told Amos, "Son, the status quo is the mess we is in."

The first anniversary of VE-Day has come and gone. VJ-Day was only nine months ago. But we are still in the "duration," and to many of us the return to peacetime operations seems as far away as a year ago. Now, instead of fighting dictators in Germany and Japan, we are harassed by different types of dictators on the home front. One after another, strikes have been called by the union leaders of the automobile, steel and electrical workers—to mention a few. We have been jolted by Old King Coal that merry old sole, and heel, and the big brothers of the brotherhoods, and soon may hear from the masters of the maritime unions, and so on. . . .

In my travels around the counery, talking with leaders of many industries, I feel that I have gained somewhat of a cross-section of their thinking on current problems. You probably know what the first two big problems are, because many of you are in the same boat.

They are (1) labor, and (2) price controls. But I want to say at this point, that no corporation official I have talked with, has taken a defeatist attitude on the industrial outlook. All believe that each problem will be solved in turn, but many are of the opinion that strikes and price regulations have slowed down the transition from a wartime to a peacetime economy.

It looks as though 1946 will go down in industrial history as the year with the most, the biggest and the longest strikes. And perhaps it will be an all-time record, because by next year there should be some effective legislation to prevent prolonged walk-outs that threaten the public interest,

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*Part of an address by Mr. Smith, Business Editor of the Financial World, before the New York Financial Advertisers Association, New York City, May 28, 1946.

Our Free Capitalistic Economy

By PAUL G. HOFFMAN*

Chairman, Committee for Economic Development
President, The Studebaker Corporation

Industrialist, asserting our uncertain economic future, particularly whether we are to have capitalism or socialism, threatens our freedom. Urges sales executives to work toward removing the inherent instability in our free economic system and thereby preserve free enterprise. Upholds the profit motive as promoting inventiveness and resourcefulness, and holds advertising and selling promotes stability by keeping up consumer demands. Favors a fiscal policy which creates surpluses in prosperity and offsets deficits in depressions. Recommends more market and product research, and scientific control of sales expenditures by business concerns.

It is with great eagerness that I accepted the invitation to address the membership of the National Federation of Sales Executives assembled at this Eleventh Annual Distribution Conference. According to the program, I am to discuss the future opportunity for sales management. However, with your permission, I shall address myself to a much broader subject, namely: The future of our free capitalistic economy. I am sure you will agree that unless we can maintain a free economy in these United States, the future opportunity for sales management will be dreary indeed. We have yet to hear of Moscow calling a marketing conference.

Paul G. Hoffman

As we meet here today the economic future is unclear. You will recall that after World War I most of the people in the United States, and certainly all businessmen, thought that our way of life would sweep the world. That, however, did not happen. Rather, the drift between World War I and World War II was toward collectivism, security and government control of enterprise. Today, the burning question we face is not whether capitalism, with its emphasis on individual freedom and opportunity, will sweep the world, but whether we can maintain it here in our own country.

Our Freedoms at Stake

Much more is involved than

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*An address by Mr. Hoffman before the National Federation of Sales Executives, Chicago, Ill., May 23, 1946.

Tuller, Crary & Ferris Open New NYSE Firm

According to an announcement by Robert N. Tuller, Calvert H. Crary and Louis A. Ferris, the new Stock Exchange firm of Tuller, Crary & Ferris has been formed following the dissolution of Tuller, Crary & Co. Offices are at 63 Wall Street, New York City.

Mr. Ferris, the new partner and a member of the New York Stock Exchange since 1940, was recently discharged from the Army as a captain. Prior to his entrance into service, Mr. Ferris operated as an independent f oor broker and has never been associated with any other Stock Exchange firm.

Private Monopoly Versus a Free Economy

By J. HOWARD McGRATH*

Solicitor General of the United States
Former Governor of Rhode Island

Asserting belief in private property and capitalistic system, but not in special advantages for particular classes or in special privileges for propertied people, Mr. McGrath, in attacking cartels, holds unless trend toward concentration in private control of industry is reversed there will be no opportunity in another generation for a business man to enter basic industries, and competition will cease to exist. Condemns international as well as domestic cartels, but upholds mass production. Says anti-trust laws apply to building and loan business, despite special privileges they enjoy, and warns against agreements to control interest rates.

On certain principles all of us Americans are in general agreement. We want a way of life in which there are many free choices for us to exercise as individuals. We resent seeing anybody pushed around. We want free opportunity for the little fellow. We want a government of law because we know that only under law can there be freedom. And we want laws that create and strengthen equal opportunity; not laws that create special advantages for particular classes. We believe in private property and the capitalistic system, but not in special privileges for propertied people.


J. Howard McGrath

With respect to these basic principles, most of us are in agreement. No sizable group of citizens advocates any radical departure from the pathways of our political and economic freedoms. Most of the argument among us moves on the plane of ways and means of choosing the instruments and procedures to attain the ends we all seek. Our machine is one we like; the one in which we want to ride. The only difficulty is in finding the route to take.

With the constant struggle among different groups to get their hands on the steering wheel the machine seems to be forever veering from one side of the road to the other. When it goes too far to the right, public clamor joins the demands of the opposition, and then sometimes it is jerked too abruptly to the left. Our complaints are generally against the driver rather than the machine itself, and we are constantly accusing each other of tampering with the mechanism.

Some believe the machine would work if it were operated by businessmen; others point to the decade prior to 1932 when business had the wheel and the country was steered into a terrific eco-

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*An address by Solicitor General McGrath before the National Savings and Loan League, Chicago, May 16, 1946.

The Supply, Demand and Control Picture

By J. D. SMALL*

Administrator of Civilian Production Administration

Mr. Small, in recounting effects of strikes on production, asserts we stand at another critical point in period of transition, and calls upon purchasing agents to restrict buying to a minimum. Says there is no evidence of hoarding of materials or commodities, and ascribes shortages to heavy consumer buying power. Claims present control problem is of staggering size and only way to lick it is by producing and importing enough materials for all. Advocates a minimum of controls.

I doubt that anyone can now measure with any accuracy either the immediate or the ultimate damage to industry that will result from the series of economy-shaking strikes through which the country has been passing. The soft coal strike coming on the heels of the steel strike drove industrial production down in April just as it was beginning to make headway for the second time since the end of war. In May the paralyzing two-day railroad strike, coupled with only partial operation of the soft coal mines during the two weeks truce, further checked industrial activity. Future production will be adversely affected for many, many months by the continuing effects of these strikes as they have their impacts through our complex inter-related economy.


J. D. Small

The events of the past couple of months have certainly demonstrated the fact that an American economy is as inter-related as the mechanism of a watch. Faulty operation or stoppage of one part snarls up the whole works.

The outstanding effect of the strikes has been to intensify those shortages that had been plaguing industry and to create many new shortages. The thin supply is now much thinner in many fields. And the necessity for spreading the thin supplies fairly and equitably across all industry is greater now than ever before.

We must all realize that the settlement of a strike in a basic industry such as coal or copper does not result in an immediate increase in the flow of materials of finished goods.

The production pipe line in steel mills, for example, has been sucked almost dry right back to the place where furnaces are shut down for lack of coal. Inventories of unfinished steel in process have dwindled to the vanishing point. Hence once the coal strike is settled and fuel reaches the furnaces, the steel mills must

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*An address by Mr. Small delivered over the telephone to the National Association of Purchasing Agents, Chicago, Ill., May 27, 1946.

Eugene Meyer Named Head of World Bank

Eugene Meyer, former Chairman of the Federal Reserve Board, and former chief of Farm Loan Board and Reconstruction Finance Corporation during the Republican Administrations, and at present Editor and Publisher of the "Washington Post," was unanimously appointed by the directors of the International Bank for Reconstruction and Development the first President of the institution. It was informally agreed that the position should be filled by an American, and Mr. Meyer's selection, reputedly suggested by President Truman who is reported to express delight with the appointment, was unanimously approved by the Board of Directors of the world-wide banking institution.


Eugene Meyer

In accepting the appointment, Mr. Meyer issued the following statement:

"I feel honored by my election by the executive directors as President of the International Bank for Reconstruction and Development, but above all, I feel a profound sense of responsibility. I shall devote my full energies to the task.

"The world is well aware today of the food famine. At the same time we must become equally aware that the world is starving for the products of industry.

"The bank was organized to promote reconstruction and development in both these essential activities."

Mr. Meyer, who is now 70 years old, was born in Los Angeles and attended the University of California, Yale University and also studied in Europe. He long engaged in the investment banking business in New York until 1917, as senior partner of Eugene Meyer Jr. & Co.

Soon after the United States entered the first World War he entered Government service serving in various financial capacities, and became director of the War Finance Corporation.

President Coolidge appointed Meyer to the Federal Farm Loan Board and in 1930 President Hoover appointed him Chairman of the Federal Reserve Board, and he was the first chairman of the Reconstruction Finance Corporation. In 1933, after the election of Roosevelt, Mr. Meyer left government service and purchased the "Washington Post," becoming its editor and publisher. He still retains this position.

The presidency of the International Bank carries a tax-free salary of $30,000.

Heavy Industry Shows Lag

By L. H. BRADSHAW*
Editor, Investment Timing

Noting shares of heavy industries have lagged behind the shares of companies producing consumers' goods in the general market advance, Mr. Bradshaw ascribes this to temporary handicaps that have impeded reconversion in heavy lines. Believes stocks of companies producing durable goods have favorable outlook, but holds that selectivity should rule in making purchases.

While stocks of companies in the type of manufacture termed heavy industry have so far participated in the stock market advance since the end of the war to a much smaller extent than those in consumers' goods, indications begin to point to prospects of their better performance once the factors that have handicapped them are removed.

Leslie H. Bradshaw
Editor
"Investment Timing"

It is unlikely that companies in consumers' goods lines, as a whole, will be able to accomplish greatly better results in future than those being obtained at present. Their profits have been due to the high rate of public spending and their fortunate avoidance of serious labor difficulties.

End of Handicaps Seen

Durable goods manufacturers, however, have been handicapped since V-J Day by reconversion problems, strikes, raw material shortages, and price ceilings. With settlement of the coal strike (which appears imminent) and legislation in prospect to curb further strikes, these companies should enter an era of prosperity by beginning to supply the vast backlog of demand from a public hungry for goods and having ample purchasing power.

A comparison of the increase from V-J Day to April 30 of heavy industry group stock price indexes (Standard & Poor's) with typical consumers' goods lines and the Dow-Jones Industrial Stock Average is shown below:

Heavy Industry:	
Aircraft Manufacture	23.9%
Automobiles	12.6
Auto Parts	21.9
Building	51.4
Chemicals†	34.8
Electrical Equipment	8.0
Machinery, Agricultural	18.8
Machinery, Industrial	34.8
Metal Fabrication	34.5
Office Equipment	38.1
Railroad Equipment	29.7
Steel	29.8
Average Increase	28.2%

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*Reprinted from the May 29th number of "Investment Timing" issued by the Economics & Investment Dept. of the National Securities & Research Corporation, New York City.

Are Reputed Shortages a Mirage?

By DR. C. T. MURCHISON*
President, The Cotton-Textile Institute, Inc.

Maintaining appearance of scarcity has been deliberately created, Dr. Murchison contends present production of cotton textiles is well above any peacetime level. Says OPA by promoting a psychology of scarcity, has frightened public into excess buying and has led some producers, by crazy and uneconomical barter arrangements as well as by black market subterfuges to foster irregular and interrupted flow of goods to consumer. Holds conditions are similar to 1919-1920, and may result ultimately in over-production.

It is my conviction that the scarcity of most goods is more apparent than real. The apperance of scarcity has been deliverately created. Since V-J Day the volume of employment of the United States has exceeded that of any peacetime period. In fact, it has been almost as high as the highest reached during the war. Only a small percentage of this huge army of workers has been engaged in the processes of retooling or reconverting. The great majority are producing and have been producing goods for consumption. The United States Government, for about eight months, has not been an important buyer of goods. Yet everywhere we, as individual consumers, find it extremely difficult to purchase desired basic commodities. In most cases the shortages appear to be worse than during the war period. The question naturally arises—where are all these goods going?

Dr. C. T. Murchison

With respect to the cotton textile industry the situation is typical. Although production declined somewhat from the high peak of 1942 and 43, it has been maintained well above any peacetime volume. Since the turn of the year cotton consumption by American spindles has been in excess of an annual rate of 9 million bales, which means in a yardage of production in excess of 9 billion. This is a rate which exceeds that of 1939 by approximately 12%. Less than 10% of this huge production has been exported. Purchases by the Government for the Armed Services have been reduced to negligible proportions, but as consumers we have greater difficulty in procuring essential staple fabrics than during the war when the Government was taking ap-

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*A portion of an address by Dr. Murchison at Annual Meeeting of the Tufted Textile Manufacturers Association, Lookout Mountain, Tenn., May 31, 1946.

Gives Credit to Czechoslovakia

Export-Import Bank approves $20 million loan to finance purchases of raw cotton in U. S. Rate of interest fixed at 2½%. Loan constitutes a part of a general credit of $100 million authorized to finance cotton shipments to Europe.

Approval by the Board of Directors of the Export-Import Bank of a credit of $20 million to the Republic of Czechoslovakia to finance the purchase of raw cotton in the United States was announced today by Mr. William McChesney Martin, Jr., Chairman of the Board.

This cotton credit to Czechoslovakia is the fourth allocation to be made from a general credit of $100 million established by the Export-Import Bank in October 1945 to finance the shipment of cotton to European countries. The earlier allocations under this credit were $5 million to Finland, $25 million to Italy, and $10 million to the Netherlands. The Bank has also extended a special cotton credit of $33 million to China.

The terms of the credit to Czechoslovakia are in general similar to those of other cotton credits established by the Bank. The rate of interest is 2½%. The maturity of drafts under the credit will be 26 months from the date of issuance in the United States, in consideration of the time required for inland transportation and the special difficulties facing the production and marketing of cotton textiles by Czechoslovakia.

The cotton credit to Czechoslovakia is designed to assist that country in reconstructing its economy. It will supply the raw materials for one of its important industries and help to make possible the resumption of its former position in world trade. If the entire amount of the credit is utilized, it will provide for the shipment of approximately 130,000 bales of cotton. This is more than half the volume of cotton imported annually by Czechoslovakia from the United States in the years immediately preceding the war and is estimated to equal about two-thirds of the current annual cotton requirements of the country.

In making the announcement of the cotton credit to Czechoslovakia, officials of the Export-Import Bank emphasized that the credit will not become operative until the necessary loan agreement has been signed. A further announcement of the details of the credit will be made at that time.

Public Utility Securities

Dayton Power & Light Company

This week another holding company is expected to offer the entire common stock of an important subsidiary to the public—Columbia Gas & Electric is scheduled to sell 1,530,000 shares of Dayton Power & Light common (par $7), subject to SEC approval of the winning bid. Since the offering price is not yet known, this summary cannot include the usual discussion of yield and price-earnings ratio — which however may be ascertainable by the time this appears in print. The following data is largely summarized from the "bidding" prospectus, which is subject to change.

Dayton's capitalization consists of $28,850,000 first 2¾s due 1975, 100,000 shares of 4½% preferred stock, and 1,350,000 shares of new common (the latter being substituted for 360,000 shares of old common stock). Based on the balance sheet as of Dec. 31, 1945, the capital ratios are as follows: Bonded debt 52%, preferred stock 18% and common stock equity 30%. The book value of the common stock was approximately $10.84 a share, subject to the balance sheet footnotes. However, book value plays a comparatively minor role in the market value of a utility stock, and it seems likely that the offering price will be several times this figure.

In the quarter ended March 31, 1946, 91¢ a share was reported earned, compared with 38¢ in the same quarter of 1945. However, the two figures are not on a comparable basis, since the latest quarter includes earnings from certain properties acquired May 31, 1945. Calendar year earnings have been about as follows in recent years (based on the present number of shares):

Year	As reported	After Adj. for 38% tax rate
1945	$1.37	$2.49
1944	0.73	1.80
1943	0.89	1.85
1942	1.16	
1941	1.56	

Regarding the dividend rate, there is no clear cut indication as to future policy, though this may be clarified before the date of public offering (it is conjectured). In the first half of 1946, two dividends have been paid to Columbia — 35¢ and 70¢, or a total of $1.05. It appears unlikely that this indicates a rate of $2.10 for the year, since this would be a rather high proportion of indicated earnings for 1946 (which have been estimated in some quarters at around $2.65). The prospectus contains a statement that "during the 10 years preceding 1946, the dividends paid by the company on its preferred and common stock have averaged approximately 80% of the total earnings available for such dividends." The ratios in recent years have been as follows with respect to the balance available for common stock (after preferred dividends): 1945, 52%; 1944, 78%; 1943, 80%.

Dayton Power & Light distributes electricity in Dayton and some 93 other communities and adjacent rural and suburban territories in Ohio, these sales making up about 70% of total gross revenues. Natural gas is purchased from Ohio Fuel Gas Company and distributed in Dayton and 37 other communities and areas. Natural gas accounts for 26% of gross, with the remaining 4% contributed by steam heating, hot water heating and water service.

Of the 1945 electric revenues, 34% were residential, nearly 20% commercial, and 28% industrial; the remaining 18% reflected sales to municipalities, other utilities, railroads, etc. The average residential revenues per kwh in 1945 (not published in the prospectus) are estimated at 3.9¢, which is above the national average. The residential rate in the Dayton City District carries a minimum monthly charge of 75¢ which also covers the cost of the first 15 kwh per month, the next 35 kwh per month at 3¾¢, the next 50 kwh at 3¼¢, and the next 100 kwh at 2½¢, with all in excess of 200 kwh at 2¢.

The utility plant (including intangibles) is carried at $69,863,015, less depreciation reserves of $15,090,192. Plant account has not been written down to "original cost when first devoted to public service," since the Ohio Commission does not require determination of such cost. The ratio of net operating revenue in 1945 (after adjustment for deduction of special tax savings) to net plant account was 6.4%. Inclusion of working capital would reduce the percentage, but on the other hand adjustment for tax savings under the new law would tend to raise it.

The Loan to Britain— A Part of Larger Program

By HON. HENRY A. WALLACE*
Secretary of Commerce

Secretary Wallace argues political world peace cannot be attained without economic peace and that United States should assume leadership in world economic cooperation by fostering relief, reconstruction and recovery. Holds Anglo-American Financial Agreement is a step towards this end and warns that, without our aid, British will be forced to retain Empire Preference and bilateral agreements in sterling area. Says other steps are necessary, and British loan is only part of larger program. Contends without Agreement our exports will decline, and we will have surplus production.

Mr. Chairman, it is because the financial agreement now before you will make important contributions to the solution of our two most pressing problems—the maintenance of lasting peace and the achievement of full employment—that I commend it to you for your favorable consideration.

Henry A. Wallace

At the close of the first World War, we, in common with our Allies, failed to recognize that there could not be lasting political settlement unless there were at the same time a basic economic settlement. Economic isolationism the world over contributed as much to the second World War as did political isolationism.

On the political front, we have learned our lesson well. This country, and I believe all the countries of the world, are determined to make the United Nations a success. We are leaders in the difficult task of making the United Nations a living instrument of world unity, to the end that national differences of opinion be settled in the council chamber rather than on the battlefield.

We know that a world divided against itself politically is not a peaceful world. Whether we have yet learned that a world of economic division is not a world of peace remains to be seen. Whether we know that a world of competing economic blocs is a world of inevitable war only the future can tell.

Yet, if any lesson should be abundantly clear from our experience between the wars it is that a world of blocs is a world of economic warfare and a world of economic warfare is potentially a world of war on the battlefields, the sea lanes and in the air.

A peaceful world must rest on

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*A statement by Secretary Wallace before the House Committee on Banking and Currency, May 27, 1946.

Governors of NASD to Consider SEC Proposal To Segregate Customers' Free Credit Balances

Commission house circles are apprehensive lest Board of Governors of the NASD at its meeting at Bretton Woods next week take any action to reopen a subject which the SEC is apparently not disposed to pursue. NASD avers it only wants to back the Stock Exchange in its stand and there is the possibility the board may merely review the status of the situation.

Some few months ago, a proposal made by the Securities & Exchange Commission that customers' free credit balances should be segregated in a special trust account was a live issue among stock brokers all over the country. Such is hardly the case today though the subject remains in the background as a matter of some interest and importance. The proposition isn't exactly dead but there are just a few sparks of life—and only a few—left in it.

But the Board of Governors of the National Association of Securities Dealers, it is said, proposes at its meeting in Bretton Woods next Monday and Tuesday to "consider" the matter! In commission house circles it is felt that if the board lays too much stress on the subject it may tend to revive to full stature a subject which could very well be breathing its last. It may be, of course, that the board may merely want to keep abreast of developments by a simple review of the case.

However, it is felt that any action taken by the board to revive the question at this time may make the SEC itself wonder a little at the more sensible position it has seemingly taken on the matter of customers' free credit balances. It is clear that the SEC—whatever it may have thought before—has drastically revised its ideas on the subject and is perfectly content now at least to "let sleeping dogs lie."

Dealer-Broker Investment Recommendations and Literature

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

Fire & Casualty Insurance Stocks 1945—Earnings comparison—circular on request—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

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

Office Equipment — Study of outlook for the industry — E. F. Hutton & Company, 61 Broadway, New York 6, N. Y.

Over-the-Counter Bulletin—Estimates future market conditions and contains analyses of companies whose equities appear favorably situation to benefit by current business conditions. — J. Arthur Warner & Co., 120 Broadway, New York 5, N. Y.

Railroad Equipment Certificates—Valuation and appraisal—Stroud & Company, 123 South Broad St., Philadelphia, Pa. Also available is a valuation and appraisal of **City of Philadelphia Bonds** and a compilation of **Pennsylvania Legal Bonds.**

Steel Industry—Review of conditions and outlook—Hirsch & Co., 25 Broad Street, New York 4, N. Y. Also available is the **Fortnightly Investment Letter** containing data on several situations and an analysis of **Prospects for Copper Producers.**

Sugar Companies — Analyses — Farr & Co., 120 Wall Street, New York 5, N. Y.

Wall Street Commentator—Current digest of events in the financial markets of North America, with reviews and analyses of specific situations appearing interesting.—Bennett, Spanier & Co., Inc., 105 South La Salle Street, Chicago 3, Ill.

Abitibi Power & Paper—Summary—Ernst & Co., 120 Broadway, New York 5, N. Y.

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

American Glass Co.—Analytical brochure indicating speculative possibilities — Kneeland & Co., Board of Trade Building, Chicago 4, Ill.

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

Canadian Western Lumber Co. —Circular—Maher & Hulsebosch, 62 William Street, New York 5, N. Y.

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

Central Public Utility Corp.—Analysis — Brailsford & Co., 208 South La Salle Street, Chicago 4, Ill.

Commodore Hotel, Inc.—Descriptive circular—Seligman, Lubetkin & Co., 41 Broad Street, New York 4, 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.**

Continental Airlines, Inc. — Analysis—Burnham & Company, 15 Broad Street, New York 5, N. Y.

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

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.

Ft. Dodge, Des Moines & Southern Railway Co.—Detailed analysis—Adams & Co., 231 South La Salle Street, Chicago 4, Ill.

Grinnell Corporation—Memorandum indicating interesting outlook—F. J. Young & Co., Inc., 52 Wall Street, New York 5, N. Y.

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

Hartford-Empire — 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.; Mohawk Rubber; Aspinook Corp.; Purolator; Lanova.

Hawaii Consolidated Railway—Circular on an interesting "liquidation"— E. F. Waterbury & Co., 25 Broad Street, New York 4, N. Y.

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

Hydraulic Press Manufacturing Co.—Detailed analysis—Comstock & Co., 231 South La Salle Street, Chicago 4, Ill. Also a detailed analysis on **Miller Manufacturing Co.**

Kansas City Public Service Company—Discussion of the foreseeable future of the company.—Scherck, Richter Company, Landreth Building, St. Louis 2, Mo.

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 letter available on **Citizens Utilities.**

R. G. LeTourneau, Inc.—Analytical study—Graham, Parsons & Co., 14 Wall Street, New York 5, N. Y.

Macfadden Publications—Circular—C. E. de Willers & Co., 120 Broadway, New York 5, N. Y.

Merchants Distilling Corporation—Reprint of an interesting article covering the history of Merchants Distilling Corporation and mentioning the possibility of extending to industries other than liquor the application of **"Alcohol from Potatoes,"** in the manufacture of which Merchants Distilling Corporation is presently engaged. —Send for reprint CC—Blair F. Claybaugh & Co., 52 Wall Street, New York 5, 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.

Also a late circular on **Chicago South Shore & South Bend.**

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.

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

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

Ralston Steel Car Co.—Circular on interesting situation with favorable long-term outlook—Lerner & Co., 10 Post Office Square, Boston 9, Mass

Revere Copper & Brass—Study of outlook — Edward A. Purcell & Co., 50 Broadway, New York 4, N. Y.

H. H. Robertson Co.—Late data —Goodbody & Co., 115 Broadway, 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.

Sheller Manufacturing Corp. — Recent report—Mercier, McDowell & Dolphyn, Buhl Building, Detroit 26, Mich.

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

Texas Public Service — Memorandum — Buckley Brothers, 1420 Walnut Street, Philadelphia 2, Pa.

Also available are memoranda on **Gruen Watch Company** and **Midland Utilities.**

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

Upson Co. — Descriptive Circular—Seligman, Lubekin & Co., 1 Broad Street, New York 4, N. Y. Also detailed circulars on **Tennessee Products; Wellman Engineering Co.; Shatterproof Glass; Temple Coal.**

Davis Again Heads Board of Cgo. Exchange

CHICAGO, ILL. — Ralph W. Davis, partner of Paul H. Davis & Co., was reelected Chairman of the Board of Governors of The Chicago Stock Exchange at the Annual Election of the Exchange.

Messrs. Barrett Wendell, Lee Higginson Corp., Frederick J. Stannard and Edwin T. Wood were reelected members of the Board, to serve three years.

Messrs. George E. Booth, Lamson Bros. & Co.; Patrick F. Buckley, Harris, Upham & Co.; Sidney L. Castle, Carter H. Harrison & Co.; Francis F. Patton, A. G. Becker & Co., Inc. and Hugh H. Wilson were elected members of the Board of Governors, to serve three years.

Mr. T. Clifford Rodman, Shields & Co., was elected Chairman of the 1947 Nominating Committee, and Messrs. Thomas E. Hosty, Sincere & Company; Irving E. Meyerhoff, Irving E. Meyerhoff & Co.; George F. Noyes, the Illinois Company and Arthur R. Thompson were elected members of this Committee.

Chicago Stock Exch. To Join Broker Assoc.

CHICAGO, ILL.—The Chicago Stock Exchange will integrate its program of expansion by effecting a direct tie-up between its own activities and those of the Stock Brokers Associates of Chicago, an organization of customers' men.

E. William Ohman, Clement, Curtis & Co., President of the Associates, will be recommended to the Exchange's governors to serve as advisory governor to implement this, Ralph W. Davis, Chairman of the Stock Exchange, announced.

The plan is approved by the Securities and Exchange Commission, before which it has been detailed, and recommendations will be made following the election of the Exchange's Board. The tie-up will culminate a seven-year campaign.

Mansfield Rejoins Thomson & McKinnon

CHICAGO, ILL.—Alfred W. Mansfield, Jr., recently released from the Army, will actively engage in the business of Thomson & McKinnon, brokers, as a general partner, as of June 1st, making his headquarters in their Chicago office, 231 South La Salle Street. Mr. Mansfield has been a partner in the firm since Jan. 1, 1944.

British Loan and the Bretton Woods Program

By WILLIAM McC. MARTIN, JR.*
Chairman, Export-Import Bank

In view of the testimony which you have already heard, I will limit my remarks to stating in broadest outline the reasons why I am unequivocally in favor of the British loan. The loan is, I feel, basic in a realization of the full possibilities inherent in the Bretton Woods program. Ever since the Bretton Woods meeting, I have been of the opinion that the achievement of the international economic objectives of this Government as embodied in the Bretton Woods legislation hinged upon whether or not a satisfactory solution was obtained to the British postwar balance of payments problem. Inasmuch as I did not participate in any of the negotiations with the British, I welcome an opportunity to express my conviction that the Agreement as drawn up represents a constructive effort to solve this crucial British problem in a manner fully consistent with broad U. S. objectives. Without assistance in the form of this loan, I do not see how the British can hope to meet their prospective deficits in the 1946-50 period except by continuing their wartime exchange and trade restrictions, further strengthening the sterling area ties and in general resorting to any means at their disposal to push their exports and obtain essential imports. Such trade and financial measures would certainly run the risk of undermining the entire Bretton Woods program at its inception and they would also set up numerous points of friction in the trade relations between this country and the British Empire at a most inopportune time.


Wm. McC. Martin, Jr.

The Export-Import Bank has a direct and immediate interest in the success of the whole broad effort to re-create a healthy world economy. Our statutes require us to have reasonable assurance of repayment. If the effort to revive trade succeeds the countries to whom we have made emergency reconstruction loans out of the funds granted by Congress to the Bank for this purpose should have no difficulty in repaying the loans. If, however, the British loan falls through and the Bretton Woods program thereby falls of its own weight, the prospect of repayment of loans already made will be substantially lessened and it will be very difficult for us to see our way clear to making any further reconstruction loans. In conclusion, I do not believe that you can separate the British loan from the Bretton Woods program and the expanded lending authority granted to the Export-Import Bank last year. The whole effort will, I believe, stand or fall together.

*Statement of Mr. Martin before the House Banking and Currency Committee, May 28, 1946.

Our Low Interest Policy

National City Bank asserts interests of people affected adversely by low interest rates deserve consideration in determining what is good for country. Quotes N. Y. Bank Superintendent as pointing out there is a point where cheap money ceases to be a bargain.

The June issue of "Monthly Bank Letter" of the National City Bank of New York contains a discussion of the pros and cons of the prevailing low interest rate policy and the effects of the dwindling return on savings. "During recent years," the letter comments, "we have been hearing a great deal about the virtues of low interest rates. While the doctrine is not new, it was given impetus, first, by the depression and theories growing out of it—especially teachings of the British economist, the late John Maynard Keynes; and, second, by the war which has piled up an enormous burden of national debts, with their consequent heavy debt service charges which are directly affected by the rate of interest. Thus today we see governments everywhere assiduously pursuing low interest policies, both as a recovery measure and in order to hold down debt service and to maintain the prices of their securities held by banks, other institutions, and the public generally."

The article continues:

Outlining the policies of our own Government, Secretary of the Treasury Vinson put the case for low interest rates in simple language when in an address at Peoria last September he said:

"Interest rates determine the real burden of the debt. They should continue low for a long time to come. It is self-evident that this is in the interest of people as taxpayers. Not as evident, but just as valid, is that low interest rates—what the economists call a 'cheap money policy'—benefits the people as consumers, as workers, and as citizens."

Again, in November at Indianapolis, the Secretary said:

"A policy of low interest rates clearly benefits the taxpayer by making possible a lower level of government expenditures

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The World Outlook

By R. L. EBERHARDT*
Executive Vice-President, Stockton (Cal.) Savings and Loan Bank
President, California Bankers Association, 1945-1946

Mr. Eberhardt sees difficulties ahead in restoring normal foreign trade and exchange relations, but holds International Fund and Bank will aid in easing the process. Says indication is we are losing battle against inflation, and recommends Government issue higher interest long-term bonds and thus supplant spending by saving. Favors ABA proposals in fight on inflation, and opposes higher taxes in lieu of higher interest rates.

The whole of the world situation appears very bleak indeed. Millions of the finest physical specimens of the race have been killed, many others have been hopelessly maimed and diseased. Civilian populations from babies to the aged have succumbed or are suffering from privation, disease and malnutrition. It is horrible to contemplate the results of man's inhumanity to man.


R. L. Eberhardt

Property to the value of staggering billions has been totally destroyed or converted into forms ill-designed for production of consumer goods.

Trade routes, means of transportation and markets, always poorly balanced, have been so modified as to make the restoration of world trade seem almost hopeless. The producing nations have money with which to buy and nothing can come from the temporarily non-producing nations until farms and factories and transportation lines have been rebuilt. Contrarily, the depressed nations needing and wanting everything have no means of exchange with which to secure the surplus of the producer.

It is a curious fact that as rapidly as human science can eliminate natural barriers of trade, human politicians erect artificial barriers of trade. Many of these in existence before and during the

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*A portion of an address by Mr. Eberhardt at the California Bankers Association Convention, Coronado, Cal., May 22, 1946.

The Retailer and OPA

By MAJOR BENJAMIN H. NAMM*
Chairman, The Namm Store, Brooklyn, N. Y.
President, National Retail Dry Goods Association

Major Namm urges joint program of self-imposed "price restraint" on retailers, manufacturers, wholesalers and consumer groups, as follows: (1) endorsement of a "bridge" of price restraint to carry economy over gap between present government controls and period when competition will reduce prices and improve quality; (2) retailers, wholesalers and manufacturers to sign a pledge to hold prices down while production levels are being regained; and (3) destruction of black markets. Advocates 9-month extension of Emergency Price Control Act; elimination of MAP and other legislative obstructions to production; raising price ceilings to allow reasonable profits; and establishment of specific legislative standards that will compel price control removal as soon as such regulation becomes unnecessary.

Because American retailers are so keenly aware of their responsibility to the consumer, the National Retail Dry Goods Association stepped boldly into the controversy over the critical commodity shortage which has so severely disrupted our reconversion. We could not remain on the sidelines and be true to our obligations to the consuming public.


Benjamin H. Namm

Last fall, and again this spring, we took what newspapermen described as a "portable dry goods store" to Washington to demonstrate to OPA and to Congress how OPA's insistence on rigid continuation of its Price-Line Limitation was hampering production. Our purpose was to unmask OPA in its achievement of a "camouflaged inflation" as dangerous to our economy as outright inflation.

A newspaper columnist at the exhibit jocularly asked me if I was, as Chester Bowles had charged, "a greedy lobbyist." I answered him then, and I think the answer still holds, that "if a man petitioning his Congress to correct injustice is a lobbyist, then

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*Abstract of an address by Major Namm before Store Management and Personnel Groups Joint Mid-Year Conference, National Retail Dry Goods Association, Cleveland, May 28.

Marianna Securities Corporation Formed

CHICAGO, ILL.—The Marianna Securities Corporation has been formed with offices at 105 West Adams Street. Officers are J. D. Murphy, President and Treasurer; James L. Jeffers, Vice-President and Assistant Secretary; John M. Lancaster, Secretary and Assistant Treasurer; and L. J. Nicolaus, J. J. Niemoeller, and David Tallant, Directors. All of the officers are officers of Stifel, Nicolaus & Co., Inc., except Mr. Tallant who is associated with the law firm of Chapman & Cutler.

Pennsylvania Brevities

Settlement of the soft coal strike has come too late to prevent a serious and extended delay in the resumption of steel production in the Pittsburgh area. As a result, manufacturing industries throughout the country will suffer slow-ups and stoppages because of the interruption in the supply of essential materials.

Last week operations of Carnegie-Illinois Steel Corp., the largest producing subsidiary of United States Steel Corp. were reported at only 8.5% of capacity. Its officers state that from three to four weeks will be required to attain capacity production.

Delivery of sufficient coal is alone not sufficient to reestablish operations of a closed steel mill. It is pointed out that from 10 days to two weeks is required to restore the by-product coke ovens, four to five days to put blast furnaces into operation and at least a day to warm open hearth furnaces.

At this writing, mines in the Pittsburgh area are still operated by the U. S. Government through the Navy Department. Operators continue to run the mines under Government supervision, although profits, if any, during the term of control will revert to the mine owners. Mines will not be returned to private ownership until a new contract is negotiated with the UMW. While the crisis is apparently passed and coal is again flowing to fill the vitally pressing needs of manufacturers, the railroads and utilities, operators are reported as being not too pleased with the Government's terms of settlement. They fear that John L. Lewis has obtained most of his demands, perhaps all that he hoped to succeed in getting.

Lukens Steel Plant Closed

For the first time in its 136 years of continuous business, Lukens Steel Co., Coatesville, Pa., has been forced to completely suspend operations. Shortages of raw materials and "other conditions beyond control" were ascribed as reasons for the stoppage by Robert W. Woolcott, President. The shutdown affects 5,000 employes of the company and its subsidiaries, By Products Steel Corp. and Lukenweld, Inc.

It is expected that operations will be resumed on June 8.

Pittsburgh Railways Case Remanded

Confusion worse confounded permeates the tangled affairs of Pittsburgh Railways Co. and its 49 hapless underliers as the result of a U. S. Circuit Court of Appeals decision, last month, reversing the findings of a District Court decision filed about a year ago. It is considered certain that an appeal will be taken to the U. S. Supreme Court and that the better part of another year may elapse before the matter receives final adjudication.

It is universally conceded that Pittsburgh Railways Co., operated under trusteeship since 1938, is in need of resolving its complicated intercorporate relationships. Most of the underliers, however, whose corporate entities have been carefully preserved since 1902 or earlier, refuse involuntarily to join in reorganization proceedings which adversely affect their contractural rights. This stand was upheld by an elaborate and carefully prepared report submitted by the Special Master which asserted that the corporate rights of the underliers were "unassailable." This view was accepted by the lower court and formed the basis of the order dismissing the city of Pittsburgh's petition to place all the underliers' properties under court jurisdiction.

In reversing the District Court order, the Circuit Court's opinion appears to be long on admonition and short on law. The court feels very strongly that "this transportation system must find a way to work out its problems in court and be on its way to a solution presently or else be left to work out its own salvation by extra judicial arrangements. We do not propose to permit the parties to postpone the facing of their business questions indefinitely under the protection of a reorganization court. . . . If a plan of reorganization is not found and ordinary bankruptcy is not available, the debtor must leave the haven of the court below."

In explanation of its disregard of the contractural rights of the underliers, the opinion states: "Finally, we are here concerned, not with the application of state law, but with the sweep of a Federal statute dealing with a subject in which Congress, under the Constitution, is empowered to act. Federal courts have been taught, since 1938, that in matters of state law they must conform strictly to the declarations of that law made by the state courts. But equally clearly, it is established that in determining law applicable to carrying out of federal powers, we are not bound by the provisions of state law, but we are bound to interpret the provision of the Federal statutes in the best exercise of our own judgment. . . . "It is not claimed that there is any judicial precedent squarely on the point confronting us here. We do have, however, signposts to mark the way."

Reaction on the part of minority public holders of system securities to the above decision may be described as mixed to bullish. Should the U. S. Supreme Court reaffirm the corporate and contractural rights of the underliers, security holders feel that they will be entitled to, and will get, "par and accrued." And another year is not long to wait. On the other hand, should an all-inclusive reorganization be made mandatory, any acceptable plan is likely to provide favorable treatment. Operations of the system continue at peak levels and the Trustees are reported to possess cash in excess of $22,000,000.

Philadelphia to Spend $78,200,000

Voters at the Philadelphia primary election held last month approved four municipal loans totaling $78,200,000, representing a wide variety of postwar improvements. In addition to these loans City Council last fall authorized $17,000,000 of loans under its councilmanic borrowing power.

The largest one item provided for was $34,000,000 allotted to the construction of storm sewers and sewage collection and treatment. Improvements to Northeast and Southwest airports will take another $10,000,000. Other allocations follow.

$8,000,000—Extension of Market Street subway to 46th Street.
$5,000,000—Road repairs and construction in connection with the State highway program.
$3,000,000—Improvements to parks and playgrounds.
$2,000,000—Installation of an express line in Broadway subway.
$3,000,000—Port improvements.
$4,300,000—Removal of "Chinese Wall" blocking crosstown traffic.
$1,500,000—Drainage and flood control.
$1,200,000—Repairs to City Hall.
$1,000,000—House of Detention.

These civic undertakings, together with the pent-up backlog of private construction, are expected to provide stimulus to the building, paving and allied industries for a number of years to come.

The Philadelphia Life Insurance and Trust Council announces the following election of officers: President, Albert W. Moore, New England Mutual Life Insurance Company; Vice-President, Lewis W. Van Meter, Provident Trust Co.; Treasurer, J. M. Wilcox, Fidelity-Philadelphia Trust Co.; Secretary, L. A. Hauselin, Provident Mutual Life Insurance Co.

Stockholders of Publicker Industries have approved an increase in authorized common from 2,000,000 to 4,000,000 shares. Management has stated that no split-up of common is contemplated at the present time. The step was taken to conserve cash for expansion and to make provision for the payment of dividends in stock.

Phillips, Schmertz & Robinson Is Formed

Formation of the investment firm of Phillips, Schmertz & Robinson with offices in Pittsburgh and Philadelphia is being announced. The new firm, which succeeds Phillips, Schmertz & Co. of Pittsburgh, will act as dealers and underwriters in Pennsylvania, New Jersey and general market municipal bonds, corporate securities, investment funds and FHA insured mortgages.

Ellwood S. Robinson

The new partnership, which succeeds Phillips, Schmertz & Co. of Pittsburgh, will consist of Robert C. Schmertz, George W. Sheridan, Ellwood S. Robinson, Dorsey W. Yealy, as general partners and William H. Phillips, limited.

Mr. Robinson, well known here as a specialist in municipal financing, having been associated with A. Webster Dougherty & Co. for the past 12 years and previously with the Philadelphia office of Guaranty Company of New York, will handle the firm's municipal business from Philadelphia.

The firm's Pittsburgh office is located in the Union Trust Building; the Philadelphia office at 1421 Chestnut Street.

Phila. Bowling League Ends 1945-46 Season

PHILADELPHIA, PA. — The Philadelphia Bankers and Brokers Bowling League closed its 1945-46 season last month with play-offs which resulted in Montgomery, Scott & Co.'s "B" team nosing out E. H. Rollins & Sons for first place. Hecker & Co.'s timber-topplers were third. Eight teams, including some 50 players, comprised the league.

Lemke & Co. Stock Publicly Offered

Public offering of 80,000 shares of 50-cent par common stock of B. L. Lemke & Co., Inc. was made June 5 by F. R. Lushes Co. as underwriters. The price was $3.62½ per share. Proceeds will be used for the purchase of chemical manufacturing equipment and the erection of a new factory.

York Rejoins Staff of Doremus in Philadelphia

PHILADELPHIA, PA.—Edward Howard York, 3rd, has rejoined the staff of Doremus & Company, 1518 Walnut Street, advertising agency, after four years service in the U. S. Navy where he held the rank of lieutenant. Before entering war service Mr. York was associated with the agency's New York office.

Sweden and Allies Go Over the Books

By HERBERT M. BRATTER

Mr. Bratter, noting arrival in U. S. of a Swedish Mission headed by Justice Emil Sandstrom to negotiate regarding German assets in Sweden, gives data regarding claims and counterclaims. Says Sweden, though not recognizing edict of Allied Control Commission confiscating German assets in foreign countries, is willing to negotiate, and reports Mr. Sandstrom maintains Sweden's claims against Germany exceed German assets in Sweden.

Promptly after the conclusion of the Allied-Swiss negotiations in Washington concerning German property held in Switzerland, there arrived in Washington a Swedish mission for the same purpose. This mission is now in conference with representatives of the United States, United Kingdom and France. As in the case of Switzerland, the discussions with Sweden demontsrate that neutrality in a global war has to be accounted for when, after the fighting has ended, the chips are counted and sorted. Neutrals, too, have to make their peace with the conquerors.

Herbert M. Bratter

Justice E. Sandstrom

The current discussions arise out of a law promulgated by the Allied Control Council on Oct. 30, 1945, vesting in itself all German external assets. Sweden does not recognize that law as valid in Sweden. The negotiations comprise not only the disposal

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British Storm Over Loan Subsides

By PAUL EINZIG

Following up his account of British resentment over Secretary Vinson's statement regarding allocation of British loan to repayment of blocked sterling, as published in last week's "Chronicle," Dr. Einzig announces storm has subsided because of assurances given by Chancellor of Exchequer that no secret agreement regarding sterling balances exists, and Britain is free to negotiate settlement with creditors. Holds opinion against loan is still strong in Britain.

LONDON, ENG.—The minor storm caused in the House of Commons by Secretary Vinson's statement on the proposed settlement of blocked sterling balances has now subsided, following the reassuring statement made by the Chancellor of the Exchequer on May 28. His earlier answer to a question on May 23 was not considered satisfactory, and there was every indication of a major campaign developing in Parliament and in the Press. Members of Parliament put down no less than ten questions to the Chancellor, several outspoken articles appeared, and the correspondence columns of the Press showed that there was strong feeling on the subject also among the general public.

Paul Einzig

Since Mr. Vinson mentioned concrete figures representing the amount of dollars to be handed over to holders of blocked sterling balances in part settlement of their claims, and quoted detailed terms of the proposed settlement, the first abridged reports of his statement conveyed the impression over here that there was a secret agreement between Britain and the United States. A more detailed account of his statement made it plain, however, that the terms and figures he quoted were merely discussed and that there was no agreement. Mr. Dalton, in his answer in the House of Commons on May 23, confirmed this with some emphasis. Nevertheless, Members of Paliament were far from happy. Mr. Dalton in a reply to a supplementary question, stated that he hoped there was no difference between the British and American interpretation of Article 10 of the Loan Agreement. And since the American interpretation was plainly indicated by Mr. Vinson, this reply led to the conclusion that, even in the absence of a cut-and-dried agreement, the solution chosen would be on the lines indicated by Mr. Vinson.

There was also a widespread feeling that, even though there may not be an agreement, negotiations for the conclusion of one must be well on their way, so that sooner or later Britain would commit herself to an agreement based on the figures disclosed by Mr. Vinson.

The loan agreement has never been really popular in Britain; at best it is regarded as a necessary evil, but a great many people consider it an evil without being necessary. It is felt that the price paid for it in the form of limiting Britain's right to devalue sterling, removing exchange restrictions, and materially weakening the Empire trading system, is much too high. There are, it is true, some Free Traders who believe that the conditions attached to the loan would have been worth ac-

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NSTA Notes

NSTA EMPLOYMENT PROGRAM

"The problem of employment in the security business was probably never more important than it is today," Arthur E. Farrell, H. M. Byllesby & Co., Chicago, Chairman of the NSTA Employment Committee, stated in a letter to members. "Since 1929 many have left the business and few have joined. Some were unsuited to the business and others entered more lucrative fields. Those who remain have weathered the depression, the Securities and Exchange Commission, and other regulatory bodies, so that they are well versed in the responsibilities of their profession and the integrity and knowledge they must possess.

"In times of prosperity and rising markets the security business holds great attraction as a field for employment. It is during these times that great care should be exercised in the selection of personnel. New employees should possess the proper education, integrity and temperament necessary to succeed. They should realize their responsibility to the investor and the fact that business runs in cycles. They must prepare for all eventualities.

"Most of the men formerly engaged in the security business, who were in the Armed Forces, have returned and are reemployed. There are many young men who were in the Service that have matured rapidly through their experience and are excellent prospects for employment.

"Fortunately, the IBA and other groups realize the need of new blood in the business and have prepared an excellent educational program for training new employees. This, coupled with your own knowledge, should make it possible to round out your staff with competent employees.

"The problem of employment in the various cities is hard to handle on a national basis. It is more a problem of each individual affiliate. Some have set up an employment committee. This committee has contacted employers and acted as a clearing house for prospective employees. Individual members have referred qualified individuals to the committee. The employment committee of the NSTA is open to suggestions and will be glad to pass them along to our members."

INVESTMENT TRADERS ASSOCIATION OF PHILADELPHIA

Investment Traders Association of Philadelphia will hold its annual summer outing at Manufacturers Country Club, Oreland, Pa., July 12. Thomas J. Love, George E. Snyder & Co., is general chairman. A feature will be the distribution of $10,000 in War Bonds now being "registered" in the form of $2.00 participations to be drawn for at the party. Net proceeds, together with other treasury funds of the association, will provide the nucleus of a death benefit fund which the association plans to create. The outing program will include sports for all. The customary invitation will be extended to the Security Traders Association of New York to joust the local talent at golf and soft ball.

Railroad Securities

That large fraternity of speculators and individual investors which is prone to accept reported net earnings of the railroads at their face value on the theory that uniform accounting practices established by the Interstate Commerce Commission iron out all discrepencies is having hard sledding these days. What with the non-cash expense items of amortization of defense projects and deferred maintenance added to normal depreciation charges, and with many roads taking credits in accordance with the carry-back provisions of the Federal income tax laws, it is impossible without an examination of detailed earnings statements filed with the ICC to determine just how well or how poorly an individual road is doing from an operating standpoint.

In the long run it is the actual operating performance that counts, not reported net income arrived at after extraordinary charges or credits. In many instances the extraordinary expense items (be they credits or charges) do not even represent cash income or outgo. Even in the case of tax credits which do involve a cash betterment to the company they are obviously only a temporary prop to earnings and do not in any way represent the normal ability of the properties to produce income. Nevertheless, many people are accepting without any question the reported earnings. Some roads which from an operating standpoint are showing a sharp deterioration from a year ago are, because of adjustments, reporting little or no decline in net and are therefore being generally hailed as showing strong resistance to any of the adverse influences in the rail field.

One of the outstanding examples of sustained earning power more apparent than real is to be found in the Texas & Pacific. For the first quarter of the year the company reported a drop of 33.6% in gross revenues, a more severe contraction than that experienced by the Class I carriers as a whole. Despite this large decline in revenues and the impact of higher wages and other costs, the road reported earnings of $2.60 a share on its common stock. This was only a nominal dip from the $2.65 a share reported in the like 1945 interim. What is not apparent in these bare figures of net results is that the earnings for the 1946 quarter included a credit of $496,330 for deferred maintenance. This was equivalent to $1.28 a share or about half of the reported earnings for the quarter. On the other hand, the report for the 1945 quarter included a debit for deferred maintenance of $375,000 or $0.97 a share of common stock. If only the deferred maintenance items, which represent neither cash income nor cash outlay, are eliminated the adjusted earnings would be $3.62 for the 1945 quarter and $1.32 for the 1946 quarter.

The other factor tending to hold earnings to the level of a year ago, and thus obscure the fact that from an operating standpoint the road has been suffering severely along with the industry in general, is that Federal income taxes declined from $5,355,074 to $388,000. In the case of the lower taxes, however, it is obvious that the reduction is of direct financial benefit to the road and the stock which the non-cash items are not. As a more accurate measure of just how hard this individual road has been hit by the loss of important war traffic and mounting costs it is pertinent to note that while gross declined $6,725,924 in the first quarter of 1946, as compared with a year ago, transportation costs were cut only $251,535. The transportation ratio jumped ten points from 24.0% to 34.2%.

This exposition on the earnings of one individual road is not designed to indicate any idea that recent speculative enthusiasm for the particular stock is ill-advised. On the contrary, there are many analysts fully aware of the true earnings picture who consider the shares still attractive at recent levels on the basis of long term earnings and dividend prospects. It is the purpose of this article merely to use this one illustration to point the necessity, at this time particularly, for looking into the factors behind reported earnings rather than reported earnings by themselves before jumping to conclusions as to how well the operations of a specific road are really holding up.

Morgan Stanley Offer $100,000,000 Issue of Socony-Vacuum Debs.

Morgan Stanley & Co. headed a nationwide investment banking group which on June 5 offered to the public $100,000,000 of Socony-Vacuum Oil Co., Inc. 30-year 2½% debentures at 100½ and accrued interest. The financing involves one of the largest corporate issues placed in the market during recent years.

Proceeds from the sale of the debentures with other funds of the company will be applied by Socony-Vacuum to the redemption of its $50,000,000 outstanding 25-year 3% debentures due 1964 at 104, and prepayment of its $50,000,000 outstanding serial notes due 1950-55 at 100.

After completion of this financing the company's outstanding capitalization will consist of the $100,000,000 debentures being sold and 31,708,452 shares of capital stock, par $15.

The debentures are redeemable to and including December 31, 1950, at 103% and thereafter at prices scaling down to the principal amount after Dec. 1, 1970, to maturity. Sinking fund provisions call for semi-annual payments of $500,000 on Nov. 30, 1950, and on each May 31 and Nov. 30 to and including May 31, 1956, and $1,000,000 on each Nov. 30 and May 31 thereafter to and including Nov. 30, 1975. The initial sinking fund redemption price is 100½%.

The prospectus indicates that for the year ended Dec. 31, 1945, the company reported sales, including services, amounting to $828,796,358 and consolidated net income of $41,493,663.

Blyth & Co. Syndicate Places Stock of Powdrell & Alexander

Offering of 82,316 shares of Powdrell & Alexander, Inc. common stock was made by Blyth & Co., Inc. and associates June 4 at $24¼ a share. The offering was made for the account of certain stockholders and none of the proceeds will be received by the company. The issue has been oversubscribed.

Flag Day June 14

A proclamation calling for observance of Flag Day June 14 through rededication "to the responsibilities and obligations of citizenship," was issued on May 29 by President Truman. The proclamation it was noted in the Associated Press also suggested that in recognition of the joint victories achieved by the United States and her allies, "the flags of the United Nations be shown, wherever possible, in the company of the flag of the United States."

ICC Is Expected to Grant Rails An Increase Of 15 or 16% in Freight Rates by End of Year

Rail men on Wall Street expect the Interstate Commerce Commission to grant increases in freight rates averaging 15 or 16% by the end of the year. This boost, they feel, will come in two jumps, one of not more than 10% within the reasonably near future and the balance later in the year after hearings. The railroads have petitioned for a 25% increase largely to offset higher labor costs.

The Commission in 1942, under ex-parte 148, permitted the roads to charge 4.7% higher freight rates but rescinded this order a year later with the provision that the question could be reopened every six months. The Commission could restore the 4.7% increase, in fact increase rates up to 10%, under present rules without hearing.

Chas. Merrill Receives Honorary Degree

"For his service to all classes of investors," Charles E. Merrill, senior partner of the Wall Street firm of Merrill Lynch, Pierce, Fenner & Beane, was awarded the honorary degree of Doctor of Laws by Stetson University in Deland, Fla.

Chas. E. Merrill

In conferring the degree, one of the few such honors bestowed on a Wall Streeter since the 1929 crash, Dr. William Sims Allen, president of the university, stressed Merrill's accomplishments in helping "to take the mystery out of finance" by giving full publicity to the operations of the securities markets as well as to the activities of his own firm. Merrill's company was the first in Wall Street to publish full annual reports on all phases of its operations and finances.

"As head of the largest securities brokerage firm in the world," Dr. Allen declared, "you have done much to take the mystery out of finance and supply department store service to big and little investors alike. One of every ten shares traded on the N. Y. Stock Exchange is cleared over your private wire system. Your record in the business world has attracted national and international attention. As an investment leader you have helped both business and the investor understand and follow the American way of life." "Co-founder of Safeway Stores, Inc., founder of the 'Family Circle Magazine,' President of Chi Psi Fraternity, clear thinker, untiring worker and distinguished American citizen, we are honored that you are a son of Stetson."

Mr. Merrill, a native of Green Cove Springs, Fla., attended Stetson University from 1901 to 1903, working his way by carrying newspapers. Later he attended and was graduated from Amherst with the class of 1908.

He came to Wall Street as a bond salesman but soon turned to financing chain stores which were then in their infancy. He was instrumental in the formation of Safeway, Kresge, McCrory, Western Auto Supply, First National and Melville Shoe companies.

In the late twenties, fearing the impending crack-up in securities prices, he tried to interest the late Calvin Coolidge in coming to Wall Street as a Merrill partner, hoping that the ex-President's warnings would be heeded. Failing in that, Merrill turned to preparing his own firm, then Merrill, Lynch & Co., for the blow by economizing wherever possible. The brokerage department and several partners were transferred to E. A. Pierce & Co., then Wall Street's largest wire house, leaving Merrill with the underwriting, research and merchandising divisions.

During the '30s, Merrill conducted exhaustive surveys on what the public wanted in brokerage services. By April 1, 1940 he thought he had the answer. On that day he set up the organization which now has 82 partners, 2,275 employes and branches in 88 cities.

His formula has been, as he told his partners and employees on that merger day, to "cut out the boloney and frills and provide complete brokerage service to small and large investors alike at the lowest possible cost."

Officials of Fund and World Bank

(Seventh of a Series)

PIERRE MENDES-FRANCE

France's Executive Director of the Fund and Bank

Since France is one of the Big Five, its executive director of the Fund and the Bank is appointed, not elected. In this capacity the French director casts France's 5.74% of the Fund's total 32,795 votes and 5.57% of the Bank's 35,270 votes.

P. Mendes-France

Pierre Mendes-France was born in 1907, in Paris. He graduated from the School for Political Science in Paris as doctor at law (economics). M. Mendes-France also holds a degree of history and geography from the Sorbonne. He has written several books dealing with economic and financial topics.

In 1932 M. Mendes-France was elected deputy. He served as mayor of the town of Louviers, Eure Department, and became under-secretary of state for the Treasury in 1938. At the outbreak of World War II, Mendes-France volunteered in the Air Force. Imprisoned by the Vichy Government in May, 1940, and sentenced to six years imprisonment, he escaped in June, 1941, and became active in the underground movement for one year in France, later joining the Free French army in 1942 as lieutenant in the Air Force. He was awarded the Legion of Honor and the Croix de Guerre.

In November, 1943 Mendes-France was asked by General de Gaulle to take in the French Government in Algiers the office of Commissioner of Finance. He remained in that office until the liberation of France. In this capacity he planned the financial measures for the liberation of his country, negotiated and signed the Franco-British financial agreements in February 1944, and negotiated with the Americans the financial problems dealing with the Allied landing in France, in the course of a mission to Washington in May 1944. Mendes-France was chairman of the French Delegation at Bretton Woods in July 1944.

Upon the liberation of France he became Minister for National Economy, but resigned from the Government in April, 1945. Asked by President Gouin in January 1946, to take up the office of Minister of Finance in the new Government, he declined this offer. Attended Savannah meeting as Governor of the Fund and Alternate Governor of the Bank.

Up to this writing Mr. Mendes-France has not been in the United States to participate in the work of the Fund and Bank executive directors. Following the Savannah meeting in March, he returned to France and it was understood that he would remain there, at least until after the elections scheduled for early June.

American Position in Monetary Equilibrium

By PER JACOBSSON, D.C.L.*

Swedish economist contends war's destruction can be rapidly restored, but that return of economic and monetary equilibrium is dependent on opportunity to create wealth under favorable conditions. Holds there must be world order in monetary system for a real revival of commerce, and says that this is difficult to accomplish without Sterling again becoming an international currency. Points out American price level will regulate world market, because of dominance of U. S. output and trade, and that whole world will benefit in effecting a balance between costs and prices in American economy.

The economic devastation caused by the world war may be summed up under "four disastrous D's":

Prof. Per Jacobsson

Damage to persons — in the form of premature death, lowered vitality owing to wounds, shell shock, etc., absence of occupational training, or, in more general terms, neglected education.

Destruction of property—(especially of buildings and vessels, but also of bridges, canals, etc.) to an extent far exceeding the destruction during the first World War.

Disinvestment—drain on capital assets, either in the form of diminution of goods stocks, postponement of the maintenance of real or movable property, or by a belligerent country's utilization of foreign investments for the financing of the war.

Disinvestment—drain on capital comprise all the disturbance caused by the vast extent to which the normal peace organization has been dislocated.

It is in a very different degree that individual countries have been exposed to the damage here indicated and, what, perhaps, is still more important, the power of recovery varies immensely from country to country. In Russia nearly 15 million persons have perished in consequence of the war—and, as it seems, mostly vigorous young men and women, besides a large number of children—but the vitality of Russia is so great that the loss sustained will apparently rather soon be replaced. For France, on the other hand, a loss of 600,000 persons during the second World War is

(Continued on page 3090)

*Extracted from the Quarterly Review of the Skandinaviska Banken, April, 1946. The picture of Professor Jacobsson, who is economic advisor of the Bank for International Settlements, was made available through the courtesy of the American-Swedish News Exchange, Inc.

Business Outlook for Summer

By ROGER W. BABSON

Mr. Babson forecasts more business activity in next few months because of low inventories and large consumer demands. Sees no setbacks due to cancellation of orders or psychological reaction and holds strike leaders have overplayed their hands.

BABSON PARK, MASS. — Business activity in the next few months should constantly improve in most lines. With newspapers full of uncertainties regarding politics and other depressing items, it is a relief to focus one's attention on the good news from the domestic front.

Roger W. Babson

Textile and Steel Inventories Low

Textile mills have stepped up schedules since the German armies destroyed many of the big mill centers in Northern France and Belgium. Gray goods sales have been high and the demand for shirts and men's wear of all kinds is tremendous.

Steel operations have been handicapped by strikes of all kinds but now have a green light to go ahead. Many thought the end of the war might hit the steel industry harder than most others, but it has not. Inventories in consumer's hands are said to be lower than ever before.

Gains to Continue

Chemical industries are just beginning to feel the good effects of the postwar program. How much they will add to the business total in the next few months is uncertain just now. Investors, businessmen, and workers should, however, keep in mind that this nation is entering upon a tremendous plastic program which can be operated with little fear of strikes. Therefore, what is now on the books is a mere sampling of what is to follow in chemical developments.

Retail trade is remarkably good. It is running 25% or more above a year ago. This comparison with 1945 levels comes from the industrial areas of the Middlewest, from the South and from the Pacific Coast. Rising payrolls mean that these gains should continue for sometime to come. I am still bullish on merchandise securities as the best hedge against both wage increases and inflation.

Record Tourist Season

Tourist business: Due to the hesitancy of cruising even to the West Indies, South America, Alaska, and other places, most tourist money will be left in this country and Canada this summer. The greater efforts which the railroad and bus lines are making in developing travel indicate that this summer will see the largest vacation season on record.

The business outlook for the summer, therefore, is good. There will be no set-backs due to cancellation of orders or psychological reactions. Any change will be to increase an already high level of activity. Hence, I believe that over-all business this summer should be even better than ever before. If you plan a vacation away from home, you better get your reservations now.

Strike Situation

The strike leaders have surely overplayed their hands. At last they got the American people aroused by their arrogance and indifference to the public welfare. I am sorry for this because I believe in intelligent collective bargaining with arbitration as a last resort. But when a Lewis or a Whitney holds a pistol to our heads to force the signing of a contract, this is revolution and insurrection. Let us hope Congress will make this impossible to occur again.

Andrew C. Reid & Co. Formed in Detroit

(Special to THE FINANCIAL CHRONICLE)

DETROIT MICH.—Andrew C. Reid & Company has been formed with offices in the Guardian Building, to engage in the securities business. Partners of the firm are Andrew C. Reid, member of the Detroit Stock Exchange, Roy W. Neil, Elmer C. Schroeder, and Fred W. Huber. All were formerly with Wm. C. Roney & Co., of which Mr. Neil and Mr. Reid were partners.

McEntire Sworn in As Member of SEC

Richard B. McEntire, former Chairman of the Kansas State Corporation Commission, was sworn in on June 4 as a member of the Securities and Exchange Commission. He was appointed to fill the unexpired term ending June 5, 1948, created by the resignation of Sumner T. Pike. The Senate confirmed Mr. McEntire's nomination on May 25.

Robert E. Healy, only remaining member of the original Commission, also was sworn in on June 4 for his third five-year term at Temple University Hospital where he is convalescing from a recent illness, according to the Associated Press. Commissioner Healy was renominated by President Truman on May 22 and the nomination was confirmed by the Senate on May 25. The new term would end in 1951. His present term ends on June 30.

H. W. Masters Joins Van Strum & Towne

Van Strum & Towne, Inc., 70 Pine Street, New York City, investment counsel, announces that H. W. Masters has been elected a vice-president of the firm effective June 1, 1946. Mr. Masters, recently relieved from active duty as a lieutenant colonel with the Army Air Forces, has spent 25 years in the investment banking and brokerage business.

Prior to his entrance into service in 1942, the new vice-president was manager of the investment department of Hemphill, Noyes & Co., before which he was a partner of Crane-McMahon & Co., members of the New York Stock Exchange.

Born in Chicago, Mr. Masters was educated at the Illinois Institute of Technology and the University of Chicago, and is a member of the Union League Club of Chicago, the Bond Men's Club of Chicago and Sons of the American Revolution.

Paul & Co. Celebrates Thirtieth Anniversary

PHILADELPHIA, PA. — Paul & Co., Inc., members of the Philadelphia Stock Exchange, 1420 Walnut Street, are celebrating thirty years in the investment business. The firm, which was organized in 1916, maintains branches in New York and Boston

Bank and Insurance Stocks

By E. A. VAN DEUSEN

This Week — Insurance Stocks

Diversification is a principle of sound investment. It should be adhered to by the investor in insurance stocks as well as by the investor in industrial stocks, even though each individual insurance stock of itself represents a high degree of inherent diversification.

An interesting illustration of the importance of diversification to the insurance stock investor is found in the very marked divergencies which occur in the comparative annual market action of individual insurance stocks. This is true even among a group of strong old-line companies, of excellent management and high quality. The divergence will be found to be even more marked if second grade and speculative issues are compared with those of investment caliber.

The following Table I shows the percent market appreciation or depreciation of 21 high grade fire insurance stocks in the years 1942, 1943, 1944 and 1945, starting with the asked price of each stock as of Dec. 31, 1941, as quoted in the New York "Times":

TABLE I

Annual Market Appreciation or Depreciation

	1942	1943	1944	1945
Aetna Insurance	—10.8%	+ 6.3%	— 5.9%	+13.6%
Agricultural Insurance	—10.3	+ 6.5	+ 2.7	+17.8
Boston Insurance	—14.8	+ 4.3	+12.1	+25.8
Continental Insurance	No Change	+10.7	No Change	+21.5
Fidelity-Phenix	+ 8.6	+13.0	+ 0.5	+26.4
Fire Association	—13.2	+18.0	+ 6.3	+21.9
Franklin Fire	+ 8.5	+ 2.2	—16.2	+ 7.1
Great American	+ 7.2	+ 0.9	+ 7.1	+18.8
Hanover	+ 4.8	+ 7.6	+ 1.9	+19.4
Hartford Fire	+ 2.5	+ 7.2	+ 5.5	+16.4
Home	+ 7.8	+ 9.4	—12.8	+13.4
Insurance Co. of North America	— 7.3	+13.2	+10.5	+21.9
National Fire	— 7.8	+ 4.0	No change	+ 6.0
New Hampshire	— 1.2	+10.0	— 1.1	+13.5
North River	+ 0.5	+ 0.5	— 3.2	+11.5
Phoenix	— 2.5	+ 2.0	+ 1.4	+ 9.0
Providence-Washington	+ 1.1	+ 9.8	— 4.8	+18.4
St. Paul Fire & Marine	— 1.8	+11.2	+22.9	+ 7.8
Security	— 7.2	— 2.3	— 4.1	+ 6.1
Springfield Fire & Marine	+ 6.0	+ 6.0	— 4.5	+ 1.6
U. S. Fire	+ 5.9	+ 0.5	+ 3.5	+17.1
Average of 21	— 1.1%	+ 6.7%	+ 1.0%	+15.0%

The market performance of each stock in each year may be compared with the average and with each other. A second tabulation (Table II) is also presented which shows the price changes of each stock thus far in 1946, and also the total change over the entire period, from 12-31-1941 to 5-31-1946.

TABLE II

	Asked Price 5-31-1946	% Change from 12-31-1945	% Change from 12-31-1941
Aetna Insurance	57½	— 1.7%	— 0.4%
Agricultural Insurance	90	+ 0.6	+16.1
*Boston Insurance	72	— 8.9	+14.3
Continental Insurance	55½	— 1.8	+32.1
Fidelity-Phenix	61	— 3.9	+49.7
†Fire Association	65	— 5.8	+24.8
Franklin Fire	25	— 4.8	— 5.2
Great American	33½	— 6.0	+29.5
Hanover	32¼	No Change	+37.2
Hartford Fire	130¼	+ 6.3	+43.5
Home	33⅝	+ 5.9	+23.4
‡Insurance Co. of North America	110	+14.3	+42.2
National Fire	66	+ 6.5	+ 8.2
New Hampshire	55	+ 4.8	+27.9
North River	25¾	+ 0.1	+ 7.9
Phoenix	94½	— 2.6	+ 7.1
Providence Washington	44	+ 7.3	+34.4
§St. Paul Fire & Marine	81	+ 0.3	+48.3
Security	36¼	— 2.0	— 9.7
Springfield Fire & Marine	125	— 2.3	+ 6.4
U. S. Fire	63	+ 5.0	+35.5
Average		+ 0.5%	+22.5%

*10 for 1 stock split, 1945. †20% stock dividend, April 1945. ‡25% capital increase, 1945. §5 for 1 stock split, 1944.

Close examination of these tables brings out some interesting points. For example, the stock of Aetna Insurance, excellent company that it is, has in each year and over the entire period performed below the average. Its best performance was an appreciation of 13.6% in 1945; but this was under the group average of 15.0%. Over the entire period it showed a market loss of 0.4% compared with a group average of +22.5%; and thus far this year it has declined 1.7% vs. a group gain of +0.5%.

Hartford Fire, on the other hand, has performed better than the average of the group in each period and over the entire period, even showing a gain of 2.5% in 1942 when the 21 stocks showed an average depreciation of 1.1%.

The irregularity and inconsis-

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Nationwide Strikes are a Sword Over Our Heads

Publication of First National Bank of Boston says power of any group to rise above law threatens our society. Claims legislation alone, without loyalty to underlying principles and ideals of country, will not afford a remedy.

The May 31 issue of the "New England Letter," monthly publication of the First National Bank of Boston, contains an analysis of the present economic situation with reference to nationwide strikes in the coal and railroad industries, and cautions that legislation, instead of removing the difficulties, may constitute further causes of friction. According to the "New England Letter": The nation was on the brink of disaster as creeping paralysis spread over the land as a consequence of the nationwide coal and railroad strikes. A temporary truce now prevails but as long as minority groups have the power to strangle our economy, a sword is suspended over our heads.

"The issues at stake transcend those of the immediate parties concerned and involve in their scope nothing less than the survival of our present system of government and private enterprise. In fact the heart of organized society, which by its very nature is decisively dependent upon the co-operation of all groups for survival, is threatened.

"Our economic system has become increasingly closely knit with growing mutual dependency of all groups. In colonial days, household economy predominated with each family largely self sufficient. The advent of the steam engine ushered in the factory system which has greatly expanded and has been accompanied by a high concentration of our population in the cities. Less than 20 percent of the people now live on farms, as compared with more than 90 percent one hundred and fifty years ago. With modern capitalism, subdivision of work has been carried out to such an extent that relatively few persons supply directly any of their own wants.

"Under our economic system the extractive industries turn out the raw materials, the factories convert these into finished goods, while transportation and trade deliver these goods to the consumer markets. From 50 to 55 million persons are gainfully employed in countless activities to provide food, clothing, shelter, and other necessities, as well as luxuries, to 140 million people. It is a farflung and complicated system that is dependent upon all groups

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The Debt Reduction Program

Northern Trust Co. of Chicago sees some puzzling paradoxes. Says debt retirement by cancelling Treasury surplus arising from Victory Loan will not have an anti-inflationary effect unless followed by sale of long-term issues to non-bank buyers. Says only program that actually reduces debt is its retirement from surplus revenues.

The June issue of "Business Comment," published by the Northern Trust Company of Chicago, analyzes the National Debt reduction problem. Concerning this topic, the pubilcation states that "two features of the debt reduction program may be puzzling to a great many people. One is that significant declines in the prices of U. S. Government securities should occur coincident with the retirement of debt. Why should Government securities be weak just at the time when the Treasury is reducing the supply of such issues by paying off debt? Since, also, the demand for remaining issues is increased to the extent that holders of redeemed debt wish to reinvest the proceeds, should not the market be strong under these conditions? The other puzzling feature of the program is the extent to which it is effective as an anti-inflationary weapon under present circumstances.

"The paradox of declining bond prices coincident with debt reduction is exactly the opposite of the situation discussed in the July 1945 issue of this bulletin. Then it was the paradox of lower interest rates (the market for Governments was then very strong) in the face of large borrowings by the Treasury and great pent-up demands for capital goods here and abroad. Truly the market seems topsy turvy. A part of the answer to the paradox in both situations lies in the influence of the commercial banks. Holding one-third of the debt, any change in the reserve position or investment policy of the banks may profoundly affect the whole bond market. Prior to the development of the debt retirement program, bankers anticipated that although postwar conditions would involve shifts in deposits between banks and regions, these shifts would come slowly and the over-all total of deposits would not decline and could rise further. Moreover, many bankers felt that the U. S. Government deposits built up in connection with the sale of securities in the Victory Loan Drive would, with the decline in the Treasury deficit, be withdrawn more slowly than after previous Drives. There was also the fear that the ⅞% rate on certificates would be reduced, and some banks held their investment in such issues to a minimum. For these and other reasons, many banks increased their holdings of the longer-term Treasury securi-

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NYSE Golf Tournament To Be Held July 2nd

About 200 members of the New York Stock Exchange will engage in their forty-seventh annual golf tournament on Tuesday, July 2, at the Winged Foot Golf Club, in Mamaroneck, it was announced today by James McKenna, Chairman of the New York Stock Exchange Golf Association. This will be the first members' tournament since the War Bond match in 1942, after which the outings were discontinued because of the war.

At stake will be the Governors' Cup, donated by the Board of Governors of the Exchange, which is presented annually to the player turning in low net score and which was won last by Robert B. Flinn, of Merrill Lynch, Pierce, Fenner & Beane, who carded 91-25-66. For permanent possession the Cup must be won three times by the same member. Low gross in 1942 was a 75, turned in by Robert J. Jacobson.

As in previous tournaments, prizes will be awarded to golfers for low net, low gross, runners-up, holes-in-one, most birdies, and, also, to the player taking the greatest number of strokes on a hole to be selected by the Committee. Door prizes will be offered to non-golfers, about one hundred of whom are expected for the evening dinner.

Emil Schram, President of the Exchange, and John A. Coleman, Chairman of the Board of Governors, will be guests of honor.

Vice Chairman of the New York Stock Exchange Golf Association is Henry Picoli, John J. Edgerton is Secretary and John K. Cloud is Treasurer.

Lewisohn & Co. Adds D. Wittman to Staff

Lewisohn & Co., 61 Broadway, New York City, members New York Stock Exchange, announces that David Wittman is now associated with them in their new business department. He was formerly with B. G. Cantor & Co.

John Buckingham With F. S. Moseley

F. S. Moseley & Co., 14 Wall Street, New York City, members of the New York Stock Exchange, announce that John de F. Buckingham, formerly a Major in the Army Air Corps, has become associated with the firm.

Real Estate Securities

LONDON TERRACE FIRST MORTGAGE BONDS

Due June 1, 1952

These bonds are secured by a first mortgage on the square block of land bounded by 23rd and 24th Streets and Ninth and Tenth Avenues, together with the four 18-story apartment buildings erected on the corner plots and providing a total of 1,510 rooms divided into 700 apartments, about 620 of the apartments being one- and two-room units, and the balance being three- and four-room units.

In the reorganization in 1937, the bondholders were issued 55,000 shares of class A common stock, which gave them a 60% equity in the assets of the corporation.

Operations of a cumulative sinking fund have reduced the original $5,500,000 issue to $5,083,600 at the present time. Since all accrued and unpaid cumulative interest was paid in full on June 1, 1945, and since earnings are running far ahead of current interest charges, further substantial retirements of these bonds for the next several years may be anticipated.

While currently these bonds yield holders 4% per annum (3% fixed interest plus 1% cumulative income interest), it may not be long before the bonds will be returning approximately 5%. This fact may be gathered from an analysis of the provisions of the indenture and the earnings of the corporation. Under the terms of the indenture, earnings are applied as follows:

1. Payment of 3% fixed bond interest.
2. Payment of cumulative income interest up to 1%.
3. Payment into sinking fund up to 1% on a cumulative basis.
4. Payment of arrears in cumulative sinking fund.
5. Balance to be divided into four equal parts: one for additional non-cumulative income interest; one for additional non-cumulative sinking fund payment; two for corporate purposes, including stock dividends.

It may readily be seen that the only provision standing in the way of non-cumulative interest payments (above 4%) is the cumulative sinking fund arrearage amounting to $221,074.77.

Assuming that the net income continues at the rate established for the year ended March 31, 1946, the company will have $366,701 available for interest and sinking fund purposes. Fixed and cumulative interest payments will consume $203,344, leaving a balance of $163,357 to be applied: $55,000 to current sinking fund instalment, and approximately $108,000 to be used to liquidate the sinking fund arrears. Therefore, in two years the corporation should be in a position to make distributions of interest above the cumulative 4% rate. However, should the certiorari proceedings for the two tax years, July 1, 1944 to June 30, 1946, now before the Supreme Court, result in a tax refund, sinking fund arrears may be liquidated in a shorter period than two years. This would result in the following distribution of earnings based on 1946 figures:

Income available for bond interest and sinking fund	$366,701
Interest at 4% (based on $4,752,526 in bonds which would be outstanding after liquidation of sinking fund arrears and assuming conservatively retirement of bonds at par)	190,000
Balance available for sinking fund, etc.	$176,701
Cumulative sinking fund instalment	55,000
Balance	$121,701

To be applied as follows:

¼ to additional interest	$30,425
¼ to sinking fund	30,425
½ to corporation	60,851
Total	$121,701

The addition of $30,425 (above) to the sum available for interest payments would place the bonds on a 4.65% basis. Since the annual amount available for sinking fund purposes will then be in excess of $85,000, further reductions in the mortgage indebtedness will serve to increase the yield of the bonds above the above-stated rate. This rate may be increased further by dividends which may be paid on the company's capital stock, 10 shares of which are attached to each bond.

Geo. Sheehy Joins Holloway Corp.

Announcement was made today by the Holloway Corporation, 120 Wall Street, New York City, of the appointment of George E. Sheehy, as Executive Vice-President of the corporation. He was also elected a Director. The Holloway Corporation, whose plant is located in Laurel Hill, Long Island, N. Y., is a producer, blender and distributor of syrups and molasses.

Mr. Sheehy has had a broad experience in the sugar business, having entered the employ of the Cuban Cane Sugar Corporation in 1915, later becoming Vice-President and Treasurer of the successor company—the Cuban Atlantic Sugar Company. At the outbreak of World War II Mr. Sheehy offered his services to the U. S. Government and has served since 1942 as the Government's Purchasing Agent of sugar and molasses products for Lend-Lease and UNRRA.

Oscar A. Spiegelhalder, President of the Holloway Corporation, stated that plans are now under way for the broadening of the activities of the corporation.

Public Conference Announced by SEC to Consider Revision of Financial Statements Rule

The Securities and Exchange Commission announced on May 22 that a public conference will be held on July 9, to consider a proposal made by its staff for the revision of Article 6 of Regulation S-X which governs the form and content of financial statements of management investment companies other than those which are issuers of periodic payment plan certificates. The Commission says:

"During the past several years the staff of the Commission has reviewed critically the financial statements and schedules being filed by management investment companies under the Investment Company Act of 1940, the Securities Act of 1933 and the Securities Exchange Act of 1934. During the same period, the staff has from time to time discussed the issues involved in investment company accounting with representatives of various investment companies and their accountants, and with committees representing the National Association of Investment Companies and the American Institute of Accountants.

"On May 31, 1944 the Commission authorized the staff to circulate for comment and criticism a proposed revision of Article 6 of Regulation S-X which governs the form and content of financial statements filed by management investment companies under the three Acts mentioned above. The proposed draft was sent to all management investment companies, to several professional accounting societies, to the National Association of Investment Companies, and to a considerable number of public accountants and other interested persons. Thereafter, extended discussions were held between the staff and committees representing the National Association of Investment Companies and the American Institute of Accountants.

"The restatement of Article 6 now proposed represents a material departure in many respects from the existing requirements of Article 6 and, if adopted, would call for important modifications in the financial reporting practices of many management investment companies. As now revised, the staff proposals gives effect to many of the suggestions and criticisms received. However, there are a number of respects in which the proposed rules are not in accord with the recommendations of those from whom comments were obtained, particularly the National Association of Investment Companies.

"In view of the importance and significance of the changes proposed by the staff, the Commission has determined to hold a public conference for the purpose of ascertaining the views of all interested persons with respect to the staff proposal. For the convenience of those interested, the staff has prepared a report on the revision of Article 6 which describes in detail the changes proposed to be made and the more important considerations which it believes require these changes.

"Copies of the proposed revision of Article 6 and of the staff report are available upon request. However, copies of the materials have already been mailed to all management investment companies, and to those persons to whom the draft dated May 31, 1944 was sent for comment.

"The conference will open at 10:30 a.m. on July 9, 1946 at the Commission's offices in Philadelphia, 18th and Locusts Streets. Written comments as to the staff proposal and report should be filed by July 1. Persons desiring to attend the conference or to be heard at that time should notify the Commission not later than June 25, indicating the amount of time desired to present their views at the conference."

Coggeshall President Of New York Bond Club

James Coggeshall, Jr., of the First Boston Corporation, was elected president of the Bond Club of New York at its annual meeting held at the St. George Hotel, Brooklyn. He succeeds Lee M. Limbert of Blyth & Co., Inc.

James Coggeshall, Jr.

T. Jerrold Bryce of Clark, Dodge & Co., was elected vice-president of the club, filling the post held by Mr. Coggeshall during the past year. Other officers elected at the meeting were David L. Skinner of Harriman Ripley & Co., Incorporated, secretary, and David J. Lewis of Paine, Webber, Jackson & Curtis, treasurer. Members elected to the Board of Governors to serve for three years were Robert E. Broome of Guaranty Trust Company of New York, F. Kenneth Stephenson of Goldman, Sachs & Co., and Joseph A. Thomas of Lehman Brothers.

Governors whose terms carry over are: Adrian M. Massie of the New York Trust Co., Charles L. Morse, Jr., of Hemphill, Noyes & Co., Edward K. Van Horne of Stone & Webster Securities Corp., Wright Duryea of Glore, Forgan & Co., Frederick L. Moore of Kidder, Peabody & Co., and Alfred Shriver of Morgan Stanley & Co.

Celotex Corp. Common Offered by P. H. Davis

An issue of 100,000 shares of common stock of Celotex Corp. was offered June 4 at $36.75 a share by Paul H. Davis & Co. and Union Securities Corp. The company plans to use the proceeds to finance expansion projects estimated at $6,500,000.

Sweden and Allies Go Over the Books

(Continued from page 3065)

of German assets in Sweden, but also such other matters as Swedish assets in Germany, Swedish assets frozen in the United States, the blacklisting and presumed "greylisting" of Swedish firms, etc.

Sweden's mission here is small, its negotiators being of course greatly outnumbered by those of the three Allies mentioned above. To head its mission the Swedish Government selected Mr. Justice Emil Sandstrom, who has spent a lifetime listening to arguments over the settlement of conflicting economic claims and who therefore must have considerable skill himself as a negotiator. He is accompanied by Mr. Tage Gronwall, a bureau chief of the Swedish Foreign Office, Mr. Gunnar Hagglof, Swedish Minister at The Hague, and Mr. Tord Millquist, Secretary of the delegation and an official of the Swedish Government's Foreign Capital Control Office, of which Mr. Sandstrom is the head.

Mr. Sandstrom has pursued a judicial career since his graduation from the University of Upsala, having served on Swedish courts until 1918. He then was appointed a judge of the Mixed Courts of Egypt, where he remained until 1926. Thereafter, until 1929, he was President of a division of the Anglo-German Mixed Arbitral Tribunal in London, handling claims of a commercial character dating from before World War I. Mr. Sandstrom became in 1929 President of Sweden's well-known Labor Court (which is described in Mr. Hedin's article in the "Chronicle" of May 23, 1946), holding that post until he was appointed to the 24-man Supreme Court in 1931. He temporarily gave up that position to make an investigation, 1933-35, of extremist movements in Sweden —Nazi and Communist. In 1943 he resigned from the Supreme Court to head the Swedish-Swiss Joint Relief Committee in Greece. Upon his return to Sweden last October Mr. Sandstrom prepared for his present work, becoming President of the Foreign Capital Control Office in April, 1946.

German Assets in Sweden

Interviewed by the "Chronicle" upon his arrival in Washington, Justice Sandstrom estimated German assets in Sweden at approximately 400,000,000 kronor. (4.2 kronor equal $1) This figure includes balances in favor of Germany in the German clearing account in Sweden. This account dates from before the war, Sweden at that time habitually importing more goods from Germany than it sold to Germany. The merchandise accounts in Germany's favor ranged from 220,000,000 kronor in 1924 to 358,000,000 in 1931. The annual total of this balance declined to 158,000,000 in 1936, and during the war reached a record high of 453,000,000 kronor in 1944, due to the cessation of Swedish exports to Germany in the autumn of that year, Mr. Sandstrom explained.

While the exact amount of Swedish claims against Germany is at present very hard to ascertain, because of certain undetermined claims for damages, the total is certainly much greater than the amount of German assets in Sweden, said the Swedish representative. Even without those undetermined claims, the total of Swedens claims against Germany exceeds a billion kronor.

Asked what major items comprise the total of Sweden's claims, Mr. Sandstrom replied: "First there are the Swedish property rights in Germany (direct investments), which we estimate at 536,000,000 kronor, at the last valuation. Then there are the claims of more than 500,000,000 kronor for State loans, certified claims declared to the Swedish clearing office. This includes Kreuger bonds of 210,000,000 kr., Young Loan bonds of about 85,000,000 kr., Dawes bonds of about 32,000,000 kr., and some 44,500,000 kr. of funding bonds. Then there are some 71,000,000 kr. of other loans, plus mortgages, bank holdings, etc., to which must be added claims for damages, such as for ships sunk, as well as uncertified claims not declared by their owners to the clearing office in Sweden. In this category would be claims of Jewish or other refugees from Germany who naturally would not have registered those claims before the end of the war."

Mr. Sandstrom continued: "The fact that we do not recognize as valid in Sweden the law of the Allied Control Council relating to German external assets does not mean that we are not willing to cooperate with the Allies in their aims to prevent Germany from starting another war, and therefore to eliminate German economic interests and recover reparations. But we want to collect our claims also.

"We have done already most of what the Allies wanted. To liquidate German interests in Sweden we have set up the Foreign Capital Control Office, although in this matter we shall certainly distinguish between Germans who are allowed to remain in Sweden and other Germans. It is not in accordance with our general principles to pauperize those who are legally in our country. That would make them public charges. According to a census of foreign property which we made in Sweden last June 30 about 7,000,000 kr. of German assets in Sweden are in the category just mentioned.

"Secondly, we have contributed on a large scale to European reconstruction. We have granted credits of 1,276,000,000 kr.; gifts of 415,000,000 kr.; Parliament has been asked to grant another 39,000,000; and private donations have reached 380,000,000 kr. This totals about 2,110,000,000 kr., a sizable sum for a nation of only 6,000,000 population. This is exclusive of balances which have accumulated abroad in sterling under the Anglo-Swedish agreement. Our national income in Sweden is only about 16,000,000,000 kr.

"Another point Sweden wants cleared up is the blacklisting of Swedish firms for trading with the Germans. We don't agree with blacklisting at all in the postwar period. During the war there was no uncontrolled trade with Germany. Our plans for trade with that country were disclosed to the Allies and approved by them, just as our trade with the Allies was disclosed to the Germans, so that our ships crossing the Atlantic might have safe conduct from the Germany Navy.

"Further, we want deblocking of Swedish assets in the United States, totaling some 1,700,000,000 kr. There are no Swedish assets so blocked in France or Britain.

"Still another thing Sweden wants is compensation for Swedish property in Germany removed by the Allies."

In the last mentioned connection, it should be noted that the USSR is not a party to the current negotiations with Sweden in Washington.

Asked about German gold which might have been sent to Sweden during the war, Mr. Sandstrom said this question was of only minor importance in the current negotiations.

Increase in Capital of Detroit Bank Proposed

Directors of Manufacturers National Bank of Detroit, Mich. have called a meeting of shareholders June 17 to vote on a proposal to increase the capital of the bank by the issue and sale of 20,000 shares of $50 par stock at the price of $150 a share. If the proposal is approved by shareholders, each shareholder will receive rights for the subscription of one new share for each four shares now held by him. Under the proposed set-up, Manufacturers National would have 100,000 shares of stock representing capital of $5,000,000 in contrast to the present 80,000 shares representing capital of $4,000,000. Of the $3,000,000 to be derived from the stock sale, $2,000,000 would be added to surplus, bringing total capital accounts of the bank to around $17,000,000.

When Manufacturers National opened for business, August 10, 1933, it had capital of $3,000,000 surplus of $1,500,000 and undivided profits of $750,000. The greater part of these capital accounts of $5,250,000 was subscribed by the late Edsel B. Ford in an effort to free Detroit from the financial chaos which accompanied the world depression.

Henry H. Sanger, Chairman of the Board, expects the next official report of condition of the bank, usually issued around July 1 in response to a call from the Comptroller of the Currency, to show capital accounts of approximately $14,000,000—a gain of $8,750,000 in thirteen years.

"All of this growth," said Mr. Sanger, "has resulted from retention of earnings and not from sales of stock. It has been the consistent policy of the bank to plough back into the capital structure a substantial part of earnings. During the thirteen years of our existence, surplus has been increased eight times by transfers from undivided profits. Surplus now totals $7,000,000. Capital has been increased only once, $1,000,000 being added by a stock dividend in January of this year. If our shareholders approve the issuance and sale of the new stock, we again will be able to bulwark the strength of the bank with a substantial addition to capital accounts."

Charles A. Kanter, President of the bank, said that plans for increasing the capital structure of the bank were dictated by the growing importance of the Detroit industrial area.

The bank announcements were accompanied by simultaneous announcements from the Estate of Edsel B. Ford and the Seaboard Properties Company, an affiliate of The Ford Motor Company, that they are offering for public sale 24,666 shares of Manufacturers National stock which is held by them. The announcement adds:

Of these shares, 6,666 are holdings of the Edsel B. Ford estate and represent all of the Manufacturers National stock in the estate which has not been sold. Shares to be sold by the Seaboard Company number 18,000 and represent a substantial part of its holdings in the bank.

Sale of the Ford Estate and Seaboard holdings will be offered by a group headed by M. A. Schapiro & Co., Inc., of New York and Watling, Lerchen & Co. of Detroit. Associated with them are First of Michigan Corporation and M. A. Manley & Co. of Detroit. The public offering price has been announced at $200 per share.

Donald Royce Director Of Capitol Records Inc.

Donald Royce, vice-president of Blyth & Co., Inc., New York City, has been elected to the board of directors of Capital Records, Inc.

Kingman, Perrin in General Mills Posts

Henry S. Kingman, Minneapolis banker and President of the Farmers & Mechanics Savings Bank has been elected to the Board of Directors of General Mills, and L. N. Perrin, Executive Vice-President of the Company has been appointed a member of the Executive Committee. This announcement was made recently by Harry A. Bullis, Company President, following a meeting of the Board of Directors.

Henry S. Kingman

Norman Kalmar With Daniel F. Rice & Co.

CHICAGO, ILL.—Norman C. Kalmar, a well-known figure in Chicago manufacturing, is leaving this field to enter the investment business and has become associated with Daniel F. Rice and Company, Board of Trade Building, Joseph J. Rice, partner, announced. For the past 17 years Mr. Kalmar has been comptroller and director of purchases for the A-B-T Manufacturing Co., tool, die and stamping manufacturers, and, during the war, producers of radar equipment. He was also director and secretary of the Kirk Scale Company here.

Daniel F. Rice & Co., are members of the New York and Chicago Stock Exchange.

Mutual Funds

Mr. A and Mr. B—and also Mr. C

Mr. A is an old-timer in the investment business. Over the years he has made and lost several small fortunes for his clients and himself. In a bull market he is something to behold. With each 10-point rise in the Averages, his bearing takes on added assurance until he fairly exudes an atmosphere of invincibility. In a bear market, of all God's creatures, he is the most wretched.

Mr. A follows the news. If Podunk common reduces its dividend, he grabs a phone (maybe two phones) and tells everyone he knows who has the stock to get out fast. If Podunk common increases its dividends, he grabs the phone again and tells everyone he knows to buy it "for a quick ride." He likes to "trade 'em." He is always looking for "sleepers." Market tips flourish in his fertile brain. But he doesn't know any more about the basic economics of the market than Walter Winchell.

Mr. A doesn't enjoy the best of health. That may be due partly to the many sleepless nights he spends. Or, again, it may result from the butterflies he can feel in his stomach when the market is "nervous." Whatever it is, Mr. A seems resigned to the ups and downs of his calling—and he always manages somehow to get a new "clientele" on each upswing of the business cycle.

* * *

Mr. B is also an old-timer in the investment business. He, too, has experienced the ups and downs which Mr. A seems never quite able to escape. But somewhere way back along the line Mr. B got tired of living with his Aunt Emily whenever the market hit the skids and he decided to do something about it. He soon discovered that in order to do a really intelligent job for his clients he had to know something about securities—something more than what one could find in the newspapers.

The next realization that came to him was the plain fact that one man simply couldn't know enough—couldn't dig enough information out by himself to do the job! He needed help. So he looked around until he found reliable sources of investment information—professional sources—and then he went to work.

Having taken these first steps, Mr. B then made another pleasant discovery. He was able to do a better job for his clients. He had less trouble holding them. Even in the blackest of bear markets there was always something to be done. But it was still something of a hit or miss proposition. Even when Mr. B spent 60% to 70% of his time in going over the various selections provided by his sources of investment information, every now and then he would pull a boner like selling all his accounts some Curtiss Wright A just before it passed the dividend. Things like that hurt—but nobody could foresee them!

When the mutual funds began to reach the point where Mr. B would run on to some of them in his new accounts, he took a look at them. But at first the idea didn't seem to click. They might be o.k. for fellows who didn't know securities—but why should he need them? After several of his selections went sour, he took another look at the mutual funds. In the main, their management records were excellent and he could see the value of diversification. So he began putting some of them away in his accounts.

Today Mr. B sells a lot of mutual fund shares. He is in the best of health and sleeps like a kitten. If the market is "nervous," he hardly notices, and his clients have stopped driving him nuts every time the Averages are down a point.

The other day he took a careful look at some of his big accounts. In every case the mutual funds in them had given better average performance than the individual stocks! Sure, he had picked a couple of issues in which the profits were fantastic. But there were several others that didn't look so good.

Then Mr. B took a look at his personal income account. Last year he made more money—over twice as much—as in the best year he had ever enjoyed back in the "good old days." Selling mutual funds had relieved him of all that research and detail work which took up 60% to 70% of his time before. Now he could spend 85% to 90% of his time in actual production—and do a better job for his clients!

* * *

How about Mr. C? Well, it was for him that this column was written. He is just coming into the investment business—a grand business in need of good men! He can take a careful look at Mr. A and Mr. B. Right now they both look good!

If Mr. C wants to follow the old paths, there will be many who will help him and he will learn the business the hard way—at considerable cost to his clients and himself. He is bound to make some mistakes whatever he does!

However, if he starts with the mutual funds, he will be following sound, proven investment principles from the beginning. He will avoid many of the mistakes which the old-timers made. And he will have some of the best investment brains in the country to back him up!

It's up to you, Mr. C—take your pick!

Baker, Simonds Offers Crampton Mfg. Stock

Baker, Simonds & Co., Detroit, on June 4 offered 240,000 shares of $1 par value common stock of Crampton Manufacturing Co. of Holland, Mich. at $2.50 per share. Proceeds of the financing, which is a new issue, will be used to expand Crampton's plant facilities and to add to working capital.

Crampton is a leading manufacturer of plumbing, refrigeration, and radio cabinet hardware. In November, 1945 it acquired the assets of the Grand Rapids Brass Co. of Grand Rapids, Mich. which more than doubled the firm's productive capacity.

Chauncey Parker Resumes Activity at Auchincloss

WASHINGTON, D. C.—Auchincloss, Parker & Redpath, 729 Fifteenth Street, N. W., members New York Stock Exchange, announce that Colonel Chauncey G. Parker, a senior partner of the firm, has been released from duty with the U. S. Marine Corps and has resumed his activities with the firm.

McKittrick, Head of BIS, Will Join Chase

Winthrop W. Aldrich, Chairman of the Board of the Chase National Bank, announced that Thomas H. McKittrick will join the staff of the bank as a Vice President in the coming autumn, giving his attention to questions of policy involved in foreign relationships and loans, as well as to the bank's operations in the foreign field.

Mr. McKittrick has been engaged in banking and financial affairs in Europe for the past 30 years, the only interruption being four years during which he saw foreign service in the American Army during World War I and two years in the New York office of Lee Higginson & Company. His first work abroad was to assist in the organization of the Genoa, Italy branch of the National City Bank of New York, of which he became Acting Sub-Manager. In 1922, he joined the firm of Lee Higginson & Company in London, being later admitted to a partnership, which he retained until 1939. Since the beginning of 1940 he has held the office of President of the Bank for International Settlements in Basle, Switzerland, which position he will relinquish on June 30th this year in order to return to the United States.

C. B. Johnson With Foster and Marshall

PORTLAND, OREGON. — Chester B. Johnson has become associated with Foster & Marshall, Porter Building, members of the New York Stock Exchange. Mr. Johnson has been with Merrill Lynch, Pierce, Fenner & Beane for a number of years. Prior thereto he was with the bond department of the First National Bank of Portland.

De Villard in Chicago

CHICAGO, ILL. — Jean Francis De Villard is engaging in the investment business from offices at 2056 Orchard Street.

The World's Investment Centre: London Looks to New York

(Continued from first page)

present British Government is widely believed to be antipathetic to the Stock Exchange, as it is to all institutions or organizations whose activities facilitate speculative or "non-speculative" transactions. It is in process of nationalizing important sections of the British economy, which, from the narrow Stock Exchange angle, means the disappearance of hundreds of securities, to the value of at least £2,000 millions, in which the Stock Exchange has dealt for decades. (In the case of Bank of England stock, dealings in which ceased last March, there had been a regular market in London since the Bank's formation in 1694). Thus, these nationalized stocks and shares will have their counterpart in Government paper in which, so far as nationalization compensation is not paid in unmarketable stock, the Stock Exchange will be required to make a market. But clearly there is a vast difference between specializing in and knowing intimately hundreds of stocks and shares in half a dozen basic industries and in making a market in a mere handful of Government stocks differing each from the other only in minor degree. There may be some migration of jobbers from the coal and railway, electricity and gas markets to the giltedged market to handle the increased volume of securities in the latter market. But no major movement of this kind would be justified. That portion of the House jobbing population rendered unemployed by the nationalization programme is likely to drift into the remaining "private enterprise" sections of the House where its presence will be calculated to render even more competitive business which, members already complain, is "cut to ribbons."

Fundamental Changes in London's Financial Power

If London has hitherto been concentrating upon such domestic matters to the exclusion of international trends, it seems probable that the latter will before very long receive more attention. For without any doubt, London's position has undergone, both relatively and absolutely, fundamental changes. Before the 1914-18 war, she held undisputed sway as the key-stone of the financial world. World War I brought great shifts in balance of financial power. But it was still arguable, after 1918, that London was financially preeminent; or, if New York had risen to equal eminence, London remained a great force. After World War II, however, the position is very different. As a result of the transactions which financed that war, the London market no longer deals in hundreds of American, Canadian, South African, Indian and other securities. The noisy and thriving Street Market in which, in pre-war days, American securities changed hands from 4 in the afternoon (British time) sometimes until 8 o'clock in the evening is a thing of the past. The lavish offices, with their monumental price-boards, run by the London offices of Wall Street brokers, seem already a relic of another age. London still deals in a great number of overseas securities. But already ownership of many of them, and of many domestic British securities, has passed to foreign hands, reflecting in part investment of the enormous sterling balances piled up by Britain's creditors during the war years. And, of necessity, having regard to the British balance of payments position, dealings in many of the remaining foreign securities quoted in London are hedged about with tortuous and often anomalous restrictions, imposed by the Treasury and the Bank of England, which make any free market impossible.

The Stock Exchange's Reflection of the Nation's New Debtor Status

All of these facts can be summarized by the simple statement that they are the Stock Exchange reflections of Britain's transition from a creditor to a debtor nation. It would be optimistic to hope that London as a financial center has seen the end of this period of change.

Two examples will show how the process may continue, even a year after the end-of hostilities. Under pressure from the British Government, the French Government recently agreed to requisition South African gold and diamond shares, British industrial and "international" securities held by French nationals, the shares to be marketed to the best advantage in London. If this arrangement is carried through — at the moment, there is talk from Paris of its possible revision — then unless and until France can so reestablish her export trade that she secures a substantial favourable balance with which to re-purchase these requisitioned holdings, the transaction will write "finis" to the quite considerable arbitrage business between Paris and London in pre-war days.

Secondly, if the outline recently provided by your Mr. Vinson as to the manner in which sterling balances are to be handled is correct, Britain may before very long be calling once more at the pawnshop with a substantial wad of her remaining overseas investments. According to Mr. Vinson, it is proposed that of the £3,500 millions owed by this country to the sterling area £700 million would be immediately convertible as a *quid pro quo* for the cancellation of £1,000 million and a 50-year funding of the £1,800 million balance. If Mr. Vinson is correct — and British opinion hopes profoundly that he isn't — the short answer is that it can't be done without the sale of more of Britain's overseas assets. Britain is pledged not to utilize the proceeds of the American loan to repay past debts (although the effect here is mere bookkeeping); our resources of gold and foreign exchange were only £400 millions last November and are almost certainly lower now. We must keep some trading balance of these assets; hence the threat to the remainder of our overseas investments. The cream of our marketable holdings went during the war. But some of the remainder are "hard currency" investments and others have political and economic significance which would doubtless render them attractive to foreign buyers. If the bulk of these holdings disappeared virtually all the remaining elements of and international market in the London Stock Exchange would go with them.

London's Decline Expected to Continue

If this survey is by now taking a decidedly pessimistic hue (as an assessment of London's chances of retaining a position of any importance in international financial affairs) the picture becomes no brighter when we come to consider London's chances of retrieving her position at some time in the future. It is axiomatic that foreign lending can only be done by a country with a credit on international payments accounts. To balance her account, Britain must increase the volume of her exports to 175% of their 1938 level. Today, with the aid of a remarkably smooth war-to-peace transition; a seller's market in every corner of the globe; and the seemingly endless string of strikes in the United States, we are approximately half way towards our target. In due time, the sellers' market will be sated. In due time, America will compose her labour difficulties and her unparallelled productive machine will swing into its stride. In due time, sterling becomes convertible on current account, and unless general expectation is misfounded many of Britain's trading partners will thereupon insist on satisfying their hunger for dollars and American goods. The most optimistic person concedes that Britain will do exceedingly well to attain and hold the colossal export task which has been forced upon it. But only a Public Relations Officer would hold out the prospect that this country, in the foreseeable future, will have a credit on international trade account from which to lend overseas and thus reestablish London's position as the financial capital of the world. This, of course, is an assessment of the broad picture. It does not mean that London will not engage in some foreign lending. In fact and in effect, she is already doing so. (Witness the recent credit to France and the Hambros Bank Czechoslovakian credit deal). We must of course make foreign loans to credit-worthy but backward countries if we are to sell our exports. But on balance it looks as though Britain's day as foreign lender is over.

Socialist Government is Financially Isolationist

None of this is the fault of the British Socialist Government; indeed, it is a fair bet that our reconversion and consequently our our export drive would have been much more difficult under a Conservative administration, for we should then almost certainly have had labor troubles comparable to yours. Nevertheless, it is certainly true to say that most members of our Government are averse to foreign lending and to the liberal financial machine which put Britain at the top of the international tree last century and during the first decade of this. During the war, Foreign Secretary Ernie Bevin was told that Britain would emerge from hostilities stripped of most of her averseas investments. "And a good thing, too," he retorted. In speech after speech, members of the Socialist administration betray a Little Englander attitude. "British money should be kept at home to finance home trade." "What right had we to lend money to Germany in the inter-war years when we had 3 million unemployed at home." And so on. Chancellor of the Exchequer Dalton, lecturer in economics who should know better, recently sneered at Britishers who generations ago "backed the wrong horse" in investing in Japanese loans. It would be optimistic of the London Stock Exchange to look to these quarters for help to reestablish itself as an international financial center.

Restrictions in Foreign Securities' Dealings

In other ways, too, the road back is hindered. I have referred to the restrictions on dealings in foreign securties in London, restrictions which would certainly have to disappear before London could hope to reattain anything approaching its former position. Similarily, the official attitude in this country towards bearer securities is the reverse of helpful. The Continental investor is a great lover of bearer securities. In this country during the war, for obvious reasons, bearer securities were regarded as undesirable and their conversion into registered form was constantly encouraged. Today, they are still disliked in official quarters, although many of the war-time arguments against them have disappeared. London has a natural pull over New York in its geographical situation for dealing with the Continental Bourses. But if this trade is to be renewed, the official attitude towards bearer securities must change. Again, recent issues of British Government securities have been made shorn of the attraction formerly attached to several such issues: "Interest on this loan will be paid free of tax to residents abroad." Again, there are in London refugees from Nazi oppression, skilled arbitrageurs, with extensive connections in New York, Brussels, Amsterdam, Paris, India and the Middle East. With their experience and connections, these individuals could develop a highly remunerative entrepot business in securities from which this country would benefit quite substantially in terms of foreign currencies. Yet many of them remain "stateless" individuals because of British procrastination in granting them naturalization, and the Stock Exchange constantly whittles down the remuneration on the business they bring. Small points in a big matter? Agreed, but significant straws which show which way the wind blows in London today.

London Passing the Torch to New York

All in all, therefore, it would seem on any dispassionate or objective survey of the position that London must pass on the torch of the world's financial leadership. Her successor is obvious — it is to New York that all believers in the benefits of a liberal economic and financial machine must look. Wise men in London know that it is useless to kick against the taunts. They know that the position as it exists in 1946 and not as it existed in 1880 is what matters. They wish New York good luck — and hope that she will not be found wanting. But, to be frank, they cannot be sure. They remember the spate of extravagant foreign lending from American investors in the nineteen-twenties. And they remember how that spate dried up overnight in 1929, and plunged the debtor-half of the world into awful confusion. They hear today talk of "tied loans" by prominent Americans, and talk (on synthetic rubber and the U. S. mercantile marine, for example) which suggests to British ears that America still both wants her cake and wants to eat it too. London, for all her faults in the nineteenth century — and they were many — did learn her business and her responsibilities as the world's financial leader. She cast her cake on the waters with amazing and remarkably consistent prodigality. Her investors time after time took an awful canning in the shape of defaults, repudiations, and expropriations — and came up smiling each time, ready and willing to lend again. London watched, with complete imperturbability, a mounting and consistent adverse visible balance of trade knowing that her invisible exports more than made it good. London welcomed with open arms goods, produce and raw materials from every country in the world, knowing that these were merely delayed payment for earlier exports and that they gave her people—who had virtually nothing in the way of raw materials in their own small island—a standard of living which was the envy of the world. London resisted, until 1932, the pressure of vested domestic interests who clamoured for generations for protection and against the free trade which brought Britain (and the world) such prosperity. Will New York play a similar role in the twentieth century? Let us hope so. And if she does, London will be well pleased. More—if it is not presumptuous — London will be ready and willing to pass on the contents of the unequalled storehouse of her experience.

Fountain Proprietor

PHILADELPHIA, PA. — Clark O. Fountain has become sole proprietor of Greeley and Co., 1500 Walnut Street. Mr. Fountain has been with the firm since 1938.

Private Monopoly Versus a Free Economy

(Continued from page 3058)

nomic disaster. Some are convinced that the system would work if the machine were turned over to labor; others argue that the past decade has revealed such weaknesses in labor leadership that it would be an unwise guardian of the nation's destinies.

Nevertheless, the pressures from these divergent groups have not shaken our faith in the essential soundness of democratic principles of government and the free competitive way of conducting business.

What each of us wants, of course, is for the machine to be operated by the driver of his own choice and to be driven along the road which each of us wants to travel. We all believe abstractly in a free economy but we are not all agreed on what it means. What most of us have in mind when we speak of a free economy is freedom from the drivers who will not steer the machine along the avenue of our own particular choice.

We do not all seem to be in agreement as to what we mean by a free economy. Probably we usually mean freedom from any top control. But many people identify control with supervision by the government. They do not think of control as regulation or regimentation of industry by private authority. But private control may be even more sinister in its effect upon freedom than government control because it substitutes complete irresponsibility for the checks and balances of public opinion.

Private Cartels As A Regimentation Force

A cartel, as well as an agency of state, may seek to impose control and direction of an industry. Yet no government agency has ever gone as far in regimenting business as have private cartels. A supreme authority subject to no judicial review or public responsibility issues licenses to a trade, keeps out persons it does not want, assigns particular operations to different companies, divides markets and territories among the elect, allocates quotas for production, sets up rigid schedules of prices, and, in fact, decrees a private code of laws. In its decisions only the seller is represented; the consumer is stripped of all the rights he possesses in the open market. If any government should attempt to do such things—exclude firms from the industry, carve their markets as proprietary domains, fix the conditions under which a firm could carry on, place floors beneath which prices could not fall—you can imagine the hue and cry which would arise.

Any national administration which persisted in such arbitrary action would be driven from office immediately. Yet far greater powers than any we are unwilling to entrust to government are assumed daily by combinations of large corporations. Not only is the range of regulation greater; it is exercised in secret, without a public record. The power is wielded away from public knowledge, not subject in any way to the public interest. This pattern of control extends to the essentials of life—foodstuffs, housing, railroad transportation, iron and steel, heavy metals, chemicals, and many other commodities and services.

And under the jurisdiction of these private governments, it happens that goods are often not sold separately but in combination. To get the things you want, you have to buy the things you do not want. Could any public government endure which openly avowed such a policy? These private governments withhold inventions from use and even arrest experimental work until all the profits can be sucked out of old processes and outmoded equipment. Again, would any public government which openly indulged in such practices be tolerated by the American people?

What Free Economy Means

Under a truly free economy decision as to what shall be produced and where it shall be produced, where and how goods shall be marketed, what prices shall be charged, would be determined not by a government agency nor by a group of industrialists exercising monopoly power. Such decisions should be made by the competitive activities of businessmen themselves, and in no case should the choice of a single producer or distributor be controlling. If some enterprising and courageous businessman is willing to gamble his money or his judgment attempting to produce a better and cheaper article than any made by existing concerns, he is typifying the very essence of the competitive system. If the industrialists already in a business cannot compete successfully with newcomers under a system of a "fair field and no favors," they are condemned to failure by their own arguments. It is more than inconsistent to demand a free economy on the one hand, and yet advocate measures of private restrictive control on the other. Such self-contradiction bespeaks unmistakably a willingness, if not indeed a desire, to abandon the historic foundations of free enterprise.

The Effect of Anti-Trust Laws

Our antitrust laws are more than fifty years old. Their strict enforcement has been pledged by both major political parties in every party platform since 1900, in which year the Republican platform practically restated the Sherman Antitrust Act and claimed credit for its enactment. In the next three platforms, the Republican Party went even further in its pledges of enforcement, and in 1916 it declared that "all who violate the laws in regulation of business should be individually punished." As late as 1936, the Republican platform carried a pronouncement that "private monopoly is indefensible and intolerable." During all those years the Democratic Party was no less vigorous in its pledges of support.

Not so long ago a distinguished committee composed of the editors of Time, Life, and Fortune undertook a comprehensive study of "America and the Future" with particular reference to the postwar era. This committee, after two years of work, came to grips with these basic questions: "How a policy of freedom can be vigorously applied at home (1) to encourage millions of enterprising men and women; (2) to stimulate productive investment; (3) to attack monopolies; (4) to make free markets freer; and (5) by these means, plus intelligent use of government fiscal power, to maintain employment."

The committee reached the following conclusion:

"A thorough campaign against monopolies will require great skill and courage, for vested interests of every kind stand in the way. Moreover, its victims will point out (what is perfectly true) that a 100% free market is an illusory ideal that never existed . . . But if the Government's antitrust policy is realistic as well as aggressive, it can revive competition in many markets where it has needlessly declined. It can also bring a downward pressure on those 'administered' prices which are too high for maximum volume."

Moreover, it is interesting to observe that some kind of monopoly declaration is contained in nearly every postwar plan submitted to the public. Thus it appears from a continuous body of testimony developed throughout the past half century that in principle there is no division of political or economic opinion on the essential wisdom of the antitrust laws. Upon this level the only difference is in judgment as to the method and maner of enforcement.

Despite this agreement on principle, the trend toward concentration of control over business and industry and the elimination of small business has grown alarmingly during the last several decades. It was estimated in 1929 that 200 non-financial corporations controlled 49% of the assets of all such corporations. By 1933 the percentage had increased to 56%. The 200 largest corporations were directed nominally by about 2,000 individuals, but actually the control resided in the hands of a much smaller number of men.

Taking another group of comparative statistics, in 1909 there were 268,000 manufacturing establishments in the United States. Their total products were valued at 20 billion dollars. In 1939 there were only 184,000 such enterprises, with a total production valued at 56 billion dollars. On balance, this amounts to a reduction of 84,000 establishments in the face of an increase of 36 billion dollars in value of production. And add also the fact that during this period the population of this country increased by some 39 million.

Consider several particular industries: Fifty years ago there were 15,000 tobacco manufacturers; now there are less than 800, with four major companies dominating the industry. Fifty years ago there were 28,000 manufacturers of lumber and timber products; now there are less than 12,000. Fifty years ago there were nearly 700 iron and steel manufacturers; now there are less than 350. And so it goes on through agricultural implements, shoes, chemicals, cotton goods, glass, and other wares. In another generation, unless the trend is reversed, there will be no opportunity for a businessman, no matter how ingenious or well financed or daring he may be, to enter any of the hundred or so basic industries in this country, except by the tolerance and patronage of the three or four companies controlling the entire industry. In other words, competition will have ceased to exist in this country.

Unfortunately the men who are in control of these huge concentrations of economic power use their private power in a way which would be unthinkable of public power within the framework of democratic government. If the nation wanted to impose a sales tax of one-half of one per cent and thereby decrease the people's purchasing power, the question would be publicly debated for months. There would be long discussion and hearings and those who took the action would be held accountable for it. On the other hand, if the great industries subject to monopoly and cartel control wish to raise their prices 10%, there is no public debate, there is no hearing for those who may pay the exaction, and those who lay the burden need acknowledge no public responsibility.

International Cartels

The American public has become acutely aware in recent years of the power exercised by international cartels. These cartels were used by Germany in particular, as a means of waging economic warfare during the years preceding the outbreak of military hostilities. The record is replete with illustrations of how German industrialists exacted agreements from American industrialists which had the purpose and effect of restricting production in this country, preventing new industries from developing here, restricting our exports, restricting our development of new technologies and otherwise hampering our war potential and weakening our national security. To American businessmen these transactions from the vantage point of the 1920's and 1930's were merely business deals to secure them from undue foreign competition, to preserve domestic markets against the intrusion of outside competition, and to obtain domestic monopolies on the distribution of foreign products or on the development in this country of products and processes developed abroad, and otherwise to obtain monopolistic advantages. American businessmen did not think of these transactions in terms of their operation against our country's interest. These businessmen were not acting from any unpatriotic motives, but, to say the least, the policy behind these cartel arrangements was short-sighted.

The facts about cartel operations have now been spread upon the public records. We know that among other things international cartel arrangements between American firms and foreign firms provided for world-wide division of markets and fields of operation in order to eliminate competition; for restriction on the development of new processes and products; for production quotas, having the effect of limiting domestic production and production capacity; and for non-competitive pricing. We know that, apart from the effect of these agreements on our war potential, they lowered the standard of living and reduced opportunity for employment in this country.

We can read the lesson of recent history and learn that if we are to have an expanding economy with a rising standard of living in the years immediately ahead, we must break up existing cartel arrangements and prevent the growth of new ones and the resumption of those pre-war cartels which of necessity were suspended during the war. We have learned also that if we are to preserve the essential characteristics of what has been called the American way of life, we must reverse the trend toward concentration of the private control of industry and open again the paths of opportunity to independent businessmen, to the veterans; in short, to the many men and women throughout the country who only want a fair chance to make their individual contribution to our national well-being.

The antitrust laws are an important factor in the accomplishment of these objectives. Enforcement of the antitrust laws is not an attack on business. Indeed, it is quite the opposite. And an antitrust suit is not a contest between government and business. Rather, it presents an issue between those businessmen who want a free market and those who want a privately controlled market so long as they can sit at the seats of control. The antitrust laws do not involve any plan of government regulation or direction of business. Indeed, their purpose is quite the opposite. They contemplate a minimum of government regulation, with businessmen themselves free to make the important decisions regarding production, distribution and price. In this aspect the antitrust laws simply seek to protect the freedom of the mrket against the aggressions of those whose operations would interfere with the free functioning of the market. I know of no seriously advanced theory that in the modern world a competitive market can long survive without some governmental protection for free competition. And in this country the antitrust laws are the principal instrument by which the federal government seeks to give that protection.

We are told, however, that the antitrust laws are uncertain and that businessmen do not know how to make decisions necessary to comply with the laws. It is true that the Sherman Act is not like an administrative regulation which fixes every detail of conducting a business. It has some of the characteristics of our Constitution. The general public policy which the Sherman Act embodies must be applied in each case. But I submit that the application of the antitrust laws to most industrial practices today can be pretty well determined by the lawyers and economists who have studied the court decisions, and the economic problems involved in keeping a market competitive. Close questions will arise from time to time as will happen in the interpretation of any law. But there is no longer any dearth of court decisions or precedents, and the Department fo Justice is always willing to try to advise interested parties on difficult problems of interpretation of the law.

Mass Production Upheld

No one wants to break up efficient mass producing business concerns; but no one, except maybe a monopolist, tries to justify combinations formed to gain monopolistic advantage. The line between efficient mass production and arbitrary monopolistic control over industry cannot be drawn in the abstract. It depends on the facts in each case. And businessmen know now if they did not know before, that price fixing arrangements among competitors, division of markets and deliberate suppression of competition is illegal.

Active enforcement aids the law-abiding businessman. Most American businessmen are law abiding. Only a few want to use economic brass knuckles. If businessmen can depend on active antitrust enforcement, they will not have to resort to monopolistic devices in self defense. They will not be compelled to compete in a controlled market.

Anti-Trust Laws and Housing Programs

Now what has all this to do with the building and loan business? We feel that the antitrust laws do have a direct bearing on the all-important question of providing homes at reasonable prices to the millions of Americans who stand in need of them; that the practices of lending institutions, as well as their rates, should be a constant concern to those of us who are interested in the management of these associations.

In a recent speech before the Mortgage Bankers Association, Mr. Foley, Commissioner of the Federal Housing Administration, stated: "There is pertinent ground for examination of interest rates. If lenders find the return in interest high enough to permit payment of high finder's fees, of kick-backs to builders and high premiums—as are frequently reported—then they must expect some wonderment as to whether interest rates are higher than they need be."

While it is true that since 1934 the cost of money has steadily declined; the question that those in the savings and loan business must face is: Has the cost of money for home purchases declined enough?

The high cost of housing is notorious. In this connection we must realize that as a general rule the largest single element of cost to the purchaser of a home is the interest charge. For example, on a typical, direct reduction, 15-year 5% mortgage for ⅔ of the appraised value, the cost for interest will have amounted to more than 22% of the total cost of the home.

We must never forget that savings and loan associations enjoy various special privileges, not the least of which is exemption from almost all federal taxation. Special privileges evoke special duties. For example, we should be assiduous to pass on these tax savings to our customers in the form of lowest possible interest rates.

Another special privilege enjoyed by some of our associations is conferred by Section 5(d) of the Home Owners Loan Act of 1933. This Section provides that no federal savings and loan association shall be chartered unless the association can be established without undue injury to properly conducted existing local savings and loan associations. This provision was adopted during the depression when it was thought that the evils of competition were greater in some cases than its benefits. It is clear that this provision is a distinct exception to the policy of the Sherman Antitrust Act.

Loan Associations Subject to Anti-Trust Acts

All of us should realize that this Section gives your business special privileges not enjoyed by other American industries. I refer to the fact that existing savings and loan associations are protected in part from new competition. In view of the substantial protection afforded by this law, local savings and loan leagues should not seek to extend the scope of this exception to the Sherman Act. Specifically, they should not discourage or attempt to prevent existing, established federally chartered competitors from making loans in localities within the territory prescribed by law and fully within their chartered powers.

While it is true that the Sherman Antitrust Act prohibits any combinations which unreasonably restrain interstate trade, this does not mean that all cooperative action among savings and loan associations is unlawful. If it did, some admirable results of joint action by our trade associations in the industry would have been impossible. The Supreme Court has held that any joint action to divide marketing territories, apportion customers or drive competitors out of any particular area or market is unlawful. On the other hand, and for example, an agreement relative to hours of opening and closing so long as it does not restrain competition would be reasonable and therefore would not violate this Act. The Supreme Court also has held that any cooperative action which tampers with the price structure is unlawful *per se*. As applied to our businesses, this means that any agreement between savings and loan concerns that affects interest rates or dividend rates is unlawful.

The Department of Justice is interested in guaranteeing freedom of market to all savings and loan associations and insuring that rates of interest are arrived at through competitive processes. Those in the savings and loan business should constantly strive to further the same objectives.

A very prominent savings and loan executive has stated that "A controlled interest rate . . . would seem to call for an absolutist state of one form or another." I heartily agree. I hope that the day never comes when the Federal government will set our interest and dividend rates. But if private groups of savings and loan associations should combine to fix and agree upon interest rates they are abandoning our competitive, free enterprise system.

Opposition to Housing Programs

Many of those in the savings and loan business have opposed the Administration's present housing program. Personally, I feel that this opposition, although usually sincere, has been misguided. The Attorney General a few weeks ago, before the annual convention of the United States Chamber of Commerce, observed that "many of those who demand removal of the controls over the building construction and related industries, ostensibly in the name of competition, in fact desire private monopoly, to regulate that great industry." He was careful to indicate that this does not apply to all of the opposition to the Administration's housing program.

I am not here today to take sides on this great issue. I do, however, insist that opponents of public housing should put their own houses in order. Let us first remove all monopolistic tendencies and restraints upon competition in our own businesses before objecting to government competition. We in the Department of Justice, like you in the savings and loan business, deeply believe in the competitive, private enterprise system. For private monopoly is no less destructive of a free economy than unnecessary public controls.

Government Regulation vs. Monopolies

If we fail to curb monopolies in our business affairs, the alternative will be some kind of government regulation. Effective regulation of monopolies would require a bureaucracy so great that it would amount virtually to a reversal of our conception of the function of government. Effective regulation would require a governmental organization with power to gather all of the pertinent facts about production, distribution and prices. Government agencies would have to make all the important decisions affecting production, distribution and prices, and then have power to enforce their decisions.

To do this in peacetime, during a period of ample production, would be quite a different matter from doing it in wartime during a period of shortages. The circumstances requiring wartime controls are quite different from those which obtain normally during peacetime in this country. When there are shortages, someone must decide who will get what there is, and someone must hold the lid on prices. That someone obviously must be the government. And wartime controls, of course, must continue as long as shortages exist. But the purpose of wartime controls is to direct the supply of commodities into those channels where they are most needed and to prevent runaway inflation.

When ample production replaces scarcity, the necessity for the wartime type of control no longer exists. My point, however, is that if we are to have regulated monopolies as a permanent part of our economy, effective regulation will require detailed governmental supervision of all the major aspects of industry, which will make wartime controls seem minor by comparison. During war, the essential decisions are guided by a single overall criterion. What course is most necessary for the effective prosecution of the war? But in peacetime, there is no such overall criterion to guide governmental agencies in determining how much shall be produced, where it shall be produced, who shall produce it, and all of the intricate problems of distribution and price. We would simply be substituting a regulated economy for a free economy, and it is obvious that such a substitution would work a permanent change in the very structure of government itself.

England's Attitude Toward Big Business

In England, where they have no antitrust laws, they have found it necessary to take drastic action to deal with monopoly. When the Prime Minister of Great Britain was here in November, he said to the Congress:

> "There is and always will be scope for enterprise (in England), but when big business gets too powerful so that it becomes monopolistic we hold it not safe to leave it in private hands."

Other countries have followed a similar policy. But our approach has been different. We are trying to leave business in private hands, and we want the principal role of government to be the prevention of private monopolistic interference with the operation of a competitive market.

I am not saying that enforcement of the antitrust laws will bring a Utopia. It is obvious that a lot of other things are needed to create and preserve a free competitive economy. But if we follow a consistent policy of vigorous enforcement, we will help preserve the opportunity to engage in private business. The result will be to help small business and promote economic democracy. In that way we will strengthen our heritage of political democracy.

Kitchen & Co. Admits Miss Fischer as Partner

CHICAGO, ILL. — Kitchen & Co., 135 South La Salle Street, has admitted L. Lydia Fischer to partnership in the firm. Miss Fischer has been with the organization in the trading department.

Fahrig Laying Out Reynolds Dept. in New Quarters

PHILADELPHIA, PA. — Harry H. Fahrig, Jr., Reynolds & Co., Philadelphia, has been assigned the task of laying out the Trading and Order Room departments in the firm's new quarters at 1528 Walnut Street prior to the removal from 1500 Walnut Street which is scheduled for August.

Marx & Co. Opens In NY—Exchange Firm

Formation of the New York Stock Exchange firm of Marx & Co., investment bankers and dealers in unlisted securities, was announced jointly today by Otto Marx, Jr., Edwin H. Koehler and Raymond de Clairville. Bancroft Mitchell and Abram J. Feuer will be associated with the firm which will maintain offices at 37 Wall Street, New York City.

Mr. Marx was formerly with Ladenburg, Thalmann & Co., the Lehman Corporation and Goldman, Sachs & Co. During World War II he served as a Lieutenant Commander in the U. S. Navy in command of the U. S. S. Reybold (DE 177) and later was attached to the Secretary of the Navy's office in Washington, D. C.

Mr. Koehler was Vice-President of J. C. Welwood, Inc., and formerly President of Retail Department Stores of America and Vice-President of Vadsco Sales Corp.

M. de Clairville, a member of the New York Stock Exchange, has been associated with Gwynne Bros. and Tuller, Crary & Co. as a partner in both firms.

Mr. Feuer was previously associated with J. R. Williston & Co. and Mr. Mitchell was with Lehman Bros., J. P. Morgan & Co., and with the National City Bank of New York, investment advisory department.

Formation of the firm was previously reported in the "Chronicle" of May 16.

Stock Exch. Firms Ass'n Changes Newsletter

The Association of Stock Exchange Firms has changed the format of the group's "Newsletter" to be issued regularly as a trade organ for the industry. In the current issue there is a complete report of the last Governors' meeting and news on the Board meeting scheduled to meet on the West Coast this fall — October 28th to November 2nd is the date tentatively set.

De Haven & Townsend To Admit R. Wells

PHILADELPHIA, PA. — De Haven & Townsend, Crouter & Bodine, Packard Building members of the New York and Philadelphia Stock Exchange, will admit Richard W. Wells to partnership in the firm as of July 1st. Mr. Wells has been with the firm for some years as office manager.

Canadian Securities

By WILLIAM McKAY

The greatest problem facing the monetary authorities all over the world is inflation. The menace is not confined to past belligerents and is a natural result of unrestrained and essential war expenditures. During the war emergency and easy money policies with concomitant low interest rates were a necessary evil.

Now the situation has fundamentally changed. Moreover, the retardation of reconversion to full peacetime production due to labor troubles, renders it all the more imperative immediately to set in motion anti-inflationary curbs. Happily some progress has been made in this direction, and the practical responsibility of the Federal Reserve Board has prevailed to some degree over the doctrinaire theorists who advocate the facile policy of the "vanishing rate of interest" first expounded by the late Lord Keynes.

There exists however a vast vested interest in the ever upward course of investment markets mostly composed of late converts to the wartime trend. Carried along by the momentum of the previously officially inspired movement the huge speculative position is sustained by hopes of further easy profits. This inopportune market psychology constitutes an obstacle in the path of peacetime money market management.

Throughout the war, Canada as it would now appear, adhered with far-sighted vision to a fixed 3% coupon on the long-term Dominion issues. As a consequence the speculative bull position in the Canadian Government bond market has been on a negligible scale. Great as has been the success of the Canadian authorities in combating inflation during the war, even to the extent of foregoing momentary advantages, the inflationary dangers today are even greater.

Consequently, if a slight additional cost of public debt service is put on the balance against the risk of an artificially low rate of interest inducing inflationary tendencies, the Canadian record of wise conservatism in financial management should indicate the ultimate decision.

Recent financing in Canada admittedly would suggest Dominion borrowing in the fall at a level no higher than 2⅝%. The Dominion of Canada however, unlike the Provinces of British Columbia and Ontario and the Ontario Hydro-Electric Power Commission, has responsibilities other than borrowing at the lowest possible market cost; the coupon fixed today on a Government obligation has a fundamental influence on the monetary management of the future. With inflationary pressures constantly mounting it is likely to become imperative to revert to the orthodox use of the rate of interest as an anti-inflationary weapon.

A further possible cause of inflationary disturbance of the Canadian internal market is the large speculative holding in this country of Dominion internal bonds. Any pronounced decline in the Canadian market would precipitate liquidation from this side. In this event registered bonds would be pressed for sale on the Dominion bond market. In line with a policy of combating inflationary tendencies it is unlikely that the Bank of Canada would absorb any large volume of offerings and thereby augment the total of central bank credit. For this reason also any upward revaluation of the Canadian dollar is unlikely even to be contemplated while these inflationary factors are present, for such a step would automatically produce heavy liquidation of Canadian bonds bought in this country largely on the strength of the likelihood of the return of the Canadian dollar to its old parity.

During the past week the market continued dull and inactive. High grades were quoted a shade higher and a few long term Albertas were traded at 99½ but activity in general was still at a low ebb. There were reports of a renewal of interest in Dominion internals but in spite of this free funds eased further to 9½%.

With regard to the immediate prospects it would appear than greater caution than ever should be observed before extending commitments, either in the external or internal markets.

Dobson Elected Pres. Of Royal Bk., Montreal

Sydney G. Dobson was elected President of the Royal Bank of Canada (Montreal). He rose from junior clerk to president in 46 years, following in the distinguished footsteps of the late Morris W. Wilson, who travelled the same pathway, and was president of the bank from 1934 until his death in May of this year.

Mr. Dobson now becomes the bank's fifth president, the second man within the bank to have attained the presidency. A measure of the progress of the bank in these years, and of Canadian business generally, is provided by the bank's asset figures. In 1900, when Mr. Dobson joined the Merchants Bank of Halifax, which later became the Royal Bank of Canada, assets amounted to less than $18,000,000. Between 1934 and 1945 when he was general manager, expansion in all phases of the bank's business was notable. Deposits rose from $637,000,000 to $1,888,000,000, while assets moved up from $758,000,000 to over $2,000,000,000, figures which place the Royal Bank of Canada among the first 13 banks of the world.

Mr. Dobson and the late Morris W. Wilson began their baking careers in the maritime provinces within three years of each other. At various times in their early banking days their paths came together, first at Truro in 1904, where Mr. Wilson was accountant and young Dobson a ledger keeper under him. In 1916 their paths again converged, when Mr. Dobson succeeded Mr. Wilson as manager of Vancouver Branch. Mr. Dobson's appointment three years later as General Inspector at head office, Montreal, again brought these two men together, and together they worked as a team until Mr. Wilson's untimely death last month.

Prospect for Higher Stock Prices

(Continued from page 3056)

nificance of this should not be overlooked by investors. Whether the process now going on is called money devaluation, wage inflation, price inflation, or just simply inflation, makes little practical difference—it all adds up to the same thing.

Two possible results of the present situation are of course clearly visible. One is a further desperate effort at effective price control which would almost certainly again paralyze production, and the other is a perpendicular price advance during coming months resulting in a general buyers' strike. Of the two possibilities, the latter would have more disastrous effects marketwise.

World-Wide

What is presently going on in this country is simply the counterpart of a world-wide movement.

No matter where one looks—Europe, South America, Near East, Far East, etc.—the same thing is taking place. Travelers from abroad report even more alarming trends. Money everywhere continues to buy less and less. In this country, family budgets, according to the Bureau of Labor Statistics, are 50% above August 1939 levels. Even so, this is relatively moderate as compared with what has already happened elsewhere and it is small wonder that many of our good friends on returning here express amazement that the dollar still buys as much as it does, even recognizing hidden price advances in the form of substitution of inferior quality goods. History proves that the only truly great inflation eras follow great wars—and the present era will prove no exception.

Higher Plateau

Looking at the price advances which have been officially granted by OPA during recent weeks, in a last minute effort to save its political life, is highly illuminating.

During the past week or two, for instance, ceiling prices on automobiles were increased from 4% to 8%, cast iron boilers 15%, cast iron pipe 4½% (making 35% in the last six months), small electrical equipment 9.3%, asbestos-cement roofing shingles 15%, mail order prices for rubber tubing 9%, gears 13%, box springs 16%, portable tubes 12%, woodworking and lumber-making machinery 10%, non-ferrous metals 20%, bronze and brass alloy ingots 15-16%, to say nothing of the coming increased coal prices.

Costs are being established on a definitely higher plateau and most certainly will be passed along to the public. Unless the investor protects his purchasing power, which, we submit, can only be accomplished through an equity rather than credit position, he will surely find himself a victim. In the inflationary era which we are now in, the best that can be hoped for over the longer run is the maintenance of purchasing power. The long term gainer will be the Government which will pay off the tremendously increased debt in depreciated dollars. Unfortunately, there is no other practical solution since a capital levy is politically impossible. Repudiation is unthinkable but depreciation is regarded as perfectly honorable and quite clever. In the end, repudiation and depreciation add up to about the same thing in terms of purchasing power.

Stocks vs. Real Estate

Despite the four-year rise in the stock market, the advance, as we have pointed out heretofore, has been relatively moderate thus far compared with rises in previous similar bull markets.

Prices for real estate throughout the country, according to Government economists, have soared sensationally and, in many instances, are far above 1929 levels. Statistics of course can be submitted to prove that real estate values have improved only moderately, as in the case of certain New York City property and certain large estates, but broadly speaking speculation in real estate has reached a far more advanced stage than the stock market. And speaking of real estate, if one is so minded the obvious way to participate in what is left of the boom would seem to be to share in the purchase of large estates for the purpose of capitalizing values through subdivisions for relatively small housing developments. Without entering into a long dissertation, the point we are making is that good-grade equities represent better over-all protection from many points of view than high-priced real estate of doubtful value.

The Big Opportunities Remaining

Greatest boon to the stock market in the post-war era will prove to be the elimination of excess profits taxes.

Strikes and cessation of production on account of price problems have thus far prevented corporations, particularly those manufacturing durable goods, from showing any semblance of earning power commensurate with volume production. Real beneficial effect of the elimination of excess profits taxes thus far has been confined to companies more or less in non-durable goods industries, such as retail trade, amusement, textiles, liquor, food and numerous others. All one has to do to realize the relationship of earning power to stock prices is to look at prices for these stocks today as compared with prices prevailing at the end of the war. Doubles, and in some cases triples, in prices are by no means uncommon. In the meantime prices for other stocks have remained more or less unchanged. Generally speaking, the big opportunities for capital appreciation from here on will probably be found in the backward groups, such as the automobile, automobile equipment, metals, railway equipment, steel, farm equipment, oil, building equipment and other heavy industry shares.

Still Lagging

Still lagging behind the recovery movement are the rails, which up to this time have failed to penetrate the February top.

Question might well be raised as to whether this is of temporary or permanent significance. Wage levels of railroads are now some 48% higher and other costs are considerably higher than before the war. Freight rates, however, are at or below 1939 levels and a rate increase of commensurate proportions can hardly be postponed much longer. With industrial activity likely to mount sharply following the settlement of the coal strike, traffic should improve materially. With higher freight rates inevitable, the conclusion is that sharply higher gross and net earnings must follow. A brighter picture is definitely in prospect for railroads during the second half year and it is our firm conviction that optimism is justified towards selected rail equities. Some of the more attractive issues for rather large percentage price appreciation are Baltimore & Ohio, St. Paul, Atlantic Coast Line, Northern Pacific and Southern, and for more conservative commitments the Atchison, Great Northern Preferred, Louisville & Nashville, Southern Pacific, Union Pacific.

World Bank Should Finance Transportation Equipment

(Continued from page 3054)

economic recovery and political stabilization.

Obviously, the World Bank can hardly make any more decisive contribution to postwar reconstruction than earliest encouragement of large scale purchases of badly needed means of transportation.

There are three main groups of them:

1. Railroad rolling stock
2. Automotive equipment (trucks and busses)
3. Ships and barges for inland waterways.

Railroad Equipment Is Most Essential

Rehabilitation of the railroads is the most important job. The rolling stock of most railroads in Continental Europe was inadequate and partly obsolete even before the war. (Of course, the same is true for China and other countries.) During the war a major part was destroyed, the rest was badly run down for lack of adequate repairs. Great and successful efforts have been made to repair the remaining stocks with materials on hand more or less in a makeshift manner. Some stock has been provided by UNRRA and more has been ordered by various countries that succeeded in negotiating foreign credits. But the needs are still desperate and much remains to be done to put railroad facilities back to prewar efficiency.

The World Bank will have to be aware of the fact that replenishment of railroad rolling stock is perhaps the most important and pressing step to put war ravaged countries back on their feet and to make them self supporting and prosperous once again.

International Trade Depends on Adequate Railroad Facilities

Resumption of large-scale international trade is impossible without efficient and low cost railroad facilities. Unless funds are provided for purchasing rolling stock abroad, it will take a long time to restore railroads to their prewar standards. They would have to rely on the available obsolete equipment. Large amounts would be required to keep it in workable condition, efficient and low cost operations would be impossible.

As a matter of fact, the Bank's loans will have to be serviced and repaid in foreign exchange. Therefore, the Bank will be greatly interested in helping its debtors earn that foreign exchange, particularly U. S. dollars. But this will be virtually impossible without adequate facilities for international trade and tourist traffic which in turn depend on modern and efficient transportation, particularly rolling stock. These are exceedingly important considerations which deserve special exploration. But they should be given full attention in the present context.

Advantages of Equipment Trust Certificates

A highly efficient and successful technique of financing purchases of railroad rolling stock has been developed in this country. Equipment trust certificates combine strong protection for the investor with low cost for the railroad borrower. Their record of safety has been outstanding over a long period.

As a result, those certificates have become very popular among private and institutional investors and have had a broad and regular market.

Much has been said and written in recent months about difficulties the World Bank will have to face in marketing its initial security issues up to the time when investors and markets have become more familiar with these new-type securities and various legal obstacles have been removed.

Probably, the job would be much easier and many difficulties might be avoided altogether if the Bank would decide to start with flotations of securities which are as similar to regular-type equipment trust certificates as conditions will permit. The Bank would have much less trouble in explaining the special features of its issues if it could take advantage of the particular reputation gained by equipment trust certificates over many years.

Up to this time, equipment trust certificates have been more or less confined to this country and they are hardly known elsewhere. There have been many legal obstacles in addition to other reasons which prevented their general introduction. Yet there is no reason to doubt that these difficulties will be overcome. The countries that will apply for World Bank loans will do everything possible to satisfy the requirements of the lender and the necessary legal changes and provisions will be made without undue delay.

Equipment Trust Certificates Facilitate Transfer Problems

The World Bank, as a matter of course, will make every effort to secure its loans by the best available methods. But, as a rule, these provisions will not guarantee the realization in foreign exchange of the pledged assets, most of which will be of the fixed variety.

Here is a striking advantage of equipment trust certificates in the field of foreign lending. For here the pledges are truly "mobile" and can be "transferred" from one country to another without any difficulty in case of defaults on the loan contracts. The very fact that "transfers" are so simple will be sufficient in making debtors particularly eager not to default on this type of loans. This in turn will greatly improve the financial rating of the equipment trust certificates involved. Investors will be ready to accept lower interest rates and higher issue prices as a result of these special advantages.

No doubt, much time and effort will be required to draft agreements which will provide investors with all possible protection. Highly intricate legal and technical problems are involved and no attempt will be made even to start any discussion of this particular angle. However, there is no doubt that satisfactory solutions can be found through mutual cooperation of all the interested parties.

One incidental effect of these endeavors will probably be to popularize internationally the use of equipment trust certificates as an appropriate means of financing purchases of transportation equipment. Obviously, the loans of the World Bank will satisfy only a minor part of total requirements. A major portion of the necessary equipment will still have to be produced and financed locally. In this connection devices similar to equipment trust certificates should be exceedingly helpful in overcoming difficulties heretofore encountered in this particular field which have greatly impeded procurement of urgently needed equipment.

Equipment Trust Certificates Have Broader Market Than Long-Term Bonds

Those who have expressed scepticism regarding the possibilities of floating large issues of World Bank bonds have been mainly concerned with the markets for long-term bonds. Evidently, equipment trust certificates would appeal to a much larger number of investors, particularly commercial banks and others which for legal or other reasons would not invest in bonds maturing in 20 or 25 years. Commercial banks usually have not been investing in maturities beyond 10 years.

Therefore, commercial banks may be hesitating to buy long term World Bank bonds until they are much closer to maturity. Equipment trust certificates issued by the World Bank would represent a convenient means of "closing the gap" during the period when long-term bonds of the World Bank are too far from maturity to appeal to commercial banks.

Assistance to Domestic Manufacturers

Manufacturers of railroad equipment are very busy these days to fill domestic orders. However, their productive capacity is quite large and the time is not too far away when they again will be much interested in foreign orders. If the World Bank would leave it to its borrowers to compete among themselves and with domestic purchasers for positions on the order books of manufacturers, the effect could be very unfortunate to producers and purchasers alike.

The Bank will have to cooperate with the manufacturers and the domestic purchasers in order to work out appropriate order schedules which will give preference to the most pressing needs. Such procedure would provide the industry with a more even flow of orders over a much longer period and, on the other hand, speed up foreign rehabilitation where it is most urgent.

Other Countries May Cooperate

In addition to this country Great Britain should be able to fill a considerable number of foreign orders for railroad equipment financed by the World Bank. This may give the Bank an opportunity to float an issue of its bonds or certificates in London and thus to relieve the American capital market. Similar procedures will probably be possible in the instance of Canada as well.

Financing Automotive Equipment Would Be a New Experiment

Contrary to the case of railroad equipment there seems to be no precedent for financing purchases of automotive equipment through sale of equipment trust certificates. Apparently there was no need to develop special facilities in this particular field. However, there is no fundamental reason as to why the principal features of railroad equipment financing should not be applied and adjusted to automotive equipment as well. There seems to be now a definite need for such a step in the foreign financing field.

The whole matter is highly important in connection with rehabilitation of transportation systems in general and of railroads in particular.

Available stocks of trucks and busses have suffered even more than railroad equipment from requisitioning, destruction and deterioration. Very little has remained in the war torn countries and what is left is in a very bad shape.

Railroad Reorganization Depends on Availability of Automotive Equipment

Reorganization of many railroad systems would be hampered greatly if automotive equipment could not be made available in the near future. A great many secondary railroads were built all over Europe up to the First World War prior to large scale introduction of motor cars. Most of those roads had been unprofitable from the beginning, the reason for their construction having been the equivalent of many "river and harbor projects" in this country. More became unprofitable with the increasing competition of automobiles. Those secondary roads have been a liability to the railroads for a long time and the losses have been charged to the Government budgets in one way or another.

The present situation with an unprecedented scarcity of manpower and rolling stock offers a unique opportunity for getting rid of those unprofitable railroads regardless of local pressures and for concentrating operations on the more profitable trunk lines. But such reorganization would be impossible unless trucks and busses can be made available to replace the services of the secondary railroads. Evidently this is a matter of the greatest importance.

In addition, there is naturally a tremendous need for trucks and busses to perform services subsidiary and supplementary to railroad operations.

Possibilities for Issuing Short-Term Certificates

Since the usual rate of depreciation is much shorter for automotive than for railroad equipment (in this country usually five years), the certificates issued in connection with loans for purchases of automotive equipment may have a shorter maturity than railroad equipment trust certificates. This would have the effect of attracting still other and additional sources of investment funds. On the other hand, foreign countries have been accustomed to operate their automotive equipment considerably longer than is being done in this country. This may be important in cases where borrowers should feel uncertain regarding their ability to make large repayments on account of principal.

Waterway Equipment

Waterways (rivers and canals) are very important transportation arteries in many countries and even more important than railroads and automobiles in some less developed areas such as China and other eastern countries. Therefore, rehabilitation of waterway equipment is most urgent in such cases. However, such equipment is usually depreciated over longer periods and thus probably would have to be financed through long-term bond issues. Yet the angle of "mobility of collateral" might make special bond issues for purchases of waterway equipment particularly attractive to investors.

The special significance of financing of transportation equipment from the standpoint of both the World Bank and its prospective borrowers is readily apparent. A statement to be issued by the Bank to the effect that it proposes to give priority to loans for the purchase of transportation equipment and to finance those loans through the issue of securities similar to equipment trust certificates should go a long way to clarify the policies of the Bank, to avoid present doubts and uncertainties and to set forth the initial steps for a successful operation of this new and highly important institution.

Self-Propelled Boom Financing

(Continued from first page)

prospects of the next 12 or 18 months, it is advisable to take fresh inventory of the fundamental factors at play, and of recent developments at home and abroad.

Excess Liquidity

It has become common knowledge—at last—that the some $235 billions of accumulated purchasing power, most of which is dormant at present (i.e., has a velocity of circulation equal to zero), represents an inflation potential of unheard-of magnitude. These "hoards" have risen almost fivefold since 1933, and doubled since 1942. It is less generally realized that the implied danger is greatly enhanced by the fact that a number of factors militate against the need to keep liquid. In the long run, business units as well as households tend to retain the more cash, or its equivalent, the more they are in debt, and the less they are provided with future claims on cash, such as insurance and pensions. Now then, the surrender value of life insurance policies has more than doubled since 1929, and is topped by a substantial volume of new Social Security, both reaching down to the lowest levels of the income ladder. They are rising continuously (life insurance assets by about $3 billions annually), as are other forms of insurance, pension funds, etc., too. The mere existence of such claims acts as a catalyzator in helping to convert money savings into real investments, by making it appear that it is less urgent to maintain one's own cash reserves than it would be otherwise.

As to private debts, their total volume has declined since 1930 by some $30 billions. Consumer credit has been compressed to almost one-half of the pre-war amount; so is the farmer's mortgage debt, of which well over $4 billions had been liquidated; urban real estate and corporate bonded debts are greatly reduced; commercial loans of barely $30 billions owed to banks still are far behind the $42 billions of the last boom. The burden of debts (other than Federal) is lowered in addition by the all-around cut of interest rates. Even allowing for a doubling of the "demand for cash" due to the expectation of permanently higher prices, we are on the conservative side by estimating that at least the $90 billions put aside by individuals in the last three years—two-thirds of them owned by people below the $6,000 bracket!—represent deferred spending that might inflate the demand for goods and services far beyond our ability to match it by current production.

Exit the Hoarding Propensity

Small wonder that people spend vigorously. Department store sales register a monthly increase of 20%, in luxuries 25 to 40%, over the same months of 1945. This at a time when little could be spent on new houses or automobiles, even on shirts, men's suits or women's nylons, and while in the meantime prices have not risen substantially. These "durables" account for 15% only of the current spending. Total consumer buying runs, or did so before the coal strike, at the annual rate of $120 billions, as against the $100 billion peak last year, and scarcely $60 billions in 1929. Business expenditures on new plant and equipment reached in the first quarter more than twice the volume of a year ago, in spite of strikes, shortages, and OPA hurdles. Between them, the symptomatic increase in consumer purchases and corporate outlays, plus gradually rising prices, keep the national income close to the wartime annual $160 billions. Note that it is not rising income from production that does the trick: the F.R.B. manufacturing index lingers 40% below last year's. The increase of spending thrives on the utilization of idle liquid means—on an accelerated monetary velocity. The combination of a mounting demand and an inadequate supply reflects itself in higher prices and in retail inventory turnover figures.

They are significant as indications that the depression-psychology, that favorite of "liberal" economists, has been overcome—if such indicators are needed in the face of the Stock Exchange boom, the reduced excess reserves of banks, the bullish inventory buying by business and reckless luxury spending by the nouveaux riches, and many other symptoms. These are merely the first skirmishes, so to speak, in the battle of inflation. Consumer buying as well as business expansion will be greatly fostered at the time when heavy goods and semi-durables will be "rolling out" in quantities. The crucial test of prices has to come in the "boom," when production gets under way.

Limits of Boom Financing

How, then, can one finance full production, especially at rising prices? The near-balanced state of the budget excludes the possibility of new fiat money in large volume. Evidently, a boom of such magnitude as is in store (with 52 million people already in gainful employment, against 36 millions in 1929, at practically doubled factory wages and 50% higher farm product prices) will call for the mobilization of vast financial means. At further rising prices, the demand for funds is bound to be enhanced more than in proportion, due to speculation in inventories and capital values, etc. A substantial price inflation, another 25 to 50% within a year, **should** run into "money shortage" and rising interest rates, which **should** dampen the boom if not break it altogether—or so we are told by the school of thought that still refuses to believe that the inflationary spiral could progress much longer.

To be sure, the national output has to be financed from the following sources:

(a) savings out of current income;
(b) corporate liquid reserves;
(c) individual holdings of cash, etc.;
(d) credit expansion by commercial banks.

Disregarding a deliberate recourse to the printing press and foreign loans to this country, every consumer purchase, every acquisition of inventories, expansion of plants, etc., has to draw on these sources. Actually, in all experience of cyclical upturns (under the gold standard, mind you) a bank credit expansion precedes and accompanies the boom; the consequent drain on the basic monetary reserves raises interest rates and sooner or later dries up the capital market. That, in turn, breaks the boom.

Are we not facing now similar limits of expansion? Wouldn't, in other words, an inflationary tide find its natural end by exhausting the bare $900 millions of member bank excess reserves? If so, we may see "somewhat" higher prices, but the vicious spiral could be stopped by control devices of the Reserve System. All it has to do is to raise the member banks' legal reserve requirements beyond the present 20 and 14%; or impose sharp qualitative credit rules; resort to the open market sale of securities; or to raising the discount rate (which has been raised recently, in effect, from ½ to 1%). In either case, if properly dosed, corporate financing should run into an impasse and/or a consumer strike should emerge. At any rate, the embargo on new funds should seal the doom of inflation, provided the budget stays substantially balanced—and that the rules of the orthodox gold standard apply.

"Automatic" Credit Expansion

Theoretically, the central bank has the powers to stop the expansion of deposits—raising reserve requirements beyond 26% for central reserve city banks would call for Congressional action—and it may be trusted with the best of intentions to do so. But subduing the banks is one thing; controlling inflation (in a system in which the money volume is divorced from the gold base) quite another.

There are ample funds available without recourse to borrowing from banks. The $20 billions of Government bonds, on last count, in non-financial business portfolios alone would go a long way, representing net liquidity over and above current liabilities. Moreover, a public that has piled up by the end of '45 $21 billions in currency, $69 billions in demand and savings deposits, approximately $50 billions in short-term, or redeemable Government paper, and more since, could absorb new corporate securities and municipal bonds to the tune of many billions. If so, the national income would spurt upward, too, in turn providing fresh savings on which to draw, and so on in an inflationary spiral. It is worth recalling that the speculative orgy of the '20s was based on a total monetary expansion, between 1915 and 1929, of less than $30 billions—less than one-fourth of the present liquid holdings of individuals! This time, a financial super-structure several times that volume could be erected, that would permit "full" production on a **wholesale price level,** say, **50% higher** than the present one, without borrowing a single dollar from the banks, and without raising interest rates an iota. It may be confusing to the financial copybooks, but the spectacle of rising prices coinciding with record low or decling interest rates is typical of "controlled" inflations, in peace as in war.

"Controlled" Money—Without Controls

How, then, could the Federal Reserve use its paper powers to stop this process? Even if it succeeds in freezing the banks out of the credit market, it could not refuse to support the national credit. It has to provide funds to redeem maturing bonds at par value, and to loan on outstanding Federal securities; it could not frustrate the market by prohibitive discount rates or by deflationary open market sales. Such actions, beyond narrow limits, would be contrary to fundamental national policy. Both the Central Bank and the Government have announced time and again their intention to maintain the (issue) rates, i. e., not to let them rise. Fiscal considerations alone are decisive, but others weigh even heavier. Raising the interest burden by a full per cent would cost the Treasury an annual $2.69 billions to be covered presumably by more money printing. A minor rise of the long-term rate, reducing or eliminating the premium, does not strengthen substantially the public's demand for bonds (as was shown recently when the premium on the 2½s fell by 3-odd points) while a major rise may cause a panic, with the threat to unload the entire overhanging volume of short-terms, to say nothing of less drastic embarrassments. Collapse of the country's financial structure, based as it is on Government paper, might become a distinct possibility. In other words, the monetary management cannot escape the unhappy choice, repeatedly pointed out by this writer, between continuing to finance a vicious inflation and risking to bring about a pernicious crisis.[1]

"Dear Money"—bringing the medium and long bonds below par—is as much out of the question as is the refusal to redeem Federal bonds. Consequently, not even a complete "freezing" of bank credit is possible. The banks must have sufficient leeway in extending credit so as to avoid conditions under which they might have to liquidate their portfolios. Political forces, too, militate against blocking bank credit facilities. Or could the housing program, for one thing, be stopped at the financial end for the benefit of a "doctrinaire" stabilization? And leeways for credit expansion the banks will have if and when the redemption of bonds or the backflow of hoarded currency will swell their deposits and excess reserves. (Every dollar deposited provides 80 to 86 cents of new excess reserves.) As a matter of fact, the force of circumstances might compel the "Fed" to sustain the money flow by additional open market operations; in that case, a moderate increment to its portfolio, such as of one billion, which is not likely to arouse too much misgivings and is sufficient to support a five billion expansion of bank credit, may be all that is needed (for a while).

In short, the expectation of a credit control to stop the inflation flood is sheer wishful thinking. So is the recurrent small talk about "some" rise of interest rates by which inflation could be stopped. The only effective control permissible within this process is the control over interest rates: keeping them down. Of course, the process cannot go on indefinitely. But it does not end in an automatic fashion by running short of "money," unless prices should run amok. In other words, in spite of a balanced budget, and even with a moderate budgetary surplus, there are neither financial nor psychological safeguards present against the progress of price inflation. How far it may go, depends on factors to be considered on another occasion.

[1] Note that raising interest rates here, while they are being reduced abroad (to 2½% on 21-year maturities as well as on "old" consols and ½% on treasury bills in England, and accordingly in Canada) also would have significant international implications.

Signing of New Dutch-Belgian Trade Pact

From The Hague (Aneta) advices May 27, the New York "Journal of Commerce" reported the following:

"A new trade agreement between Belgium and the Netherlands providing for a further Belgian credit to the Netherlands of 1,500,000,000 Belgian francs has been signed in Brussels by Belgian Premier Paul-Henri Spaak and B. P. Baron Harinxma Thoe Slooten, Netherlands Ambassador to Belgium, it was disclosed here over the week-end.

"The agreement, the outcome of discussions which took place April 17 and 18, provides for the importation by Holland from the Belgian-Luxembourg customs union of goods worth 327,000,000 guilders and the export by Holland to the union of goods worth 180,000,000 guilders.

"Among the Dutch goods which will be exported under the agreement are radio and other electric products, sand and gravel, dyes and other chemical products, salt, linoleum, furniture, flaxseed, potatoes, agricultural and horticultural seeds, bulbs, fish and cattle and hogs for breeding purposes

"In return Holland will receive textiles, window glass, wood and paper products, reconstruction materials, artificial fertilizer and decorative plants.

"The total value of the goods to be exchanged is over 500,000,000 guilders, or 8,000,000,000 Belgian francs.

"A commission to regulate deliveries under the agreement according to circumstances will be formed by the three countries involved. All deliveries will be free, although import licenses will remain in force.

"The credit advanced under the agreement is in addition to the credit of 500,000,000 Belgian francs already granted Holland.

"Meanwhile, discussions of measures to implement the Netherlands - Belgium - Luxembourg customs union are continuing in The Hague, where the council for the tri-nation economic union began sessions yesterday."

Gov. Dewey to Address State Chamber, June 6

Gov. Thomas E. Dewey will speak at the monthly meeting of the Chamber of Commerce at the State of New York on June 6. While the subject of the address has not been announced, it is understood that the Governor will have an important message for business and industry. The address will be broadcast by Station WEAF of the National Broadcasting Co. Peter Grimm, President of the Chamber, will preside at the meeting which will be held at 65 Liberty Street at 12 o'clock noon.

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cumstances it seemed to me that regardless of whether the Treasury used 2½% or 2¼% coupons in such offerings the market yields would tend to stabilize at higher prices—namely, around a 2¼% and 2% yield level. In attempting to refine this statement I said that unless the Government permitted higher short-term rates I believed that long-term Treasury ineligible issues should **head toward** a 2% basis. In doing so, I was trying to say that I believed the average point of stabilization would be closer to 2% than 2¼% under the present outlook.

Treasury Credit Control Devices

One of the services devoted to discussions of Government securities recently said that the authorities in the Treasury and in the Federal Reserve Board have sufficient power and sufficient determination to halt any upswing in prices comparable to that which occurred last spring. This point of view is so generally accepted as to make it worthwhile to comment on four of the possible control devices that were mentioned as aids to keep the pattern of borrowing within coupon rates of ⅞% to 2½%.

The first of these was the possibility that the Treasury might initiate a program for the liquidation of ineligible securities held by Government trust funds and agencies. If it were engaged in at a time when the Treasury had a balance between cash income and cash outgo, then the funds obtained from the sale of these securities in the market might have to be used to retire outstanding maturing issues. If such a refunding were carried out then the costs of interest on the debt would correspondingly increase. Most of the larger trust and agency accounts require special issues with a rate of return **equal to** or **higher than** the average computed rate of interest on the debt at the time of issuance. One wonders, also, if the Treasury could disregard the income requirements of the trusts or accounts involved. For example, if bonds bearing a coupon rate of 2½% were sold in the market and reinvestment made in special issues bearing no higher rate than 2%, some questions might be raised as to whether such trusts or accounts should be used as an instrument for depressing market prices.

The Treasury already has increased the average cost of interest on the debt in the refunding operations represented in the combination of the Victory Drive and the current debt repayment via issues carrying a substantially lower average rate. This is a nonrecurring item, but will the Treasury resort to another item of increased debt service when two additional ones seem likely to repeat themselves annually? These concern the new investments of trust funds and the methods employed in computing the annual interest costs on savings issues.

Let us take the investments of trust funds first. Whenever a balance exists between the cash income and cash outgo of the Treasury (exclusive of trust fund net receipts) the problem resolves itself as follows:

Net trust fund receipts would represent surplus cash receipts to the Treasury. Against these securities must be provided. Generally this requires that the Treasury issue securities to the funds. The total debt is thereby increased and the Treasury still has the funds. If the Treasury uses these funds to retire publicly held securities then the interest costs on the debt decrease or increase in accordance with the difference in the average rate on the securities retired and those issued to the funds. The amounts of such transfers could well reach 3 to 5 billions per annum or more. Most of the funds and accounts currently require a rate of interest of approximately 2% or more, whereas the average short-term rate is close to 1%.

Now let us look at the savings bonds. All of us hope that those now outstanding will continue to be held and that further large additions in such holdings will be achieved. The annual interest cost to the Treasury on the discount issues is measured, however, by the annual increment of increase in the redemption values. Unless, therefore, heavy redemptions occur, the future interest costs from discount issues will measurably increase. If the Treasury is willing to add additional costs to these, then perhaps it would be willing to consider the more direct and effective means of stabilizing long-term rates: namely, to permit an increase in the rates in the short-term market.

Refunding of Short-Term Into Long-Term Ineligible Bonds

The second possibility mentioned was that the Treasury could refund some of its maturing short-term obligations into long-term marketable ineligible bonds. The Chairman of the Federal Reserve Board last week expressed the hope that the Treasury would not issue additional long-term obligations until the existing controls had been implemented, because as long as nonbank buyers hold substantial amounts of bank-eligible securities, offerings of long-term ineligible bonds would simply increase the rate at which the public debt is "monetized." Some nonbank holders would seize the opportunity presented in such refunding offerings to sell some of their lower-yielding bank-eligible issues at a profit and to invest the proceeds in the newly offered higher-yielding ineligible issues. The bank-eligible issues thus made available would be purchased largely by the commercial banks and, in effect, the Treasury simply would have refunded some bank holdings of shorter issues into slightly longer ones.

The third possibility mentioned was that both the Treasury and the Board could exert further pressure on the commercial banks for curtailment of speculative loans. There is no public record as to the costs to the holders of such "speculative" purchases. Obviously a large amount of these securities were purchased at par either in the Victory or earlier drives. The remainder presumably represent relatively low-premium purchases. In other words, most so-called speculative holders already have been offered numerous attractive opportunities to reduce their commitments. These came first through the unexpectedly high premiums attained in the post-drive markets. More recently rapidly falling prices and fear provided the incentive. By now it would seem that the speculative holdings (regardless of their total) are in relatively strong hands. Incidentally, we know of

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Securities Salesman's Corner

By JOHN DUTTON

The opposition that salesmen encounter when they offer unlisted situations to those who have had no experience with over-the-counter securities is perhaps the greatest obstacle that has to be overcome when dealing with investors. Professional security buyers have long recognized that the unlisted market abounds in opportunities for profitable investment. But the general public has only recently become aware of the possibilities for investment in that market. The constant efforts of security salesmen working throughout the country has been the motivating educational force which has enabled many security buyers to reap a harvest of profits out of over-the-counter securities during the past few years.

For example, many securities that today enjoy a broad market on the listed exchanges have been bought prior to their listing by alert investors, who knew what was going on, or could recognize an undervalued stock when they saw it. Many of these stocks sold originally in the unlisted markets at prices far below where they finally sold when they were listed. These situations have been brought to the attention of investors by security dealers and their salesmen, and those investors who followed this type of sound advice have profited handsomely during the time between their purchase and eventual listing.

Although the professional knows that some of the best opportunities for profitable, and conservative investment as well, are available in the over-the-counter markets, the main objections voiced by the average investor toward unlisted securities are such as the following: (1) Can't see the quotations in the newspaper. (2) Prefer the big companies such as Steel, General Motors, etc. (3) Can't follow the progress of the security because the only way I can find out where it is selling is when you tell me.

On the surface these objections all appear valid reasons for a rejection of over-the-counter securities. But an analysis of what lies behind them reveals them to be mainly excuses for not buying. An excuse only means that your customer doesn't understand your proposition. He isn't turning you down, he only wants to know more before he makes up his mind.

Admittedly, selling unlisted securities to investors whose primary experience has been in the listed markets, calls for some intelligent explanations, but once you get your points over you won't have to be bothered with those three excuses you've heard so often. Now let's take these excuses apart and see what they mean, and what is really their answers.

(1) **"Can't see the quotations in the newspaper."** What actual difference does that make? You are as close to your customer, and he is as close to you, as the telephone upon your respective desks. Do you want to know what your securities are worth, call any time. If you want to sell any and all of your securities, it can be done quickly and with no more trouble or bother, whether you own listed or unlisted securities. What is it that you want when you buy a security? Isn't it that you want to make as profitable an investment as possible? If such opportunities are available in an unlisted security, isn't that more important than being able to see some figures every night in the newspaper? The other day an unlisted stock was offered to the public at 21, several weeks later it was listed on the stock exchange and is now selling at about 39. For many years this fine company has been well known to the followers of the textile industry, of which many stocks are traded over-the-counter. The investors who bought this stock upon the advice of their salesmen didn't make any mistake simply because at the time they made the purchase they couldn't see it quoted in the papers. There are literally hundreds of listed stocks that are selling at prices many times their original, **unlisted price.** Those who bought when they were unlisted have made some tremendous profits.

(2) **"Prefer the big companies such as Steel, General Motors, etc."** There is certainly no objection to investing in the market leaders. Investment accounts whose principal objective is security certainly should stick to the most conservative common stocks, if **they buy any common stocks at all.** But if you are buying common stocks then why not try and select securities that have the greatest possibilities for price appreciation, especially during a bull market. Bigness in itself is no guarantee of profits when you are buying securities. The way to make money out of common stocks is to find the company that has management, product, capital, to do the job, and whose stock is undervalued, THEN BUY IT AND WATCH WHAT IS GOING ON INSIDE THE COMPANY, NOT NECESSARILY IN THE MARKET. That's the job of the security dealer and the salesman who are making money out of unlisted situations, both for themselves and their customers. That's what you buy when you buy an unlisted security from a securities firm that knows its business, and watches over the investments it sells to its customers AFTER THEY HAVE BOUGHT THEM. If this is the kind of service that an investor receives from his dealer and his salesman, then what difference does it make as to the size of the companies in which he invests? Profits tell the story—specializing in situations that have merit is the job of the dealer in unlisted securities. If he doesn't make money for his customers, he'll lose them sooner or later. That's the best guarantee of conscientious advice that any security buyer can enjoy; and for this reason, listing, bigness, or any other factor is unimportant in the choice of securities. The investor's most important decision is whether or not he has selected the right house with whom to do business. Confidence in the salesman, in his firm, can't be built in a day—it must be earned. From there on you can sell your customer anything, providing he believes in YOU.

(3) **"Can't follow the progress of the security, etc."** This is just a variation of "can't see it in the papers." Most security buyers (if they are honest with themselves) will admit that they don't actually follow what is going on behind the securities they own. They don't even read the quarterly reports to any great extent. Others seldom read the annual statement, or make any serious attempt at analysis of the figures that are presented to them from year to year. The writer has found few individuals who have kept financial statements from year to year for the purposes of making comparisons. This is the general rule—most people are inherently lazy about such things. What everyone wants when they buy securities is the same thing that they want when they go to their doctor. They want someone in whom they can place their confidence, who will assume their problems, and do a job for them. Once you have demonstrated that you can do this job, YOU HAD BETTER DO THE WATCHING. ALL YOUR CUSTOMER DESIRES IS THE PROFITS—AND HE WON'T CARE WHERE HE GETS THEM—EVEN IF ITS OVER-THE-COUNTER, ON THE BOARD, OR UNDER THE TABLE.

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several instances in which substantial purchases originally undertaken purely for profit will be or have been taken up for permanent investment. We also have found numerous instances where corporate business holders plan to continue their investments in 2¼s and 2½s indefinitely. It seems that the prime question is not whether such holdings can be forced on the market at any given point but whether it is not better for such bonds to become available over a period of time in the natural course of events.

Since the close of the Victory Drive the normal market supply of long-term Treasury ineligible securities has been augmented by sales from some of these temporary holders. It seems to me an inescapable conclusion that had this supply not been available to the market, and had we not been under the threat of possible large-scale liquidation, that the average of prices, and today's level in particular, would have been much higher. As we look ahead over the next six to eight months, it appears that the accumulated and potential demand for these long-term issues may be much larger than the potential supply. An orderly market requires an adequate supply at successive levels. If large-scale selling could be engendered, some of the accumulated demand could be satisfied—perhaps even more than satisfied. But with this potential source of future supply thus eliminated, what assurances would potential buyers then have with respect to their future requirements? At this time the speculative holdings of Government securities are a constructive element in the market. They give assurance of a market supply which, if lacking, could cause prices to climb to undesirably high levels.

Speculation in Government Securities

I would like to make some comment at this point about speculation in Government securities. This kind of speculation seems to have been classed almost as a gray market. All speculation is not bad, gray, black or harmful. It is, however, at times treated with inaccurate generalization; is given a stress wholly out of relationship to its current importance, and comes too late for truly constructive purposes.

During the war the amount of speculation in Treasury securities was undoubtedly excessive. In certain War Loan drives it assumed the character of a national pastime. In part, this was the result of public education in Treasury security markets, which was a counterpart to the necessary public participation in war financings. In some additional measure, it was also the result of competition between the various War Finance Committees and groups to meet or to exceed their quotas. Then, too, the character of the issues offered and the methods employed in the drives many times actually invited and encouraged speculation notwithstanding the fact that other steps **sometimes** were taken to curb it. No secrecy surrounded these facts. The recent emphasis on speculation can be accurately compared only to locking the door to the stable after the horse has been stolen or to fables about burning an old witch because the clouds refuse to give rain.

Nor is speculation an animal of only one color. Speculation, when confined within a limited field, is a necessary element to the maintenance of orderly markets. Professionals, whose business it is to deal in securities, could be said to speculate, but they can only afford to do so if they are successful in judging the basic forces that work in a market. In the majority of instances this requires the purchase of securities in weaknesses and their sale in strength, and thus is a stabilizing market influence. There is also another kind of speculation. Many of the larger investors engage in it. I have reference to those instances in which such investors will withhold purchases from the market, more or less in concert, because they hope thereby to make more advantageous purchases later, either by outguessing the market or at the expense of the borrower. To the degree that speculation in fixed income securities is confined largely to the professional groups, the effect is essentially wholesome. It provides a balance between borrowers and investors and between buyers and sellers.

Will Federal Reserve Use More Credit Control?

The fourth possibility mentioned was that the Federal Reserve would fight for more powers to control credit and, if successful, would use them. Before commenting on this, and press reports on Chairman Eccles' recent testimony, which is pertinent, I think it would be helpful to give you the highlights of a recent analysis which we made of the banking picture. The purposes of this analysis was to ascertain certain yardsticks of commercial bank operation with which the Treasury and the Federal have to contend in exercising interest rate and credit controls, and managing the debt.

The figures on which the analysis was based were derived from the reports of the weekly reporting member banks in 101 cities and other figures in Treasury monthly bulletins. The historical averages given are based on quarterly figures for the years 1944 and 1945.

The analysis is really in three parts: One part covers the historical period just mentioned; the second represents a projection of these same figures on the basis of certain assumptions, and the third is an attempted breakdown of the assets and liabilities of the weekly reporting member banks as of the end of 1945. The results are given in Tables I, II and III.

As we thought about the various considerations in the operation of commercial bank portfolios, the effect of these on Federal Reserve credit in use, the extension of credit by the commercial banks, on interest rates, on monetization of debt, etc., it occurred to us that the operations of the commercial banking system really divided themselves into three separate operations:

One of these is that in which the commercial banks have acted as temporary custodians of large Treasury War Loan deposits.

The second of these may be said to be the operation of a savings bank originating in the acceptance of time deposits.

The third is the operation of a commercial bank through the acceptance of demand deposits and consequent functions.

In acting as temporary custodian of War Loan deposits, different banks have secured these deposits with different types of Treasury securities, depending upon their estimate of the effect of war expenditures in their territory, the other factors which cover the inflow and outflow of funds, credit needs, etc. By and large, the bulk of the War Loan deposits have been secured by short-term securities of approximately one year or less. This, however, was not universal practice, and now that the War Loan deposits are being substantially reduced in order to repay debt, many banks have had to adjust the Government securities which were used as security. In some instances banks have been forced to sell securities of longer than one year in order to meet War Loan calls. In such cases the calls have had to be anticipated and the proceeds, on occasion, have been reinvested in one-year securities. It seemed to us, therefore, that we might say that insofar as the Government portfolio and Treasury War Loan deposits are concerned, that the deposits either were or ultimately will have been secured by maturities of one year or less. Consequently we decided to separate from the figures of the weekly reporting member banks both the War Loan deposits and an equal amount of one-year-or-less maturities to see what kind of a distribution existed in the remaining Government portfolio against the savings and commercial bank operations.

If you will refer to Table I you will note from the top tabulation that on an over-all basis the maturity diversification in the Government accounts of the weekly reporting banks varied as follows:

Maturities one year or less	33 to 39%
Maturities of one to five years	26 to 33%
Maturities over five years	32 to 36%

Table II shows at the top the maturity distribution after offsetting War Loan deposits with an equal amount of one-year securities, and you will note that the diversification changes to one as follows:

Maturities one year or less	1 to 19%
Maturities of one to five years	35 to 47%
Maturities over five years	41 to 53%

This indicated to us that while the weekly reporting member banks have been used to seeing in their portfolio a fairly large percentage of one-year-or-less maturities, that these holdings had actually been held largely against the demand character of their War Loan liabilities and that in so far as their savings and commercial banking operations were concerned, they had held a much smaller percentage and amount.

We wanted to see also the dollar amounts of such one-year-or-less maturities which had been held, both on an over-all basis and after eliminating those needed to offset War Loan deposits. If you will refer again to Table I you will see that on an over-all basis the dollar total of one-year-or-less maturities during 1944 and 1945 varied from $14 to $18 billions. If, however, you will turn to Table II, where we excluded from the portfolio an amount necessary to secure War Loan liabilities, you will note that the dollar total ranged only from 2/10ths of one billion to around $6 billions.

The holdings in this shortest maturity group are of considerable importance because the interest rate control methods are employed largely in this area through Federal Reserve cooperation with the Treasury in open market operations designed to support the ⅞% certificate rate. It is these holdings of Treasury securities which are of the greater importance in the so-called monetization of the public debt. Consequently we decided to measure what might happen to the bank holdings of such securities over the next couple of years.

I would like to emphasize that the figures to which I shall now refer do not in any sense constitute an attempt to prophesy what these totals will be. They are merely a measure. We had to make several assumptions in arriving at them. One was that the current debt repayment program would have been completed prior to the completion of the fiscal year ending June 30, 1947. Then, that the Treasury working balance as of that date ($3½ billions) would remain unchanged for the two years ending June 30, 1949; that the Treasury would continue to refund maturing obligations with one-year-or-less maturities; that there would be no net flow of debt from nonbank holders to the commercial banks, and that the banks would make no extensions of maturity in their Government holdings. Under these assumptions, the total of one-year-or-less maturities produced undoubtedly is a lower one than the banking figures may later show unless debt management policies are materially altered.

The projected results on an over-all basis will be found at the bottom of Table I. You will note that due to the shortening of maturities through the passage of time that the banks would hold as of June 30, 1947, about $10 billions of one-year securities, and that this would climb to $16 billions by June 30, 1949. This compares with the $14 to $18 billions total shown in the banking statistics above.

It is interesting to note, however, that the percentage of one-year-or-less maturities in the total portfolio would climb to a higher percentage than that which had existed in the two-year period ending December last.

Since this over-all basis, however, includes holdings of War Loan deposits which are becoming largely a thing of the past, and because banks will probably measure their portfolio more against their savings and commercial operations than was true in the earlier period, we made a similar projection excluding the War Loan operation. You will note at the bottom of Table II that the amounts of one-year-or-less maturities are close to $8 billion as of June 30, 1947, compared with a peak of $6 billions in the years 1944 and 1945. Further, that the total of such maturities climbs to almost $14 billions during the two years ending June 30, 1949. In other words, while the present debt repayment operation is temporarily reducing the total of bank-held short-term issues, there is every indication that these holdings will increase to unprecedentedly large totals in the two years ahead. This situation, in combination with existing credit control methods, may enable the banks individually to create reserves in accordance with their individual needs on a larger scale than heretofore.

Peak of Bank Long-Term Bond Buying Passed

We thought it was also interesting to find that in spite of fairly aggressive and widely publicized buying by banks in maturities of over five years that the dollar totals held had increased only $1.8 billions from March, 1944, to the end of December, 1945. Further, that the amount held on Dec. 31, 1945 ($15½ billions) was $1.1 billion less than the peak holdings six months earlier.

Then we were intrigued to find that simply through the passage of time the $15½ billion held as of December, 1945, would shrink to $8.3 billions by June, 1947, and to less than $5 billions as early as June, 1948. It seems plain, therefore, that unless the Treasury offers securities of over 5 years to the commercial banks that their holdings of this maturity group must continue to undergo sharp decreases. The hue and cry, therefore, about the necessity of getting banks to sell their holdings of long-term bonds to the public appears to be an overworked generalization.

We now come to the third phase in our analysis. In this we tried to break down the assets and liabilities of the weekly reporting banks as of December, 1945, to reflect the three major banking operations, i.e., as temporary custodian of War Loan deposits, as a commercial bank, and as a savings bank. We would not attempt to defend the exact allocation of the assets and liabilities which are shown in Table III, but we would be greatly surprised if a more exact allocation produced any materially different results. In making these allocations we let the Government portfolio represent the residual assets of the banks. When we assigned these holdings to the savings bank operation we did so according to the portfolio distribution of one-year, one-to-five years, and over five years, which is given for mutual savings banks in the Treasury bulletin. This required that we allot to the savings assets $7.3 billions of Government securities over five years, and allot the remaining $8.2 billions of such securities against demand deposits.

We thought this produced another interesting point for contemplation. It seems natural to assume that the longest Government securities in the over-five-year group would be allocated against the savings operation and that the less long securities in this maturity group be assigned to the commercial bank operation. If you will now refer back to Tables I or II, you can see that the decrease in the amount of over-five-year maturities from December, 1945, to June, 1947, is $7.2 billions. This means that of the $8.2 billions of such securities allocated to the commercial operation, $7.2 billions would be "lost" by moving into the one-to-five-year group during the 13-months' period. Thus, by June 30, 1947, the total of over-five-year maturities allocated to the commercial operation would be reduced to $1.0 billion.

You can also see by referring to Tables I or II that between June, 1947, and June, 1948, this longer maturity group decreases by another $3.4 billions. In as much as only $1.0 billion would then he held against the commercial bank operation, $2.4 billions of this decrease in over-five-year securities would occur in securities invested from savings deposits. This takes place in the relatively short period between now and June, 1948, and leaves against the savings operations less than $5 billions of Government securities over five years.

An interesting comparison of the position of the weekly reporting member banks engaged in accepting savings deposits and that of the mutual savings banks with respect to Treasury security portfolios may be made by a comparison of the figures which I have just given and the portfolio distribution of mutual savings banks as provided in the Treasury bulletin. The holdings of the mutual savings banks of Treasury securities of over 10 years (not five years) appear as follows:

10 to 15 years	31.8%
15 to 20 years	21.1%
Over 20 years	23.1%
Total over 10 years	76.0%

Perhaps it is worth noting that only four marketable securities with a term of 10 years or longer are generally available to commercial banks regardless of whether they accept savings deposits. Three of these are less than 15 years to call. Only one may be said to be of a term longer than 20 years.

With this backgorund I want to refer back to the fourth possibility, namely, that the Federal Reserve may seek greater powers and, if obtained, would use them. It is pertinent to tie this possibility in with the reported testimony of Marriner Eccles last Thursday before the House Banking and Currency Committee.

One of the quoted excerpts of this testimony was that "until some adequate control can be exercised over the amount and kind of Government securities which the commercial banking system can hold, it would be inadvisable to make available to the market additional long-term securities even though they are not eligible for the banks."

The importance of this statement would not appear to be the reference to additional offerings of long-term marketable securities but that the Chairman of the Federal Reserve Board envisions the necessity for further Governmental controls over the operations of the Government portfolios of the commercial banks. According to these press reports (and all seemed to carry the same story) the Chairman illustrated what he had in mind by referring to powers comparable to those recently employed by Great Britain and Canada. This seems to be replete with serious implications.

If the Federal Reserve were given such powers over the Governmental security portfolios of the American banking system, does it follow that they would also need other controls over the amount of assets invested in bankers' acceptances, commercial paper, various types of so-called call loans, etc? For administrative purposes, in what classification would the one-year maturity of a term loan be placed? Or a one-year-or-less maturity of a publicly offered serial note issue? In terms of actual probable repayment at maturity can you generalize on when a loan is a one-year loan or less? Where would the necessity for increased controls stop?

Difficulties of Greater FRB Control

Recently Mr. Riddle and Mr. Reierson of the Bankers Trust Co. made available an excellent analysis of the mechanical, practical and administrative difficulties involved in the general suggestions offered by advocates of various certificate reserve plans. Any effective control by the Federal Reserve over the Government portfolios of the commercial banks must be as replete with complications as these proposals and might well require continuous increases in the controls until the banking system was rendered completely immobile by the strait-jackets of Governmental operating restrictions.

Several comments seem pertinent at this point:

In both Great Britain and Canada the banking systems comprise only a handful of banks, whereas in the United States we have close to 15,000. It is far simpler to adopt over-all general operating restrictions where you can see the effect on the entire banking system by looking at a dozen or less banks than it is when you have to guess at the effect on 15,000.

When one recalls the wording of the Act of Parliament which legalized the powers to which the Chairman refers, and adds to this the quite obvious and numerous mechanical and administrative difficulties inherent in adopting such measures to our banking system, one finds it difficult indeed to avoid the conclusion that the Chairman of the Federal Reserve Board may have placed himself on public record as advocating measures which lead to the socialization of the American banking system.

Certainly one must hope that either the testimony of the Chairman has been inaccurately reported, or that the implications which appear unavoidable are without foundation.

From time to time Chairman Eccles has given crystal-clear clarity to the fundamental causes of price inflation problems and some of the basic requirements for a sound reconversion to peacetime prosperity. Yet, according to the press reports, the suggestions for dealing with the problems resulting from interest rate controls seem to deal more with symptoms than with causes. Effective control by the Federal Reserve or the Government over the portfolios of the commercial banks might well result in such a mass of red tape as to cause the result to be the OPA of banking.

The Chairman is reported to believe that one effective means of meeting the problem would be to permit an increase in short-term interest rates, but that this is impractical politically, and undesirable in that it would increase the earnings of the commercial banks. This has been a generally accepted view and one which I have shared, but I am encouraged to believe that we may have made sufficient progress to enable us to tackle the problems on more basic grounds.

For example, I have been impressed with the progress which has been made in creating an understanding of the problems of debt management, the importance of interest rates in the inflation-

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The Problem of Interest Rate Control

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ary field, and a recognition that most of the new ingenious remedies suggested fail to provide practical, satisfactory solutions.

I am also encouraged and impressed with the breadth of Secretary Vinson's approach to the problems of debt management. My guess is that he would go a long way to advance any sound plan for promoting the national welfare in the fields of debt management.

I believe also that there are tangible indications that unless bank credit expands under a strongly inflationary environment, the net operating earnings of the commercial banks may have outrun the wartime influences and be tending lower. Under these circumstances, and guided by a proper and aggressive leadership, I believe that the Administration, Congress and the people can be given to understand that even if the annual earnings of the banking system were to expand under a somewhat higher interest rate structure that future losses coincident with the rendering of an efficient banking service are a lien against these earnings.

The Basic Issue

In other words, gentlemen, it seems to me that the time has finally come to face the basic issue. At various times I have suggested that certain moves be made away from the wartime debt policies. For example, first I suggested an increase in the certificate rate to 1%; more recently I have advocated a higher and more freely fluctuating short-term rate structure. I had in mind the necessity for gaining time to find adequate and practical solutions to the interest rate and debt problems. It seems, however, that we cannot avoid facing the fact that continuing interest rate control by the Government can lead to only two probable consequences:

(1) If we are to maintain the kind of an American economy which has been outstanding, it is necessary to maintain a relatively free private commercial banking system. If we wish to maintain such a system and attempt simultaneously to continue to control interest rates we must face the consequences of further increases in the money supply of the country. Only mass psychology can determine the velocity with which this money supply will be used; the degree of price inflation which will result; the scope of its eventual collapse, and the unpredictable consequences.

(2) If, in order to perpetuate a controlled interest rate we attempt to stall inflation, collapse, etc., by adopting further operating controls over banking and credit, we should recognize that this is also the road toward national socialism, and we must expect the various OPA's and other restrictions (personal and economic) that go with it.

Bankers Not to Blame

It seems to me unfair, and rather begs the question to hold that the monetization of debt and the consequent increase in the money supply is caused by the selfishness or greed of banks. 15,000 banks acting individually cannot be held accountable for a collective result which is rooted in wartime fiscal policies which are certainly inadequate to the peacetime needs of debt management, and in interest rate policies characterized by persistent emphasis on ill-advised phases.

Additional curbs on the monetization of public debt and on our future credit expansion become pressing only in the event that the demands for credit increase. If the increase occurs either because of a further price inflation or a greater volume of production, it seems that we should expect more freedom and selectivity to be available to banks and others in their loans and in the rates of interest paid.

Ultimately, therefore, if as a result of price inflation or increased production, credit demands sharply expand, then it should follow that rates of interest on other than Government securities will tend to increase. Under these circumstances we arrive at a point where an increasing number of investors may prefer other securities to Governments. This preference, under the interlocking character of all interest rates and credit, is bound to translate itself into a large supply of Government securities at that point in the interest rate pattern which is being accorded the maximum Government support.

If this pressure point is **adequately** supported by the Government, then it follows that additional funds will flow into the market. The relationship of interest rates would thus be brought back to something akin to their starting pattern. Also we would have increased the money supply, and aided in the creation of an environment in which the velocity of money may be multiplied as well. Thereby we would add fuel to the fires of inflation.

If, on the other hand, the pressure point in the interest rate controls is **inadequately** supported by the Government, then Government securities lose their liquidity; interest rates in general firm, and we face a possible financial crisis because of the demand character of large segments of our public debt. If, to avoid this, we adopt the Canadian or British controls it seems to me that we should realize that we simultaneously head ourselves toward a greater degree of socialism than may be ascribed to the present British Government because the problems of administering such controls over 15,000 banks makes this inevitable.

If, as we face these two alternatives, we can find no adequate solution we nevertheless can start to move away from Governmental control of interest rates by bringing about some changes in the levels within which the short-term rates may fluctuate. It is true that the adoption of such a policy may make it necessary to defend the consequent increases in the costs of interest on the public debt, and to defend the position of the American banking system. At the worst, however, it seems likely that we would end up only with a set of circumstances comparable to that which already seems to be advocated by the Chairman of the Federal Reserve Board.

In the face of these alternatives the burden of proof should rest not on the shoulders of those who may question the desirability of continuing the control of interest rates; it actually rests on the shoulders of those who advocate the continuance of the status quo. Unless these advocates can give us adequate assurance, and some tangible **proof** that the two alternatives outlined here can be avoided, it would appear that policies and methods aimed to reenforce interest rate controls should be abandoned and plans laid for the gradual elimination of these controls. I admit that we are not ready for drastic changes in the doctrine that it is the function of Government to control the rates of interest at which it borrows, but the situation is certainly sufficiently dangerous from a financial, economical and social viewpoint to justify some relaxation in the rigidity of controls. The point at which this relaxation must come is in the short-term area.

TABLE I

Distribution of the Government Portfolio of Reporting Member Banks in 101 Cities, Classified by Maturity Groups

Date—	Maturities of 1 Year or Less Amount	Percent	Maturities of 1 to 5 Years Amount	Percent	Maturities of Over 5 Years Amount	Percent
	(Billion dollars)					
3-31-44	13.8	36.9%	9.9	26.5%	13.7	36.6%
6-30-44	15.8	39.1	10.3	25.6	14.3	35.3
9-30-44	14.7	36.9	10.9	27.2	14.3	35.9
12-31-44	14.5	33.6	14.1	32.7	14.6	33.7
3-31-45	15.6	36.1	13.0	30.0	14.7	33.9
6-30-45	15.3	32.8	14.7	31.6	16.6	35.6
9-30-45	15.4	34.2	14.9	33.1	14.8	32.7
12-31-45	18.3	37.8	14.6	30.1	15.5	32.1

Estimated Distribution on the Assumption That the Treasury Policy of Debt Reduction Is Completed by June 30, 1947, and That All Refundings Are Made With Obligations With a Term of One Year or Less

Date—	Maturities of 1 Year or Less Amount	Percent	Maturities of 1 to 5 Years Amount	Percent	Maturities of Over 5 Years Amount	Percent
	(Billion dollars)					
6-30-47	10.1	28.6%	16.9	47.9%	8.3	23.5%
6-30-48	12.7	36.0	17.7	50.1	4.9	13.9
6-30-49	16.1	45.6	14.6	41.4	4.6	13.0

TABLE II

Distribution of the Government Portfolio of Reporting Member Banks in 101 Cities Classified by Maturity Groups—After Setting Aside Maturities of One Year or Less Equal in Amount to the War Loan Deposits Held

Date—	Maturities of 1 Year or Less Amount	Percent	Maturities of 1 to 5 Years Amount	Percent	Maturities of Over 5 Years Amount	Percent
	(Billion dollars)					
3-31-44	3.5	13.0%	9.9	36.5%	13.7	50.5%
6-30-44	3.2	11.4	10.3	37.2	14.3	51.4
9-30-44	5.5	17.8	10.9	35.4	14.3	46.8
12-31-44	.7	2.3	14.1	48.1	14.6	49.6
3-31-45	6.3	18.6	13.0	38.2	14.7	43.2
6-30-45	.2	.7	14.7	46.7	16.6	52.6
9-30-45	5.9	16.6	14.9	42.0	14.8	41.4
12-31-45	2.2	6.7	14.6	45.1	15.5	48.2

Estimated Distribution on the Assumption That the Treasury Policy of Debt Reduction Is Completed by June 30, 1947; That All Refundings Are Made With Obligations With a Term of One Year or Less, and That the Treasury Working Balance Remains at $3,500,000,000

Date—	Maturities of 1 Year or Less Amount	Percent	Maturities of 1 to 5 Years Amount	Percent	Maturities of Over 5 Years Amount	Percent
6-30-47	7.7	23.5%	16.9	51.3%	8.3	25.2%
6-30-48	10.4	31.5	17.7	53.6	4.9	14.9
6-30-49	13.7	41.7	14.6	44.3	4.6	14.0

TABLE III

Illustrative Breakdown of the Assets and Liabilities of the Weekly Reporting Member Banks to Reflect Three Major Banking Operations As of Dec. 26, 1945*

(Billion dollars)

LIABILITIES

As Temporary Custodian of War Loan Deposits		As a Commercial Bank		As a Savings Bank	
War Loan deposits	16.1				
		Demand deposits	37.6		
		Interbank deposits (domestic and foreign)	11.8	Time deposits	9.3
		Borrowings	.5		
		Other liabilities	1.8	Other liabilities	.3
		Total	51.6	Total*	9.6
Total	16.1	Capital account	4.2	Capital account	.8
Grand total	16.1	Grand total	55.9	Grand Total	10.4

ASSETS

		Commercial, agricultural and industrial loans	7.3		
Governments: 1 year or less	16.1	Loans to brokers and dealers	2.8		
		Security loans to others	2.9		
		Real estate loans	.2	Real estate loans	.9
		Loans to banks	.1	Other loans	.1
		Other loans	1.6	Governments:	
		Governments:			
		1 year or less	2.1	1 year or less	.1
		1 to 5 years	14.1	1 to 5 years	.5
		Over 5 years	8.2	Over 5 years	7.3
		Guaranteeds	--	Guaranteeds	--
		Other securities	3.1	Other securities	.3
				Reserves	.6
				Cash in vault	.1
		Reserves with Federal Reserve Banks	9.6	Balances with domestic banks	.4
		Cash in vault	.6	Other assets (net)	.2
		Balances with domestic banks	2.0		
		Other assets (net)	1.2		
Grand total	16.1*	Grand total	55.8	Grand total	10.5

*Figures rounded to nearest $100 million and therefore do not necessarily correspond as to totals.

The Communist Influence In American Labor

(Continued from first page)

shadow the employer-union relations.

The average American, who in the long run pays the bill for all this intricate warfare, is aware of the basic labor-management conflict. To a lesser degree he is conscious of the bitter union-raiding struggle between the American Federation of Labor and the Congress of Industrial Organizations. But he is as yet largely ignorant of — and smugly indifferent to — the fateful fight under way between Communist and anti-Communist forces within the labor movement. Yet that fight, more than the labor-management tussles on the surface, will determine whether American trade-unionism will remain an integrated element of the private-enterprise system or a revolutionary lever for overthrowing that system.

The Communist Menace in the Labor Sector

American public opinion, obsessed by an adding-machine view of society, tends to discount the importance of minority movements. Because it is numerically small, the Communist Party seems unworthy of serious attention. But whatever excuse there may be for dismissing the Communist menace with a disdainful shrug in other departments of our national life, there is no shred of justification for complacency in the labor sector. Here leaders taking their orders, directly or indirectly, from Moscow are already in command of significant areas of industry and engaged in an ambitious campaign to dominate far larger areas.

The Communist challenge is directed primarily against the old-style, conservative, "reactionary" unionists. William Green and his A. F. of L. represent the number one target. John L. Lewis, now that he has led his United Mine Workers back into the Green pastures, is the focus of Communist hatreds and fears, if only because, having played on their team for a few years, he knows their signals and tactics too well. Philip Murray, for a long time a friendly neutral in the conflict, is being driven inexorably into the anti-Communist corner. At the recent Atlantic City convention of his own union, the United Steel Workers, he was obliged to come out sharply against Communism. The repercussions of that attitude are being felt in every limb of the CIO, where the anti-Communists have been heartened for a more vigorous fight and the pro-Communists have been put on the alert.

The Public's Complacency Toward The Ideological Agitation

But the real enemy, as the Communists candidly acknowledge in their own political trade journals, is American capitalist society as a whole. The disinterest of the general public and even of informed businessmen in the unfolding ideological war inside the labor movement is therefore surpassingly strange. The future climate of labor-management relations, we may be certain, will be more profoundly affected by the outcome of the inner union struggle than by any of the great strikes. The general public, and business in particular, cannot afford a know-nothing neutrality in that struggle. Whatever the relations with organized labor as such, it merits full support in the current effort to rid its house of Communist intruders.

* * *

John L. Lewis' Departure from A. F. of L.

When John L. Lewis bolted the A. F. of L. to launch the CIO, he did one service for the parent organization. Because virtually all the unions led by Communists or seriously infected with Communism followed the insurgent mine leader, it automatically solved the Communist problem for the A. F. of L. A few of the vigorously anti-Red organizations which joined the CIO stampede, notably David Dubinsky's International Ladies Garment Workers Union, in time returned to the A. F. of L. fold. For good or ill, the Communists were thus largely herded into one body, the CIO.

This does not mean that the older organization is without its contingents of Communist borers-from-within. They do not swing any strength nationally but do exert influence in numerous local organizations. "Left-wing leadership," to use a euphemism, is powerful in such New York City locals as the Amalgamated Meat Cutters; the Bakers and Confectionery Workers; the Hotel and Restaurant Workers; the insurgent faction within the International Longshoremen's Association; the Painters Union; and the Waiters, Waitresses and Bartenders. It is strong though not dominant in the Actors Equity Association, the American Federation of Musicians, the American Federation of Radio Artists, and an array of other locals in the theatre, motion picture and allied fields. That leadership prevails in the Los Angeles locals of the American

Federation of Teachers, the Building Service Employes and a few others; in the Machinists' local and Building Service Employes of Seattle, as well as the Painters of Cleveland.

Communist Strength Concentrated Within CIO

The overwhelming majority of Communist strength, however, is concentrated within the CIO. The national control, fortunately, is anti-Communist or neutral, but so many of the constituent unions are wholly or predominantly left-wing that they can and do color the politics of the national body. They can, in critical moments, paralyze CIO action when it does not correspond with the Party Line objectives; and they can utilize their bargaining power to exact Party Line tribute from leaders who, in their hearts, abhor Communism and its works.

We should not over-simplify the picture. The CIO includes stringently anti-Communist unions, among which we may mention the Textile Workers Union of America; the American Newspaper Guild; the United Retail, Wholesale and Department Store Employes; the United Steel Workers of America; the Utility Workers Union of America. It includes organizations where pro- and anti-Communist policies and domination are shifting and uncertain, like the Amalgamated Clothing Workers of America headed by Sidney Hillman; the Industrial Union of Marine and Shipbuilding Workers; the United Automobile, Aircraft and Agricultural Implement Workers.

But the right-wing unions on national scale frequently contend with intransigently left-wing locals. The Communist-dominated New York local of the Newspaper Guild is a case in point. By the same token, there are left-wing internationals in which local branches remain under anti-Communist control.

The Left Internationals in the CIO

The most serious problem, for the labor movement and American society as a whole, is represented by the out-and-out Left internationals in the CIO. These include the American Communications Association; Food, Tobacco, Agricultural and Allied Workers of America; International Federation of Architects, Engineers, Chemists and Technicians; United Office and Professional Workers; International Longshoremen's and Warehousemen's Union (headed by Harry Bridges); International Union of Fur and Leather Workers (headed by Ben Gold), International Union of Mine, Mill and Smelter Workers; International Woodworkers of America; Marine Cooks and Stewards Association; National Maritime Union (headed by Joseph Curran); Transport Workers Union (headed by Michael Quill); State, County and Municipal Workers; United Federal Workers of America. This of course does not exhaust the list, but it suffices to indicate the extent and depth of left-wing pro-Communist penetration.

It is no accident that industries vital to national defense, industries especially open to sabotage in time of crisis, figure so extensively in the list. From the earliest days of its formation, the Communist International has striven to obtain a foothold and then control on the waterfronts and in the communications systems of the capitalist world. There has been no concealment of this purpose. Anyone who has studied the history of the Communist movement knows that the ablest organizers and the largest cash resources have always been assigned to the organizations of sailors, longshoremen, communications workers and the like under Red aegis. Industries directly or indirectly related to the production of munitions, too, have held priority ratings in Communist labor organizing efforts. The significance of Communist domination among organized government employes is too obvious to require underlineation.

Become Disastrous in the Event of War

We need only think in terms of another war crisis, especially if the Soviet Union should happen to be tacitly or openly on the other side from us, to recognize the terrifying implications of the fact that the American harbors and shipping facilities are under the thumb of pro-Communist labor leaders like Bridges, Curran and Quill; the fact that the American Communications Association follows the Communist Party Line on essentials. It was Curran who once boasted, at a union meeting, that his maritime union could "dictate when and where the Government could ship munitions." That power of dictation might be a catastrophic reality in the event of another war.

* * *

The Communist Influence Is Wholly Disproportionate to the Size of Party Membership

The policies prescribed for American Communists and their fellow-travelers by Moscow headquarters may seem, to the naked eye, a matter of little concern to the United States as a whole. At most, some 75,000 card-holding Communists here obey Moscow directives; perhaps a few hundred thousand more follow them without benefit of cards. In a nation of 140 millions that would seem negligible. Yet the evidence is overwhelming that the Party Line, especially as manifest in labor union activities, affects our national life where it is most sensitive to interference. In effect the Communist influence — whether through actual members, conscious fellow-travelers or muddled "sympathizers" and totalitarian liberals — constitutes a Fifth Column of the most serious magnitude.

So many dramatic events have intervened that the national memory of the epidemic of strikes from September, 1939 to June, 1941 has been blurred. It needs to be revived. During those memorable twenty-two months Russia was in effect allied with Hitler Germany. The "line" for Communists in the United States, and for that matter all over the world, was to denounce the war as "imperialist" and to prevent any reinforcements from reaching Britain and other anti-Nazi nations. Though their slogans were different, the actions and objectives of the Communists were identical with the actions and purposes of the Nazi fifth columns.

American Communists' Early Obstruction of the War Effort

It was then that the Communist-dominated national unions and locals pulled paralyzing strikes in the aircraft and munitions industries. It was then that the maritime unions did their best to block the flow of lend-lease aid to the Allies. President Roosevelt was denounced as a warmonger, the British were the main target of Communist propaganda, every American move toward armament and the creation of a munitions industry was opposed and where possible prevented.

Their Conformity to Moscow's Political Interests

The change did not come when America was attacked or endangered; that would have made sense. It came when a foreign country, Hitler's erstwhile associate in plunder, the Soviet Union, was attacked and endangered. The Party Line then swung into reverse. Communist labor organizations outdid all others in enforcing the no-strike pledge. They called off the attacks on capitalism and even pretended to have found virtue in the private-enterprise way of life.

With the achievement of victory, when American lend-lease was no longer needed by Russia and when American idealism in foreign affairs became an embarrassment to Moscow's expansionist program, the Line was once more reversed. The wartime conciliation with capitalism was denounced. A new instalment of ultra-revolutionary policy was prescribed. And again the left-wing unions fell meekly into line. Today they are back to an all-out class war basis.

It would be a dismal and dangerous mistake to assume that our postwar strike wave is a "Communist plot." The causes are manifold — eagerness to maintain wartime labor gains, fear of unemployment, insistence upon bringing wages into line with rising living costs, etc. Many of the key strikes, indeed, have been conducted by the most conservative unions and leaders; witness the coal and railroad strikes, for instance. Basically the strike wave derives from conditions which the Communists did not and could not create.

Communists Accentuating Current Labor Strife

But under the new policy dispensation the Communists are alert to take the utmost advantage of this wave. Wherever they have a voice or a measure of control, the demands are certain to be stepped up and the chances of amicable settlement are sharply reduced. The traditional trade unionist was and remains interested in raising the wages and improving the conditions of his workers. The pro-Communist union leader uses these objectives as tactical values, but his real strategy is to undermine the American system and perpetuate chaos and discontent.

The best way to comprehend the purposes of the Communist union is to think of it as a political instrument of Soviet foreign policy first, a labor organization second. Hence the growing importance of the "political strike," aimed to accomplish goals with which management as such has no concern. Since the debilitation of America's military might is a primary part of the new Party Line, political strikes in industries related to our military needs may be expected.

Mr. Curran's Demonstration of a Political Strike

When the National Maritime Union staged a one-day work stoppage in American harbors as a demonstration against delay in withdrawing American troops from China and Europe, we had a clear example of the political strike. It was a form of pressure against the Government, not the shipping interests. It made sense only for those who were aware that the rapid demobilization of American forces was — and still remains — one of the main objectives of the Communist Party and its stooges.

Mr. Curran's union in that instance was using its power to promote Moscow's needs in the sphere of foreign relations. It is one example of a trend. In fact, it is usually easy to spot a Communist-controlled union by the fact that in resolutions and actions it attacks American foreign policies where these come into conflict with Soviet policies. If a union consistently rails at "American imperialism," if it presses for withdrawal of our forces from China, if it stirs up anti-British sentiment, if it opposes military appropriations, if it clamors for the USA to hand over all atom secrets to the USSR — then it can be safely earmarked as a Fifth Column operating under the guise of a labor organization.

It is no less safe to assume that Communists do not constitute a majority, or even a large minority, of the rank-and-file membership of such unions. In virtually every instance, the members are the inert victims of a dynamic minority enjoying the advantages of disciplined cohesion and able pro-Communist leadership. The job — for Murray, Green, Lewis the great American public — is to dislodge that minority. It is a job in which the anti-Communist union men deserve the conscious backing of the whole country.

* * *

John L. Lewis is "in the Middle"

One of the most curious aspects of the picture is that John L. Lewis, so deeply hated by management, is no less deeply hated and feared by the Communists. His re-entry into the American Federation of Labor no doubt signalizes a more vigorous and effective struggle (1) to cut down the strength of the CIO and (2) to eliminate Communist influences from the labor movement. For Murray and his associates the situation is loaded with dynamite. On the one hand, they are obliged to give battle to the Communists, who threaten their leadership and make it easier for the A. F. of L. to rally public sentiment against the CIO. On the other hand, they are aware that sharpened internal conflict makes them more vulnerable to A. F. of L. raids.

How will this dilemma be met? Not even those most directly involved know the answer. One highly unfortunate phase of the recent Administration moves to curb labor is that it plays into the hands of the more extreme factions, and the Communists in particular. The Truman Administration was tolerated by the Communists as long as appeasement of Russia seemed official policy. As the White House and the State Department moved away from appeasement toward a more realistic stop-Russia attitude, this tolerance faded. Today the Partyliners are violently anti-Truman. The dramatic conditions which forced the Administration to adopt a tougher line on major strikes was therefore a political windfall for the Communists. Their opposition to Truman is in fact motivated by Soviet foreign policy requirements, but they are able now to disguise this under respectable labor-union motivations.

In any case, the internal crisis in labor is a fact that should be carefully watched and appraised. America has a gigantic stake in the outcome. Should the Communists succeed in obtaining a dominant position in the labor movement, class war with all its familiar accompaniment of violence and political strikes will be the order of the day.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Bearish outlook of few weeks ago now replaced by optimism. But despite obvious good signs and forecasts, advice is to continue on side lines.

An elementary knowledge of economics once made it possible to have a fair idea of what made markets tick. It didn't mean that one could tell which way prices would go. But at least one had some understanding of "why" after the event. "The when" came afterward. Today all this means nothing. All your hard learned laws of economics are meaningless. It's politics and pressure groups which rule the roost.

* * *

The White House is occupied by a weak, colorless man who grows hysterical and morose in turn. Both houses of Congress are full of little men who have thrown away what knowledge of economics they once had and legislate at the behest of pressure groups. There is a lot of talk about the law of supply and demand, most of which is repeated as gospel in customers' rooms as being the cure all for all our ills. The market, confused by all these vaporings, blows hot one day and cold the next.

* * *

One day they are going up to the stratosphere. Everybody buys them or is thinking of buying them. The next day the forecasts are bleak and gloomy and the objective is the sub-cellar. So now the buyers of yesterday are the sellers of today and even short-selling is being indulged in. An account run that way shows nice brilliant colors at the end of the month if you like red.

* * *

In the past few days the market went up. Inflation was again the major subject of conversation. The fact that that inflation has been with us for the past few years goes unrecognized. I don't know if the balloon will be blown up any more. I don't know how much more blowing the balloon can take before it bursts. I don't even know if the stock market will reflect the zooming cost of living. But I do know that what I see of the market now doesn't bode too well for recent buyers.

* * *

According to the Dow theory, if both averages (rails and industrials) make new highs, the bull market is still in effect. Last week we saw the industrials make a new high and the rails missed it by a hair. It is possible, even probable, that before you read this the rails will have confirmed the industrials. All signs point to it. The rail strike is over. The wage increase granted to rail workers will probably lead to a hike in freight rates being granted. A hike which will more than make up any payroll boost.

* * *

The industrial picture is equally optimistic. The dairy stocks should benefit through the raise in milk prices of 1c a quart; cheese, 5c a lb., and butter, 11c a lb., though latter, not granted yet, is expected daily. The price of steel, and goods made from steel, will also go up as a result of the coal miners' wage lift. In fact, almost everything you buy will go up and industry as a whole should profit substantially. Of course, where all this money will come from to pay all these increases is something else. But, maybe, it is this "something else" that the market is concerned with. For all the things I outlined above are no secret. The only secret is how much of this has the market discounted.

* * *

As a whole, I would venture to say that practically all the known factors have already been evaluated by the long-term advance. Here and there are stocks which still seem to have some distance to go. I don't believe, however, that many of these will go up as far as some people think. In fact, the more I see of this market the more I think that now is the time to grab and run. Let the other fellow take the chances. I say this with full knowledge that I may be wrong and that prices can still go up a zillion points.

* * *

As this is being written the market is dull and what activity is generated is on the advance. At least that is where the volume is. Technically, this points to more advance. In fact, this is practically elementary. You see I know that all the signs are good ones. Yet I still persist in pointing to storm signals. If you followed this column regularly you now have sold out all your long stocks and have a bundle of cash. My advice is to stay that way. If I'm wrong, I'll tell you to buy them back. But until I can see the signs in the market and not in newspapers and from people's lips my advice is to steer clear of the long side.

* * *

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.]

Offering of Federal Home Loan Bk. Bonds

Public offering was made on April 5 last through Everett Smith, Fiscal Agent, of $67,000,000 0.90% consolidated debentures of Federal Home Loan Banks to dealers and dealer banks. The issue, offered at par, was heavily oversubscribed. The debentures are dated April 15, 1946, and mature Oct. 15, 1946. The proceeds were used to refund an issue of $68,500,000 April 15, 1946.

Gentner Leaves N. Y. OPA

The resignation has been announced of Leo F. Gentner, head of the Office of Price Administration for the five-state New York region, who is leaving Government service to join the National Federation of Apparel Associations. His successor, according to advices to the New York "Times," May 28, will be Col. James L. Meader, who has been Regional Deputy Administrator since his return from the Army in February.

The resignation of Mr. Gentner, who has been Regional Administrator since last Aug. 1, has been confirmed in Washington, with regrets, by Paul A. Porter, National Price Administrator, who also announced Col. Meader's appointment.

Opportunities in Stockholder Relations

(Continued from page 3057)

thwart business activity and throttle industrial production.

But strikes at their worst must be viewed as temporary influences on our industrial progress. Sooner or later the cost of higher wages and benefits are passed along to the consumer in the form of higher prices. In Wall Street there is an old axiom, "Never sell on Strike News." Investors who ignore this rule and sell their shares, often find that they have to pay a premium to buy their stock back. I have seen this happen time and time again, particularly since of the first of this year. So don't sell America short because of labor troubles.

Now what about OPA? To hear some executives talk, you would think that these initials stood for "Only Prohibition Again." Perhaps OPA is "an experiment noble in motive," but it has fostered a black market that makes the bootlegger of the dry era look like a peanut vendor.

Anyone looking at OPA as an economist, and not as a politician, will agree that price controls in any form are dangerous—whether they are intended to keep prices down or up. Price fixing is bad whether directed by a Government agency, a cartel or a trade association. Remember the old-fashioned law of supply and demand? I am beginning to think that the word LAW should now be spelled L-O-R-E instead of L-A-W. But industrial history teaches us that when prices are regulated, or tampered with, supply will always get out of balance with demand, and chaos is usually the finale.

But everyone I talk with seems to agree that during the war rationing was a much needed regulation to assure every citizen a fair share of scarce food, merchandise and supplies. To make rationing work, price controls were essential, and they did achieve a high degree of success in discouraging hoarding, and preventing the cornering of many commodities.

Now that the war is over, many of our businessmen justly believe that the overnight lifting of price controls would bring a quick return to free competitive markets, because expending production would drive out the black market racketeers, and soon restore prices to a reasonable level. But there are others who fear that such a sudden end of OPA would bring a holiday of reckless price boosts that would touch off a vicious spiral of inflation and end with disastrous results. Congress will probably decide to take the middle course and extend OPA for nine months or a year, ordering that price regulation be lifted from each commodity as production catches up with demand.

Thus, we may consider that price control also is a temporary influence. If be agree that OPA served its purpose well during wartime as an emergency expedient, then its extension with gradual modifications for a few months will not make much difference to industry in the long run.

What is much more important to us, however, is that OPA does not become a "permanent" instrumentality of the Federal Government. Along this line I have heard some echoes lately from a newspaper column recently written by one who is supposed to reflect the views of the Administration. I quote:

"OPA is the only defense that the people have against the powerful interest lobbies, each of which is anxious to increase the price of its particular product, regardless of what happens to the people or to the prices of other products."

Note the following particularly. I quote:

"It has been a long fight to put control of our economic system in the hands of the Government, where it can be administered in the interests of the people as a whole. Now Congress, under the influence of powerful lobbies, is rapidly trying to return control to big business. It may be that individual Congressmen do not realize just what they are doing, but they are heading us straight for inflation and accepting the old "Boom and Bust" ideas, instead of sticking to the plan of ironing out the peaks and valleys and trying to keep us on a fairly even keel." End quote.

Some executives see in this statement that the extension of OPA will be followed by another extension, and another and another. Maybe they are right for the so-called powerful lobbies of business have got to do a lot better if they are to win back the freedoms of free enterprise from the increasingly powerful lobbies of organized labor.

But let us take a look at the bright side of the industrial picture. First and foremost is the fact that taxes have started downward. It was only a few years ago that Federal income taxes were a minor influence on corporation earning power. Except for the years during and immediately following the first World War, never until 1940 did corporate tax rates exceed 19%—a rate exactly one-half of the 38% in effect during the present year. Tax rates as they are reduced will be far from negligible factors, but the fact that they will be lower next year, and in succeeding years, has removed the tax threat from industry, and will go far in offsetting higher labor costs.

With taxes continuing to bring in a generous supply of cash, and with the U. S. Treasury amply supplied with more cash as the result of the large oversubscription of the Victory Loan Drive, action has now been taken to reduce the national debt—another constructive sign.

The Administration is still committed to a policy of low interest rates, but the end of the war has removed the emergency in this direction and a gradual stiffening of interest rates would not be a surprise. Corporations which have taken advantage of the easy money market to refund their bonds at lower coupon rates, and those which have borrowed money at rates prevailing during recent years, will be the beneficiaries.

I don't have to tell you about the biggest and brightest star on the industrial horizon—the huge pent-up demand for goods and services, and the equally huge cash savings that are waiting to buy them. I am not talking only about the pent-up demand for new homes, automobiles, radio sets, electrical appliances, household furnishings, clothing and the like, but I would also remind you of the equally large demand for capital goods: new factories, power plants, industrial machinery, railroad equipment, and so on. The war's extraordinary wear and tear on the physical assets of our industrial facilities, plus the need for new plans and heavy equipment, have built up a tremendous demand for steel and machinery that may not be satisfied for years to come.

In addition there are many new industries opening up: aircraft, electronics, plastics, and prefabricated building, to mention a few, that are waiting to expend in the same manner as the automobile and radio industries did after the first World War.

There are some industrial executives who actually believe that labor agitation and price controls will eclipse this bright future. Some of you present may be fearful or doubtful. But this afternoon I have more than a word of encouragement for you. I do not believe that America will turn radical, nor that the free enterprise system will be tossed out the window.

It is truly amazing how many thinking businessmen have overlooked the fact that there are more part-time capitalists in the United States today, than at any time in our history. By this I mean that more of our citizens own shares in American corporations than ever before, and the trend is continuing in the direction of more and more stockholders. Do you think for one moment that the investors in American corporations, and they now number around 25 million, are going to sit idly by and watch the socialization of industry?

Let me recite a few statistics. Today American Tel. & Tel. has more than 680,000 stockholders, compared with 470,000 in 1929, an increase of 45%. General Motors is second with 425,000 stockholders, a gain of 140% since 1929. General Electric is third with 240,000 holders, up 385%. You will say that these are the "big three," and should have scored large gains, but what about the others? The gains are even greater precentage-wise with smaller companies. The average gain for only fifty of the larger corporations is well over 100%, totaling more than 4 million stockholders, compared with 2 million in 1929.

But there have been hundreds of new companies added to the stock list in the past ten years, companies that previously were privately owned, and have sold their shares to the public. Consider North American Aviation which now has 30,000 stockholders, compared with none in 1929. Or how about Bendix Aviation with 25,000 stockholders, against none in 1929? I will not take your time citing further examples.

Back in 1929 it was estimated that there were at least 12 million security holders, barring duplications and not including investors in U. S. Government bonds. The number today can safely be placed at around 25 million individual holders who have a stake in the free enterprise system. And they represent almost the same number of families, or around 75 million persons figuring three adults each—more than half of our population of 130 million.

Isn't it significant also, that most of our corporations have a great many more stockholders than employees. Take Standard Oil of New Jersey, for example with 160,000 stockholders, as compared with 106,000 employees. Incidentally, back in 1912 when the Standard Oil "trust" was busted, Esso had less than 6,000 stockholders. Many similar instances would be cited.

Perhaps management was remiss during the past two decades in its labor relations, and permitted organized labor to take over the loyality and domination of their employees. But many of our corporations have done an inspiring job in their stockholder relations. The tremendous increase in particularly those who are thrifty enough to save money above emergency needs, have shown their faith in increasing numbers in free enterprise by buying the shares of American corporations.

* * *

Some of you will recall the "index-card" form of annual report that was common a decade ago, featuring a condensed balance sheet with no income account or profit and loss statement, a couple of sentences written by the company's legal counsel and signed by the president. Few corporations listed the names of the boards of directors in those days, and many reports did not give the address of the executive offices—it was not even on the envelope.

But we have come a long way since those let-the-buyer-beware days of closed corporations and hidden assets. The enactment of state blue sky laws, the increasingly stringent requirements for listing on the stock exchanges, and finally the enactment of the SEC were influences. But I am happy to say it was more enlightened management in many American corporations that started the ball rolling toward more complete annual reports.

The more progressive managements of larger corporations saw their stockholder lists expanding by leaps and bounds. They noted also that the average number of shares held by stockholders was dropping from year to year. What did this mean? It meant that the shares of big corporations were passing into the hands of smaller and smaller investors. Where the holdings of the average stockholder were once 100 shares, today they are around 15 shares. This also mean that the masses of the people are becoming stockholders—direct investors in the free enterprise system.

It is agreed that back in 1915 a condensed balance sheet at the year-end was sufficient to serve the needs of bankers and large institutional investors who—you can bet—kept in pretty close contact throughout the year with the corporations in which they were financially interested. All that these financiers required was an abbreviated statement, because they knew in advance what the final figures would show at the yearend. In those days the annual report was merely a "matter-of-record" document to show that the independent auditors had certified the final figures.

Alert executives recognize that their annual reports are no longer read by a handful of bankers, large investors and financial analysts. Where practically all of the readers of annual reports were once college-trained and long experienced financiers, now the average stockholder is a person of small means, limited education and with not too much background in finance or accounting.

Today the annual reports of many of America's progressive corporations are going to extreme in simplifications, and in some cases in typographical perfection. These brochures are made as easy to read as popular magazines, and are profusely illustrated in color with graphic charts and dramatic photographs. And this improved variety of annual report is getting the message of business across to the small stockholder. Their letters say so, their actions at annual meetings of the corporation say so, and their purchases of the products and services of their companies say so.

Junger, Anderson Is Formed in New York

Formation of Junger, Anderson & Co., 40 Exchange Place, New York, is announced. The new firm is successor to S. H. Junger Company, originally established in 1936. Partners in the firm are S. H. Junger, George T. Anderson and Robert S. Junger, at present on active duty in Korea with the U. S. Army Air Forces.

Mr. Anderson was for ten years manager of the New York trading department of Dean, Witter & Co., joining Mr. Junger on May 1st of this year.

The firm will conduct a general over-the-counter business, maintain a retail department and specialize in real estate, public utility, railroad, industrial, chain store and post office securities.

Heavy Industry Shows Lag

(Continued from page 3059)

Consumers' Goods:	
Apparel	48.7%
Drugs and Cosmetics	70.4
Foods: Baking & Milling	39.2
Meat Packing	24.3
Household Products	46.7
Leather	39.3
Liquor	96.2
Motion Pictures	129.7
Retail Trade	109.5
Sugar	25.1
Textiles	60.4
Tobacco	14.8
Average Increase	58.7%
Dow-Jones Industrial Stock Average:	
V-J Day	164.38
April 30	206.77
Increase	25.8%

†Included as Producers' Goods.

Brief comment on the prospects of leading heavy industry groups follows:

Aircraft Manufacturing. The extent of future military business as a major source of revenue depends on Congressional appropriations, but substantial orders have been received for new transport equipment from domestic and foreign airlines, and there is an estimated demand of 40,000 private planes this year. Although production this year will be sharply under wartime levels, sales to the military, commercial and private plane markets are expected to be well over the pre-war level. Development of new production techniques as well as tax relief afforded by the elimination of the E. P. T. should result in reduced costs and tend to offset wage increases.

Automobiles. As with virtually all manufacturing, production has been hampered by labor troubles, price difficulties and parts shortages. Earnings will be depressed for the first half of this year, but the outlook for the remainder is considerably brighter. The recent third advance of 4%-8% in the price of passenger cars provides a stimulus and, coupled with the operating economies of larger-scale production, should permit widening of profit margins. While 1946 sales are not expected to reach earlier predictions, operations in 1947 should reach a new peacetime high, with combined passenger and truck production reaching 7-7½ millions annually for several years compared with the previous peak of 5.6 millions in 1929.

Auto Parts. In the first quarter of 1946 this industry operated at depressed levels, the result of labor strife, shortages of materials and inflexible price controls. Many of the adverse factors have been corrected, and the situation should improve markedly. Most original equipment parts for passenger cars and trucks have been released from price controls, and the method of applying for price relief on replacement parts has been liberalized. With labor productivity gradually increasing, the economies of large-scale production and improved methods should begin to be felt. The long-term outlook is excellent, with earnings expected to be at record highs once automobile production is in full swing.

Building. This group is favored by a vast accumulated demand of many years. Until the housing shortage is eased, all building activity is under the jurisdiction of the Civilian Production Administration, which has announced as its primary goal the construction of 2,700,000 houses for veterans by the end of 1947, so that capacity operations for the industry appear assured, barring labor and material difficulties. Price increases have recently been granted in a number of materials, with more expected. Production, restricted in the first quarter by labor and price difficulties, should show steady improvement with widening profit margins. With all factors pointing to a prolonged building boom, companies in this industry face several prosperous years.

Electrical Equipment. Electrical equipment shares have been far behind the advance in the industrial average. Full-scale operations have been delayed by labor conditions and the failure of the O. P. A. to grant price relief in the face of substantial cost increases. Heavy electrical equipment, however, has now been suspended from price fixing, and price relief is expected in other lines. An extended period of prosperity seems in store for manufacturers of heavy electrical equipment since the demand for these products from public utilities and industrial concerns is huge and probably will take several years to satisfy. It seems logical to expect that this group will fare better marketwise than the makers of radios and small electrical appliances; so many concerns have entered the latter fields (130 radio manufacturers now against a pre-war figure of 57) that after brief prosperity competition will probably force lower prices.

Machinery, Agricultural. These stocks have lagged behind the market, reflecting current adverse factors. With the recent O. P. A. increase of 10% in the manufacturer's net realized price, profit margins should widen with expanded operations. The replacement demand for tractors, from which the industry normally derives half its dollar sales, is estimated at 300,000 machines annually for several years. Increased farm mechanization and resumption of rural electrification, together with heavy foreign sales, are constructive factors, and the long-term outlook is distinctly favorable.

Machinery, Industrial. Strikes in plants of both manufacturers and suppliers added to absence of war business are causing considerably reduced sales so far this year, and first quarter dividends were deferred by several companies. With improvement in the supply of materials and parts, production should expand rapidly, and with a large backlog of orders a period of prolonged activity is in prospect reaching record peacetime levels, in which foreign rehabilitation needs will be an important factor. As machinery manufacturers were heavily in the E. P. T. bracket they will benefit this year from that tax's elimination. Machine tool outlook is favorable, with competition from Government-owned surplus far less than anticipated.

Metal Fabrication. Strikes resulting in restricted production and delays in granting ceiling price adjustment to offset cost increases have so far this year curtailed earnings below last year, but with the removal of these handicaps the favorable demand outlook and lower tax rate should bring about greatly improved carnings later in the year, with prospective better market action for selected stocks.

Office Equipment. A feature of this industry is the enormous backlog of unfilled orders, estimated to assure several years of full-scale operation at increased capacity. Against this is the fact that wages, which have increased about 30% during the war, represent 50% of total manufacturing costs, and production has been impeded by raw material shortages resulting from strikes in supplying industries. Higher costs should be offset by price ceiling increases and economies of large scale operation, and most shares are far from discounting prospective earnings improvement fully.

Railroad Equipment. Large demand from domestic and foreign railroads and suspension of virtually all price controls presage excellent profits later this year for this industry. In the locomotive division there is heavy demand both from abroad for steam equipment and from domestic roads for diesel power. Passenger car builders have bright prospects due to replacement demand, resulting from virtual suspension of production during the war years plus the need to modernize equipment to meet intense competition from other methods of travel. As of May 1 orders were reported for 29,869 domestic freight cars and 43,903 for export.

Steel. Settlement of the rail strike last Saturday came too late to save the steel industry from another cut in operations, and output this week is scheduled at 43.6% of capacity, comparing with 49.2% last week, 67.7% a month ago, and 91% a year ago. However, termination of the coal strike should witness another fast recovery in production comparable to the one following settlement of the steel strike in February, at which time steel prices were advanced an average of $5 per ton, more than sufficient to offset the 16% wage increase then granted. It is believed that a further rise in steel prices will be asked for and received to compensate for prospective increases in coal, iron ore and other costs, including higher freight rates. The pent-up demand for steel, greatly exceeding the available supply, is said to be sufficient to force near-capacity production for at least three years. While earnings for the first half of this year owing to strikes and unsatisfactory price-cost ratios will be disappointing, an accelerated rate of profits beginning in the third quarter is indicated.

The Importance of Selectivity

While the foregoing comments on stocks of companies in durable goods manufacture are on the whole favorable, they are not a blanket recommendation of purchase for every company in each industry. Some industries undoubtedly will do better than others, and even in these there are individual companies that will exceed the performance of others less ably managed and of inferior financial strength. Too much emphasis cannot be placed on the need of exercising discriminating selectivity.

Conclusion

Stocks of companies in the heavy industries have lagged behind those in consumers' goods, these manufacturers having been handicapped since V-J Day by reconversion problems, strikes, material shortages, and price ceilings. Solutions of these problems are beginning to appear. With the coal strike settled (which seems likely as we go to press) and labor abuses no doubt minimized in future by legislation, selected stocks among these companies should reflect their fundamental strength and improved earnings prospects by commensurate market action.

New York Stock Exchange Weekly Firm Changes

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

Andrew C. Reid and Roy W. Neil retired from partnership in Wm. C. Roney & Co., Detroit, as of May 22nd.

Milton A. Holmes withdrew from partnership in Jesup & Lamont, New York City, on June 1st.

Newcombe C. Baker retired from Laird, Bissell & Meeds, New York on May 31st.

Our Free Capitalistic Economy

(Continued from page 3057)

the survival of a particular system for carrying on the business of a country. Our very freedoms are at stake. Unless all history deceives us, we cannot maintain a free society unless we maintain a free economy with free enterprise. What happened in the last two decades in Italy, Germany and Spain gives proof of that assertion. In each of these countries the government first took over the control of business. That was the first step; and that first step forced a succession of measures which quickly deprived the people of these countries of all their civil liberties. This had to happen because economic freedom and civil liberties are Siamese twins.

In view of the fact that if we are to maintain our traditional freedoms we must maintain our free economy, we will, it seems to me, be well advised to inform ourselves as to (1) what makes a free economy tick, and (2) what changes may be made for its more effective functioning. For reasons that will become obvious as I proceed, I think it is particularly vital that sales executives acquire such knowledge.

On an overall basis we can, of course, take comfort in the fact that more of our people have enjoyed more in the way of material welfare and opportunity than have the people in any other country in the world, but we must not forget that too many of our people have had too little in the way of both security and opportunity. Rather than dwell too long on a recital of past accomplishments, we must, I believe, develop plans aimed at providing ever-increasing opportunity and security for more and more of our people. Only by so doing can we hope to maintain private enterprise and thus preserve our freedoms.

Nothing is more needed at the present time than open-mindedness. More than 100 years ago John Stuart Mill in "The Road to Progress," pointed out the great perils facing mankind as a result of "leaving great questions to be fought out between ignorant change on one hand, and ignorant opposition to change on the other." In the decade of destiny which lies ahead, gentlemen, there is no place for either ignorant change or ignorant opposition to change.

As a background which will bring into clearer focus certain recommendations for changes leading to the better functioning of our free economy—changes which I shall suggest in a moment—I would like to make two observations on the operation of our economy.

Our Economy Dynamic and Unstable

First, it has been a dynamic economy. Since the turn of the century one major invention after another—the telephone, the radio, the automobile, and the airplane—has come with dizzy swiftness. We have also witnessed the development of mass production techniques and of modern merchandising. We have seen the income of the average family more than double, with the result that our standard of living is the highest in the world. We have seen this country of ours, with but 6% of the world's population, produce 25% of the world's goods. And in two world wars it has been the dynamism of industrial America which has proved the decisive factor for victory.

Second, it has been an economy with an inherent tendency toward instability. Since 1900 we have had one major depression, two minor depressions and at least three recessions.

With these characteristics of our economy in mind, it seems clear to me that we should at the earliest possible moment adopt measures designed (1) to take full advantage of its natural lusty vitality, and (2) to moderate its tendency toward wide fluctuations in market demand and income. Let us analyze the reasons for the natural dynamism of our economy and also for its instability.

The degree of dynamism in an economy is largely dependent upon the extent to which the potentialities of its citizens for hard work and straight thinking are realized—upon the degree to which their natural inventiveness and resourcefulness are utilized. At the risk of seeming somewhat cynical, may I suggest that it is quite a problem to get people to work hard and to engage in tough thinking. Some people work for work's sake, but they are few in number, and almost no one undertakes the arduous task of thinking except in great extremity. But we have worked hard and have engaged in much creative thinking in these United States. That has not been a matter of chance. Many circumstances have contributed toward it. But the fundamental reason for the dynamism which has characterized our economy is the predominant role played by private enterprise. Ninety per cent of our enterprise is carried on by private individuals and concerns.

Areas of Public and Private Enterprise

I recognize, of course, that there are areas where public enterprise better serves the public interest than private enterprise, and there it should prevail. Public enterprise also can be dynamic although the odds are much against it. From a standpoint of dynamism, private enterprise possesses certain positive advantages over public enterprise. Among them I would cite these as the most important: (1) Private enterprise can go broke. That is an advantage of inestimable value because no one wants to go broke. To avoid it men must think hard and work hard, and must constantly be alert. (2) Private enterprise has much more freedom in offering incentives to both management and men for working hard and thinking hard. In other words, under private enterprise the penalties for inefficiency are harsher and the rewards for competence greater. As a consequence, the pressures that make for dynamism are immeasurably stronger than they are in public enterprise.

Parenthetically, of all our peacetime incentives, none has proved so potent in enlisting the ingenuity of millions in search of new products and services, for which customers will part with their dollars, as the profit motive No other has been so successful in stimulating the inventiveness and resourcefulness of so many people. Unless there is a chance for profit in proportion to the risks undertaken, new risks will not be assumed, new production plans will not be put into practice. The profit motive is not the only incentive but, unless we get out of the dog house, the natural dynamism of our free economy may be dissipated.

The Inherent Tendency Toward Instability

I have said that a free economy has an inherent tendency toward instability; that is because, in a free economy, market demand is unstable. How can it be otherwise when everyone is free to determine for himself how much he wants to spend, what he wants to buy, and when he wants to buy it. Furthermore, the higher the standard of living, the greater the instability. The reason is obvious. With the standard of living at or close to a subsistence level, individuals have little choice as to what they buy or when they buy it. On the other hand, the greater the margin above subsistence levels, the greater the options individuals have as to what they buy and the higher the percentage of purchases which can be postponed. In the automobile industry, for example, we have learned that even though people have the money, they often defer purchasing.

And expenditures by business are even more postponable than expenditures by individuals. Modern competition requires that a constantly increasing volume of business spending go into capital goods—into buildings, industrial machinery, office and store equipment, and into inventories—to make possible low-cost production and to provide the values and services which the buyer expects. Only through such capital investments can the savings of both individuals and business firms find their way into the stream of expenditures. But businessmen can afford to increase their holdings of these capital goods only when the actual or anticipated volume of consumption demand promises a reasonable profit on the added investment. Therefore, these purchases are postponable; and, when profit prospects are dreary, they often are postponed even though ample cash reserves are available.

Advertising Promotes Stability

Once there is understanding on the part of economists and businessmen of the fact that if we are to achieve stability people not only must have money but also must be willing to **spend** it, the importance of advertising and selling in the economic process becomes crystal clear. Advertising and selling are the unique weapons of a free economy which, if intelligently used, can contribute greatly to both dynamism and stability. But advertising and selling can't do the job alone. The Federal Government and the pressure groups—agriculture, labor and business—and all individuals have an important part to play. I do not propose to discuss the responsibilities that the labor and agricultural groups should assume. I do, however, propose to give you a thumbnail sketch of the responsibilities the Federal Government can and must assume and of the contribution that can be made by sales executives.

Responsibilities of Federal Government

First as to the responsibilities of the Federal Government. The Federal Government, which is we, the people, acting in concert, has a most important role to play both in keeping the economy dynamic and also in promoting stability, a role which, by the way, is as yet imperfectly understood.

Speaking generally, the most vital function of the Federal Government is to create conditions under which free business and free labor can function most effectively **in the general public interest.**

Speaking particularly as to promoting dynamism, I suggest that we need a complete recast of our tax system. Up to now, tax programs have been developed largely with a view to their impact upon votes. If we are to have business expansion, and hence high employment, it is the impact of taxes on business expansion that should be the paramount consideration.

The most damaging fallacy in our present thinking about taxes is that taxes are actually paid by business as such. Business can collect taxes, but those taxes are paid by people. In the final analysis, of course, people—live, human people — pay all taxes. Just who pays business taxes is hard to determine, but this is certain—they are shared by consumers, workers and investors.

Planning for Competition

There is another area into which government should move quickly and with great vigor—namely, that of planning **for** competition. Too often in the past business and labor, as well as government, have directed their planning **against** competition by price maintenance schemes, freezing of trade practices, and by similar measures. We need realistic policies for dealing with monopolistic practices, for extending the area of effective competition, and for promoting stability in ways that will supplement competition and not restrain or extinguish it.

Of great importance at the moment, from the standpoint of government action, is the promotion of new and small business. Our governments should remove obstacles which interfere with the establishment of new business and the growth of small business. Government should also afford positive help to the small businessmen in overcoming their special handicaps. One of these handicaps is the lack of opportunity to secure equity capital (except at high cost) even after they have given proof of capable management.

Another responsibility of the Federal Government is that of promoting international private trading. That is a difficult assignment today because the war accelerated the tendency toward making international trade a state function. Our government is taking the lead in trying to break down the artificial trade barriers which have been built up between nations and in restoring opportunity to the private trader. It is my personal belief that if this goal is to be achieved, we must have help from other countries. That is why I favor the British loan. It is a first step toward international economic coordination. International economic coordination is in turn a first step toward world peace.

Tax System as a Stabilizer

Speaking particularly now as to how the Federal Government can contribute toward stabilizing the economy, again I would put taxes first. Our tax system should be so devised that it will help counteract both inflation and deflation. This can be accomplished by stabilizing tax rates over a fairly long period. The rates should be set, in my opinion, at a level which will produce a surplus in years when business is at a high level. If rates are soundly established the surpluses in any normal five-year period should so exceed the deficits that a considerable reduction in the public debt could be made.

Government may also have an opportunity, through a proper study of the credit structure, to develop automatic controls which will tend to counteract booms and depressions. Up to now, our credit system has so operated that it has tended to heighten booms and deepen depressions.

The Federal and all local governments have the opportunity to help stabilize the economy through a better timing of the construction of public works. Speaking generally, in the past the greatest volume of public works was built during times of prosperity and the lowest volume in periods of depression. Vital to such a program is advanced planning, and by planning I mean blueprinting, together with a detailed program of financing. I know that some public works cannot be postponed, but to the greatest extent possible construction should be so timed as to exercise a counter-cyclical influence.

One of the significant opportunities for stabilizing our economy is through an expansion in unemployment compensation coverage. We are just beginning to appreciate the importance of insurance as a social tool. It not only helps to maintain purchasing power, but it also makes a significant contribution to the confidence of individuals in their future security. Our goal should be the coverage of every worker. It is assumed, of course, that payments should be subject to the work test and should never be large enough to make unemployment attractive.

Responsibilities of Sales Executives

I should now like to discuss the direct responsibilities of sales executives for keeping our economy dynamic and for promoting stability. The over-all objective can be stated quite simply, namely, to attain and maintain market demand at so high a level that high production and high employment will be assured. This objective, as we have demonstrated, can be achieved **only** if the government and other groups meet their appropriate responsibilities. However, you have a vital and inspiring part to play.

No one has a greater admiration for salesmen than I. They are the foot soldiers—the shock troops—in this war we must wage for high consumption. Similarly, I recognize the contribution that sales management has made through constantly improved techniques. Neverthelss, distribution has a long way to go before it need worry about having achieved perfection. I know that you are here today for the very purpose of stimulating better marketing procedures; therefore, I shall merely indicate the areas in which much improvement is needed.

1. Market research. The last vestige of doubt as to the value of scientific research was removed by the development of the atomic bomb. Today almost every concern of any size devotes a part of its annual expenditures to research in the production and engineering fields. The last census taken in the United States by a special committee of the National Association of Manufacturers showed that 85% of 1,231 manufacturers were carrying on industrial research, whereas only 35% of those same concerns were carrying on any marketing research activities. There is no particular point in developing new products unless they can be distributed. Sales executives should not only insist upon an adequate program of marketing research, find out where goods can be sold, and at what cost, but should also encourage universities and colleges to train men for work in this field. Every year our universities and colleges graduate thousands of men specially trained for work in engineering and production fields. I have yet to hear of an institution of higher learning which offers a degree in distribution.

2. Product research. The last decade has shown a marked advance in the field of industrial design. There has also been marked progress in the developments of methods to ascertain consumer wants and desires. Here again, however, the sales executives are too often disregarded in the development of a product. Engineering and production executives build what is comfortable and easy to manufacture rather than what the public wants. The production and engineering divisions are entitled to full consideration, but the sales division must have appropriate authority in the determination of product specifications. If we are going to expand and stabilize our markets, we must constantly be on the alert to offer both wha the public wants now and new products they will want once they are offered.

3. **Scientific sales management.** It would be presumptuous of me in the presence of many experts to do more than call attention to the necessity of continued emphasis on creative selling, on lowering the unit cost of selling, and of developing ways for giving salesmen both inspiration and direction. Nor is it necessary for me to emphasize that their first and greatest responsibility is to provide conditions that will promote the growth and development of their salesmen. After all, the strength of a selling organization is substantially a composite of the strength of the individuals who comprise it. In a very real sense, the sales manager is a trustee of the capabilities and potentialities of the members of his sales force.

4. **Scientific control of sales expenditures.** A study of sales expenditures on the part of American concerns reveals that when times are good and business easy to get, sales and advertising expenditures have been at high levels. Some of those expenditures have been of a dubious nature. Conversely, when business has been slow and sales tough to get, sales and advertising expenditures have been at a low level. If we are to have a stabilized market demand, selling and advertising pressures should be maintained—perhaps increased—at the first sign of a decline in business. One way to assure this is to avoid spending sprees when business is good so that reserves will be available when extra pressure is needed. I know of no single way in which sales executives can contribute more toward stabilizing market demand than through a far greater stabilization of sales and advertising expenditures.

That is enough discussion of the responsibilities which sales executives must assume in order to make distribution more effective. I have purposely made it brief because I know that highly qualified men are giving comprehensive coverage to all aspects of the subject during this conference.

Now I want to present the most important responsibility that you should undertake on behalf of our free economy. You must, first, convince your business associates that in all their thinking and in all their actions the general public welfare should be given a top priority. It is not a case of what is good for business is good for you—meaning all the people. It is exactly the reverse. What is good for all the people is in the long run good for business. We must put forth every effort in our power to the end that when business speaks it speaks in the best interest of all the people, never for the purpose of pleading for a position of special privilege. Second, you should persuade your associates, perhaps particularly those in positions of top management, that open-minded consideration should be given to any proposal which offers a hope of providing more opportunity for more people. As a matter of fact, the goal we should constantly keep in mind is that of providing certainty of opportunity for every man, woman and child in the United States. We in business cannot afford to indulge in ignorant opposition to change; we must be positive, not negative.

At the opening of this address I spoke of the world drift toward collectivism and the menace it holds for all of us. As a final word I would like to say that it is my studied conviction that this trend can be reversed. Only Russia at the moment is definitely committed to collectivism. Other countries are watching Russia and the United States. If, in the next five years, we demonstrate, as we can, that our free economy can produce a better life for our free people than can collectivism to its adherents, we will accomplish after World War II what we failed to accomplish after World War I. We will in fact make the world safe for democracy.

Of course, this goal can be reached only if, in the next five years, we in business really extend ourselves, by engaging in much hard work and much straight thinking. This is not an alluring prospect. Many of us—and I include myself—would, I am sure, much prefer to indulge in a bit of watchful waiting for a comfortable return to normalcy. But we dare not do so. Millions of lives and billions of dollars have been spent to give us our opportunity to maintain our freedom. We must embrace it because, as I heard a minister say not long ago:

"There is no greater sacrilege than the waste of sacrifice."

Supply, Demand, Control Picture

(Continued from page 3058)

first rebuild the work-in-process inventories before they can ship finished steel. That will take many weeks.

Similarly, in the case of copper it will take from two to six months after settlement of current strikes in mines and refineries to refill the pipe line and to reestablish the uninterrupted flow of raw copper products—wire, bar, rod—to the fabricators of end products using copper.

It must be clear then that the shortages of metal shapes that have been holding up production of end-products will not disappear over-night but will persist until the pipelines are refilled.

During the next two or three months these shortages will plague all industry. Supplies of metal shapes will of necessity be so scanty that no one will be able to obtain anywhere near what he would like to have or could use. The thin supplies, as I said before, must be spread thinly and equitably across all industry if we are to avoid industrial chaos, and probably irresistible demands for the reintroduction of widespread allocations.

Only by whole-hearted and unselfish cooperation and restraint on the part of buyers and sellers can these dangers be avoided. So I must once again urge the purchasing agents of industry to reduce their purchases of scarce items to the absolute minimum their companies can get along with during the highly critical two or three months ahead. Only in this way can a disastrous scramble be avoided.

Sees No Hoarding

The question has been raised in many peoples minds as to whether a substantial explanation of current shortages may not lie in large scale hoarding by manufacturers and distributors or whether the pipeline of materials and work-in-process is so huge that it is absorbing all of the increased production. A review of the inventory position of the different groups shows that, except for occasional items which are insignificant in the overall picture, no large-scale hoarding is taking place and that finished goods are being distributed and sold almost as soon as they come off the assembly line.

On March 31, 1946, the dollar value of manufacturers' inventories was 70% above that at the corresponding date in 1939. The dollar value of manufacturers' shipments, however, was 100% greater than in 1939. Thus, manufacturers are doing more business on relatively less total inventory than in 1939. Furthermore, if we break down manufacturers' inventory into (1) raw materials and work-in-process, and (2) finished goods, we find that the dollar value of finished goods inventories had increased only 12% since 1939 while raw materials and work-in-process was up by more than 100%. Manufacturers' pipelines of finished goods are certainly not anywhere near full and are not much fuller now than in August, 1945.

The dollar value of inventories held by wholesalers on March 31, 1946, was 20% greater than in the corresponding month in 1939 and 15% greater than in August, 1945. Retail sales, however, were 125% higher in March, 1946, than in the corresponding month of 1939 and 20% greater than in August, 1945. Similarly, retail inventories on March 31, 1946, were up only 15% from the level of March, 1939, and were actually 3% lower than they were in August, 1945. The 125% increase in retail sales, coupled with an increase of only 15% in inventories, means that the rate of inventory turnover has actually doubled since 1939 and is greater now than at any time in the past seven years. Wholesalers and retailers are thus being called upon to do more than twice as much business as they did in 1939 with very little more inventory dollarwise, and much less in physical terms. Furthermore, the inventory they now have is seriously unbalanced.

The explanation for the shortages which plague the consumer, and the difficulty he has in getting what he wants when he wants it, cannot therefore be blamed on hoarding. Goods are being produced in greater quantity now than ever before in peacetime. Manufacturers' shipments dollarwise are double what they were in 1939, and physically are at least 50% greater. The reason for the shortage of goods lies in the fortunate fact that consumers are in possession of large amounts of purchasing power and that they are determined to use that purchasing power for the immediate satisfaction of their wants. They want too much too soon.

Staggering Size of Government's Control Problem

I have given you a quick roundup of the supply, demand, and control picture in some of the items which the Civilian Production Administration is watching closely and in which purchasing agents might be interested. This isn't a complete picture but it may serve to emphasize the complexity and the staggering size of the government's control problems. More complete details are given in the Civilian Production Administration's monthly reports, which may be obtained by writing to me in Washington. It is the supply position of the material which determines the controls applied to it. The only way to end controls is to lick the supply problems by producing and importing enough materials for all.

We in CPA have no one simple formula for increasing production, we have no one panacea which can be prescribed in advance to correct all present and possible difficulties.

In the period of acute shortage for the next few months ahead, some of our controls must be exercised—some strengthened. However, let's understand one thing clearly—it is our purpose to exercise controls only where, when, and to the minimum extent that they are absolutely necessary.

Wants Minimum of Controls

If there is one man in Washington who believes in the American system of free enterprise—who believes in doing business with a minimum of controls—I am that man. The men who work with me in CPA, nearly all of whom have come to government from business and from industry, agree with me. It is our basic policy to use a minimum of controls in doing our job. If we have to make mistakes—and some mistakes are inevitable—we would rather err by having too few controls than too many.

If, however, demands for special help, for preferential treatment, are put upon us by industry, we can satisfy them only by increasing controls — by going away from freedom instead of toward it.

Let us instead, during this period of shortage, rely on our own resourcefulness, upon our own ingenuity and effort, and not call upon government for help. It's tough but we can sweat it through.

I ask your help in this and in the use of restraint in holding down your purchases to a minimum. I need your help badly. I know that you will give it just as wholeheartedly and as sincerely as you have in the past.

Detmer & Co. Has Been Formed in Chicago

CHICAGO, ILL. — Announcement is made that Howard F. Detmer & Company has incorporated under the Laws of the State of Illinois effective as of June 1, 1946, to conduct a general investment business under the name of Detmer & Co.

Armand L. Primeau has become a member of the firm as Secretary & Treasurer. R. W. Jenkinson has become associated with the sales organization.

The firm has moved to larger quarters on the 14th floor of the Borland Building. Address and telephone number will remain the same.

Claybaugh to Open Retail Dept. in N. Y.

Blair F. Claybaugh & Co., 52 Wall Street, New York City, announces that the firm shortly will open a retail sales department.

Inflation and Interest Rates

(Continued from page 3055
(15 years and over) from an average of 2.48% in 1944 to 2.08% in April 1946. Here we are not so much concerned with changes in the *structure* of interest rates as we are with the *average* level of interest rates. And the question which we shall try to answer is wether a rise in the *average* level of interest rates can contribute to stopping the inflation which is at present going on.

1. Wartime Inflation and the Price Level

In spite of the enormous expansion of the government's demand for loanable funds, interest rates during the war could be kept stable at a low level because the supply of loanable funds was made infinitely elastic through the monetary policy of the Federal Reserve Banks. Whenever necessary the Federal Reserve Banks increased the liquidity of member banks and thus enabled them to buy, in exchange for deposits, all the government bonds which could not be sold to the public, and in addition, to provide the public with the volume of cash it desired to hold. The result was an almost threefold expansion in the volume of money. On the average, in 1939 total deposits adjusted; plus currency in circulation, amounted to 62.5 billion dollars; on the average, in 1945 to roughly 169 billion dollars; and, at the end of March 1946, to 173 billion dollars. This increase in the volume of money was absorbed in three ways:

First, the increased output of the American economy required a corresponding increase in the volume of money for transaction purposes. The national net output, which is identical with the national income, rose between 1939 and 1945 from 70.8 to 161.1 billion dollars, or roughly to 119 billion dollars in terms of the dollar of 1939. This is an increase by approximately 70%. Thus 70% of the increase in the volume of money was absorbed by the increase in output.

Second, the public's greater liquidity preference absorbed another part of the increase in the volume of money. A greater liquidity preference on the part of the public means that the public is willing to hold more idle balances than before. The greater liquidity was partly forced upon the public which could not buy the consumer's goods (such as automobiles, washing machines, refrigerators) not being produced during the war. We can obtain a rough measure of the idle balances by the following method: To say that the public holds more idle balances than before is just another way of saying that the velocity of circulation of money has decreased. If we compare the total volume of money in 1939 with the national output (national income), we find that the ratio was .88. In 1945 the corresponding ratio was 1.05. With the income velocity of 1939, the volume of money required to transact the volume of business in 1945 would have to have been 142 billion dollars. In fact, the volume of money was 169 billion dollars. The difference between this figure for the volume of money in 1945 and the volume required in 1945—if the income velocity had remained what it was in 1939—is 29 billion dollars. This figure roughly measures the accumulation of idle balances between 1939 and 1945.

Finally, a large part of the increase in the volume of money was absorbed by a rise in the price level, which amounted, if we take the wholesale index as our measure, to 37.5% between 1939 and 1945. Thus the effect of the increase in the volume of money on the price level during the war was relatively small, because the rise in national output and the greater liquidity preference of the public absorbed the larger part of the increase. It is evident that, should the monetary circulation increase further, the first factor, the rise in the national output, cannot be counted on to counteract the influence on the price level of a rise in the monetary circulation. It is hardly possible that the output will, in the near future, expand beyond its wartime level. Nor can we assume that the public will indefinitely hold on to its idle balances or increase them should the volume of money expand still further.

2. Inflationary Tendencies in the Immediate Future

Is there any danger that the rate of spending, and with it the price level, will rise in the more immediate future?

The rate of spending will increase if consumers decide to spend their idle balances and to cash in their war bonds to buy consumers' goods. If they only spend their idle balances, the total volume of money would not increase, but its velocity of circulation would rise. If, in addition, they cash their war bonds, the demand deposits of the banking system, and thus the volume of money, would increase also.

It is usually argued that the spending of consumer balances, which were formerly held idle, is inflationary only in the very short-run. Once the consumers' goods, such as automobiles and other durable goods, appear on the market—so the argument runs—they will absorb these balances and no long run inflationary tendency will result. But this argument does not seem to be correct. In the process of production of these new consumers' goods, manufacturers pay out income to wage-earners and others engaged in the productive process. The total sum paid out as costs to productive factors, plus the profits of the manufacturers themselves, are roughly equal to the value of consumers' goods produced. In other words, the very process of producing these new consumers' goods creates incomes which are sufficient to buy them at current prices. In the aggregate, therefore, there is no need for the public to draw on their idle balances in order to obtain, at current prices, the durable consumers' goods which are currently produced; they can buy them with the income created during the process of production. To be sure those who want new durable consumers' goods are not necessarily the same people as those engaged in producing them. It is therefore likely that many consumers will actually use balances which they have held idle in the past. But new idle balances will then tend to accumulate in the hands of those engaged in producing the consumers' goods: and the statement that in the aggregate the idle balances will not be absorbed by the purchase of these durable consumers' goods at current prices remains valid. It follows that if the idle balances and the cash received through the redemption of war bonds are spent, they are spent *on top of* the income created during the process of production and are therefore definitely inflationary even in the long run.

"If they are spent"; but will they be spent? If consumers can buy the new durable consumers' goods with their current incomes, it may seem that there is a good chance that the public will go on holding its balances idle indefinitely. It would be foolish, however, to take this for granted. As soon as the public becomes conscious of inflation it will realize that its cash balances and war bonds will lose in purchasing power and it will sooner or later dispose of them, in order to avoid a loss through the rise in the price level. There can be no doubt that the public has become more and more inflation conscious over the last year. A study of special markets such as the real estate market and the stock market, shows clearly that investors now prefer real values to cash.

Not only consumers but also industrial concerns are at present in possession of idle balances which they can spend, and of war bonds which they may sell to the banking system. But we have already accounted for this possibility. By spending their idle balances or selling war bonds to banks and using the demand deposits obtained in exchange for them, corporations can finance their reconversion costs. The money paid out by the industrial concerns in this way will finally become income of productive factors, such as labor. In other words, this method of financing creates an income stream for those engaged in the process of production of consumers' goods—an income stream which, as we pointed out above, is roughly sufficient to buy the additional consumers' goods produced. As we have already counted the idle balances and war bonds in the hands of consumers as an inflationary source, we cannot count the idle balances and war bonds in the hands of industrial concerns as an additional source of inflation. The flow of money which the companies pay out during the process of producing new consumers' goods has no effect on the price level inasmuch as it is counterbalanced by an additional flow of commodities. But this statement must be modified in two ways:

First, there will be some business units which will contract their output in the future far below its war level. These units will have cash and war bonds above the amount required for their peace time output. Theoretically, these firms could lend their balances to those concerns which have insufficient cash or war bonds to finance reconversion, but it is not likely that this will be done to the last cent. Cash balances not required for transactions are therefore likely to arise in the hands of those concerns which have to contract their output. Their liquidity will increase. On the other hand, there will be many concerns which during reconversion will not only spend such idle balances as they have now, but will also sell government bonds to the banking system and/or borrow from the banks. It is therefore likely that idle balances will arise in the hands of some concerns whereas others will spend their balances, which they previously held idle, or use their war bonds to finance the costs of reconversion. The fear of inflation may induce the concerns which have to contract their output—and therefore hold cash balances (and war bonds) beyond their transaction needs—to spend them in one way or another, just as the consumers may decide to spend their balances for the same reason. Such action on their part would have inflationary effects.

Second, the increase in costs resulting from a rise in the wage level requires a larger flow of money to be paid by business concerns to productive factors. The total income received in the process of production will therefore rise above the level which it would have in the absence of wage rises. This, in turn, means that a new inflationary source is opened up as a result of the rise in the wage level. On balance then the financing of reconversion may have inflationary effects of its own.

3. Rising Interest Rates as a Remedy

Could these inflationary forces be stopped by a rise in the average level of the interest rates? The prevailing opinion is that they could not. The problem is usually posed in the following way: If consumers are given the choice on the one hand to invest their idle balances in government bonds (and to hold on to the war bonds they now have), and on the other hand to buy refrigerators, automobiles and the like, it is very unlikely that a rise in interest rates will induce them to forego these durable consumers in favor of investing idle balances in government bonds. But we have seen that this is not the choice they have to make. We have emphasized above that these durable consumers' goods can be bought with incomes created during the process of production, so that there is no need for consumers, in the aggregate, to draw on idle balances for this purpose. The choice is actually between investing in government bonds and an attempt to purchase consumers goods in addition to the durable commodities which can be bought out of current incomes as fast as they are produced. If this is the real choice, there is a good chance that consumers would invest in government bonds if the interest rate were made sufficiently attractive. This is all the more true because a rise in the interest rate would be taken as a sign that the government intended to follow an anti-inflationary policy which would reduce the reluctance of the public to invest in long-term securities. If the public chose to invest its idle balances in securities, the securities could be sold to them by the banking system. This would cancel a corresponding volume of deposits. The idle balances would disappear (the volume of money would decrease) and a larger part of the government bonds would be firmly placed in the hands of the public. Moreover, a rise in the interest rates would lower the value of all capital assets and so discourage speculative buying. It would have a direct effect on the price level quite apart from its influence on the movement of idle consumers' balances.

We conclude, therefore, that a rise in the interest rates would counteract the inflationary tendencies which are at present at work, by inducing the public to invest its idle balances in government bonds instead of spending them on consumer goods, and by discouraging speculative buying.

4. Is a Rise in Interest Rates Likely?

As far as the effect of a rise in the interest rate on economic activity is concerned, we need not fear that the higher level of interest rates will effectively curtail investments. A difference of 1 or 2% in the interest rate does not affect the investment of manufacturing concerns. They finance either none or only a small part of their assets by long-term debts; interest charges are a negligible part of their costs. The interest rate is only effective in the area of housing, but housing has to be subsidized even at the present low level of interest rates, so that a rise in the rate cannot be considered as a serious check to investments in housing. The fear that investment would be reduced by a rise in the interest rate should not therefore stand in the way of an anti-inflationary interest rate policy. Nor would a rise create insurmountable difficulties for the banks. Yet, because of the adverse effect of such a policy on the Federal budget, we cannot expect the government to follow an anti-inflationary interest rate policy. It has been calculated that a rise of 2% in the average level of the interest rate would raise the interest charge on the public debt from roughly $5 billion per year to $11 billion. The government is probably not willing to take on this additional burden. The average level of the interest rate is therefore likely to be kept low for some time to come, although it is quite possible that the structure of the rates may change in the sense that long-term rates may come down and short-term rates may go up.

If this analysis of the present situation is correct the most urgent problem today is to find methods of stopping the inflationary tendencies which do not involve a rise in the average level of the interest rate. It is beyond the scope of this article to discuss this problem, but it may be pointed out that a surplus in the Federal budget and a reduction in the public debt would be a step in this direction. To what extent such a reduction is politically feasible cannot be decided here.

Bank and Ins. Stocks

(Continued from page 3067)
tency of individual stock movements can be observed by tracing the year by year price changes of certain stocks. For example, Fire Association was next to the lowest in market performance in 1942 with a depreciation of 13.2%; but in 1943 it was highest performer with an appreciation of 18.0%; in 1944 it was in fifth place with +6.3%, in 1945 it was in third place, while thus far in 1946 it is in nineteenth place.

In 1942, the best performer was Fidelity-Phenix and the worst, Boston; in 1943 Fire Association was best and Security of New Haven last; in 1944, St. Paul Fire & Marine was first and Franklin last, and in 1945 Fidelity-Phenix was first and Springfield Fire & Marine last.

Home Insurance, one of the most popular of firse insurance stocks, performed considerably above average in 1942 and in 1943, but lost 12.8% in 1944 and stood next to the bottom of the list. It gained 13.4% in 1945, but was nevertheless below average, and thus far in 1946 it has done considerably better than average, and stands fifth in position.

Aetna Insurance and Security of New Haven have been consistent in their market performances, having performed below average in each year, including 1946 thus far. Hartford has also been consistent having performed better than average, in each period, while Hanover has also consistently done better than average, excepting thus far in 1946. National Fire, on the other hand, has performed below average in each year, but thus far in 1946 has advanced considerably better than average.

But these five stocks are exceptions to the general rule that the market performance of individual insurance stocks is highly irregular and variable. Because a certain insurance stock outperforms all others in one year, this is no guarantee that it will repeat the performance in subsequent years; and this fact makes "picking the winner" a difficult if not impossible task. Thus we are lead to conclude this brief discussion with our opening statement, to wit: diversification is a principle of sound investment.

John D. Hines With Kaiser Co. in N. Y. C.

Kaiser & Co., 20 Pine Street, New York City, announces that John D. Hines is now associated with their firm. Mr. Hines was formerly manager of the bond trading department of Schwabacher & Co. and prior thereto for many years was with L. F. Rothschild & Co.

"Our Reporter on Governments"

By JOHN T. CHIPPENDALE, JR.

Although the market is showing signs of stabilization, a good trading market is still expected, with periods of irregularity to be used to acquire securities that meet one's needs. . . . A much better tone has been in evidence recently in both the bank eligibles and the restricted obligations, and this has resulted in a narrower range of price fluctuations. . . . The fact that prices have been able to show a rising tendency may mean that the anticipation of what might happen to the market may have been worse than the actual happenings. . . .

The technical position of the market continues to improve and securities are going from weak to strong hands, which probably means that in the not too distant future the speculative floating supply will have been quite fully distributed among investors. . . .

BANKS INCREASE HOLDINGS

Non-bank investors have been picking up the ineligible obligations, while dealers in some instances have been expanding inventories. . . . The deposit institutions continue to lengthen maturities by adding to their holdings of Government bonds. . . . This may be in anticipation of the high coupon holdings that will be lost on June 15 through the retirement of the 3s and 3⅛s. . . .

Bond holdings of the New York City member banks which have been increasing for several weeks went to another all-time high last week, while notes dropped to a new low. . . . These institutions have shown no tendency to replace notes and certificates lost through the debt repayment operation of the Treasury. . . .

Likewise bond holdings of the member banks in the 12 Federal Reserve Districts continue to increase, although this expansion has not been uniform. . . . Member banks in the New York, Boston, Cleveland, Chicago and Minneapolis districts have at least replaced all the bonds lost through the paying off of the 3¾s on March 15. . . . Those member institutions in the Philadelphia, Richmond, Atlanta, St. Louis, Kansas City, Dallas and San Francisco districts have not yet fully made up the loss of bonds that took place the middle of March. . . .

DEBT RETIREMENT OPERATIONS

The retirement of the 3s and the 3⅛s on June 15 will be the last of the high coupon obligations that will be repaid by the Treasury until Oct. 15, 1947, when the 4¼s can be called for payment. . . . For the balance of the year debt retirement operations will have to be confined to certificates, aside from $3,261,000,000 of 1½% notes which mature on Dec. 15. . . .

Of the $1,855,000,000 of 3s and 3⅛s that will be paid off the 15th of this month, the latest available figures (Feb. 28, 1946) showed that the commercial banks held $916,000,000, savings banks $11,000,000, life insurance companies $2,000,000, fire and casualty companies $27,000,000, Government Agencies and Federal Reserve Banks $292,000,000, and all other investors $607,000,000. . . .

BANK ELIGIBLES SEEN IN DEMAND

The member banks as a whole, after the retirement of the 3¾% bonds on March 15, not only replaced all the bonds that were taken away from them, but added substantially to their positions in these obligations. . . . The amount of bonds these institutions lost on March 15 were considerably smaller than will be taken away from them on June 15. . . .

If the deposit banks should follow the same course after the June 15 call, as they did following the March 15 retirement, then the bank eligible bonds should be in demand. . . . The replacing of called bonds with high income obligations in order to maintain earnings could have an important effect on the Government bond market. . . .

SELLING PRESSURE EASED

It is indicated that banks have been renewing loans for the carrying of Government bonds which had been expected to be called. . . . These renewals have helped speculative purchasers to retain their holdings and at the same time have taken some of the selling pressure off the market. . . . A change in attitude on the part of the banks, despite the recommendation of the American Bankers Association that speculative loans for carrying Governments be called after the six months' holding period has elapsed, seems to be indicated by this development. . . .

The effect of this extension of credit to individuals and institutions is to allow them to hold their positions in Government bonds, which means that forced selling will not have to take place and the floating supply will be decreased, if only temporarily. . . . It may mean that selling by these holders will come at somewhat higher levels and at a time when the market will need bonds to meet the large investment demand. . . .

While the elimination of speculation from the Government bond market is a desirable development, it is becoming apparent that it should be done in such a manner as not to undermine the confidence of investors. . . .

DILEMMA . . .

The dilemma in the money market caused by rumors of an increase in reserve requirements in New York and Chicago along with the utterances of the money managers has created some hesitancy among portfolio managers in building up positions in Government obligations. . . . Nevertheless, one thing seems to be clear in all of this, and that is not the fear of higher interest rates, but how to devise means to prevent yields of long-term bonds from going lower, while at the same time maintaining the present pattern of rates. . . . The debt burden will continue heavy for so long a time that there seems to be little need of fear of an increase in the debt cost, which means interest rates. . . .

While there could be some narrowing of the spread between market rates and issue rates, there is not much likelihood of this happening as long as investors still have large sums that must be put to work. . . .

The impending drive by the Treasury, according to reports, will be concerned with the sale of savings bonds as well as a campaign for continued holding of these obligations. . . . Holders of these bonds as well as individual owners of bank deposits are great potential inflation forces. . . . Accordingly, any plan to neutralize these forces is very constructive because it would be helping to eliminate one of the real threats to monetary stability.

The World Outlook

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war will have to be removed, if not permanently, at least temporarily if American export business is to be rebuilt.

O course, there are those who claim that inasmuch as only about one-tenth of American production is marketed abroad, the matter is not of vital importance, but the last ten per cent of all enterprise often makes the difference between success and failure. So America is determined to restore world trade.

Foreign Exchange

The first problem to be solved is that of foreign exchange. For a quarter of a century the world's financial situation has not seen even a semblance of systematic organization. There has been no norm of values and the various yardsticks that were supplied in determining exchange before the war have all been broken, and while we in America think in terms of dollars naturally, the force of economic and financial necessity makes everyone else think in terms of dollars. Hence there has been created the International Monetary Fund and the International Bank for Reconstruction Development Fund, of $8 billions. When this Fund is in operation, loans may be made to nations whose money for any reason falls below the exchange value which has been set by those in authority as fair and equitable. Thus, those who sell and those who buy internationally may be assured of prices that will have more or less of fairness and stability; in other words, the International Fund will stabilize currency so that foreign trade may be carried on on a basis that will protect both the buyer and the seller during the time necessarily elapsing in the process of transportation.

The second great area of difficulty is that of destroyed or converted industry. It is impossible for us in America to realize the extent to which agriculture, horticulture, animal husbandry and particularly industry, suffered because of the hazards of war. England was bombed almost to the point of extinction; the occupied countries were over-run; stripped, and when D-Day came, the destruction, of necessity, was multiplied many fold.

Europe, to have goods to sell, must rebuild her factories, her transportation system and her roads. All of this requires the expenditure of enormous capital, and surplus capital it does not have in great quantities. So machinery is being set up after careful study to remedy this situation.

When it is found that local banks can take care of a particular situation, but cannot trust to the possibility of a foreclosure, the International Bank for Reconstruction Development may guarantee the loan. If local banks cannot furnish the capital, but will recomend loans, the International Monetary Fund may make loans directly.

In addition to the foregoing, and more specifically recognized as an aid to the restoration of world trade, is the dollar credit to Great Britain. Unless Great Britain regains a significant position in world trade there is not much hope of revival.

All this adds up to some very simple facts which *appear* to be very complex.

America is geared to large scale mass production at high wage rates. The rest of the world wants and desperately needs our products but practically stripped of gold before the war and unable to compete with us because we refuse to buy her products, must have credit, and we alone can furnish the credit. It may be a vicious circle. We produce a surplus, we loan the money with which to buy the surplus, deliver the goods and receive back the money which we lent. It may be a stimulus to recovery. It may cure the licensing system so generally practised in Latin America against us for so long. It may revive and reorganize a real world trade so that all may benefit.

The alternative is a self-sufficient economy in America. This will require drastic changes in taste and fashions, and drastic substitutions of synthetics for natural products. All of this is of extreme interest to bankers as guardians of credit and stimulators of industry, particularly in the light of discussions on inflation in this country. It is not so much our power to buy internationally as our power to sell in the markets of the world. A runaway inflation in America would drive our prices so high that foreigners, even with the aid of the World Fund, will find it difficult to buy from us.

Inflation

In this post-war period and the era of reconversion that still lies ahead our banking system has a challenge almost as great as it had during the war.

One of the most serious problems confrontnig the U. S. at the moment is whether or not the forces of inflation can be defeated. The present indication is that we are losing the battle.

The inexorable law of supply and demand is that if there is an excess of any article over normal demand, its value falls until an equilibrium is established, or vice-versa, the values of other comomdities increase. At present there is an excess of money not only on deposit, but also in circulation.

A good illustration of how this law of supply and demand works may be found in the prices residential properties are selling for today. The population has probably increased 8 or 10 million during the last seven years. Also marriages have increased, and new homes are needed. In addition, repairs have been held up. As a result of wartime restrictions on materials used in home building and the trend towards home ownership, we find the demand for residential properties far exceeding the supply, resulting in many casse in properties selling in excess of 100% of their original cost or true value.

The monetization of a large portion of the Government debt has led to a very extensive purchasing power in the hands of the people.

Total deposits (exclusive of interbank deposits) plus currency rose from $42 billion in June 1933 to an estimated $168 billion at the end of November, 1945. Of this 400% increase in the last 12 years, $95 billion, or 318% represents an increase occurring since the outbreak of World War II.

ABA Proposal

The American Bankers Association proposes a four-point program to aid in the fight on inflation.

Point number one calls for the "vigorous sale of Treasury Savings Bonds by the banks," which it says, "is of the greatest importance in combating inflation." This program should include plans to persuade bond holders to keep their bonds.

Point number two states approval of the Treasury's policy in using its War Loan balances in the banks to repay the Government debt. This action has the anti-inflationary effect of reducing bank deposits which in themselves constitute potential buying power. This is a sound step, although it does have the effect of reducing the earning assets of the banks, and so reducing to some extent the bank's income. It will also call for a re-appraisal by each bank of its Government bond portfolio to see that it has liquidity to meet Treasury calls on War Loan Account and other possible demands.

Point number three relates to the offering of bonds to non-bank investors. Refunding bonds of long term should be offered from time to time to non-bank investors. Accumulating institutional and private funds provide an opportunity for the Treasury to carry further the refunding of debt held by the banks into the hands of non-bank investors. To do this it is necessary that the Treasury, in addition to the Savings Bond issues, should make offerings of bonds that have a maturity and rate to appeal to such investors.

Point number four urges steps be taken to reduce speculation in Government securities. Banks can do something to improve this condition, by reviewing carefully their own loans on these securities to see that they are not encouraging such speculation.

If the Government wishes to control the inflationary factors which are at work, in the course of time it must see that the most effective way is within its own fiscal policy. It must make its obligations so attractive in rate and maturity that the private investor will be willing to part with his spending power for a Government bond instead fo consumer goods.

The objection is, of course, from the Government's point of view, that it will increase the interest cost on the public debt and that it will disturb the market on existing issues.

If our choice lies between a ruinous inflation of the price level on the one hand, of which we can find numerous examples throughout the world today, or a higher interest cost to the Government on the other hand, an understanding public will much *prefer* such higher interest cost.

No one knows better than the bankers how difficult it has been to persuade those customers having excess surpluses on deposit, to take at least a portion of their funds and invest in Government obligations. The customers objection has always been that the Government bond yields are too low.

There is, of course, another weapon which the Government can use as a curb against inflation and that is the *highly politically* unpopular *method* of increasing taxes.

There is no one in the business world who wants additional taxes placed on him. The business community as a whole would be opposed to an increase in taxes, except as a part of a definite and affirmative program by the Government designed to control inflationary forces.

None of us would be disposed to concur in this second step unless the first step having to do with Federal Fiscal policy were put into effect.

American Position in Monetary Equilibrium

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an extremely serious matter, as it hits that nation at its weakest spot.

The physical destruction in Germany and a number of other countries will raise very difficult problems, but modern productive capacity is so great that it might soon bring about a miracle of reconstruction, if only it were allowed to develop freely. For England it may be more difficult to find a compensation in her balance of payments for the loss she has sustained by having to sell so much of her foreign assets and incurring indebtedness to so many countries. In order to balance her payments to foreign countries, England, in the future as in the past, will doubtless be greatly dependent on her trade and shipping, and must therefore hope for the earliest possible revival of world commerce. But increasing exchanges of goods and services between the different countries implies the restoration of balance in the delicate system of equilibrium normally maintained between costs and prices, exchange rates and movements of capital. It should be borne in mind that *dislocation* may lead to losses far exceeding the sum-total at which the other damage caused by the war is estimated. In this connection it may be of interest to note that direct war expenditure during the first World War has been reckoned at a total amount of approximately 185 milliard dollars, whereas the losses incurred by the American people in the form of diminished production, etc., during the severe slump in 1930-1933 and the subsequent stagnation in 1934-1939 has been estimated at no less than 200 milliard dollars.

Capacity for creating wealth is not enough: this capacity must be given opportunity to manifest itself under favorable conditions. If the payment of "reparation" is unwisely ordered (for example, by laying down a financial obligation whilst impeding a corresponding influx of goods), the resulting disturbances may entail losses which, in the aggregate, will amount to sums far exceeding even a very highly fixed indemnity. This was the leading idea in Keynes' attack on the provisions in the Treaty of Versailles regarding the exaction of reparation from Germany. It would be well worthwhile today to re-read the two first pages of his book, "The Economic Consequences of the Peace" (published in the autumn of 1920), for they give a masterly exposition of the delicacy of the economic system which had gradually developed, and which received such a severe shock in the first World War.

When now, after another World War, we proceed to resume the work of reconstruction, one of our first tasks will be to restore *order in the monetary system*. For, even if a sound monetary system implies a sound economic basis—and if there is thus an interplay between the monetary and economic factors—anybody who has lived in a country where the population in their daily pursuits, manifest a profound distrust of the constancy of the purchasing power of their own currency, knows how impossible it is to build up a flourishing trade on the quicksand which spreads when confidence in the value of money gives way. But even where confidence prevails, a real revival of world commerce cannot be brought about without liberty to buy and sell foreign exchange, at any rate for current transactions. During the crisis which began in 1931 the countries which eventually formed the sterling group preferred to allow their currencies to be depreciated rather than submit to a system of compulsion corresponding to that introduced in order to "protect" the German mark. As there was every reason to expect, the sterling-group countries, with their free foreign-exchange markets, managed within a few years to attain a volume of foreign trade comparable with that during the peak year 1929, whereas Germany, in spite of all artificial contrivances in the form of export premiums, etc., never succeeded in bringing her volume of trade even up to 65% of the figure for 1929.

In order that a country may be able to restore a free foreign-exchange market, it must firstly have at its disposal sufficient reserves in gold and foreign exchange, and secondly have established a fundamental equilibrium in relation to the economy of other countries (which implies, among other things, that its own budget does not give rise to inflation). The second condition is indeed more important than the first. During the 1920s a number of countries, by ordering their internal conditions, managed to establish a sound monetary system and to satisfy all current demands for payment in foreign currency, although their own reserves of gold and foreign exchange were very limited, and that too without being compelled to eke them out with foreign "reconstruction loans."

Access to foreign exchange however, naturally conduces to lighten a country's own financial difficulties. As regards such assets, the present situation is certainly better than is generally supposed, even in rather well-informed circles. The gold movements that have occurred since 1941 have reduced the share of the United States in the world's monetary gold stock from about three-fourths to somewhat more than half, which involves a considerable improvement in the distribution of the world's supply of gold for monetary purposes. The holdings of gold and dollar exchange in countries other than United States amount, altogether, to about 20 milliard dollars, which is quite a handsome sum, especially when we bear in mind that the large American lending to foreign countries in the course of the years 1920 to 1930 totaled 11½ milliard dollars.

But, unfortunately, the existing reserves of gold and dollars are not evenly distributed among different countries. Europe will naturally have to pay the penalty for having allowed a world war—for the second time in one generation—to proceed on her old stormy continent. Britain this time has been compelled to stake her entire financial resources and is now trying to repair the damage. In view of Britain's world-wide empire and the position of London as a financial center, it is difficult to see how a monetary order in the world could be restored without the pound sterling again becoming an international currency. American financiers in New York for several years have been emphasizing the importance for the economy of the United States of assisting England with a loan on cheap terms and the Government at Washington have on the whole approved this view, the practical outcome of which is the agreed loan amounting to 4,400 million dollars. In view of the great concessions which England has made, especially on matters of commercial policy, it must be considered that the low rate of interest, fixed at 2% (or, more strictly, 1.62%, if allowance is made for the exemption from interest payments during the first five years) involves a rather meagre compensation for all that the American negotiators have attained. Congress will doubtless ratify the deal—certainly a very good bargain from an American point of view — which was concluded by the signature of the loan contract and its annexes.

When the loan to England has been approved by Congress and when additional facilities for borrowing (available in the form of loans and credits from the American Export and Import Bank and of monies supplied by the Bretton Woods institutions) have been turned to account, there is a prospect that shortage of foreign currency reserves will not stand in the way of a rather speedy settlement of the monetary problems of the various countries. But what about the second condition—the restoration of "fundamental equilibrium"? In the statutes of the International Fund (according to the Bretton Woods plan) the question of "fundamental equilibrium" (or rather its opposite: fundamental disequilibrium) assumes a very central position, but without any attempt being made to define the implications of the term.

It is not possible to deal here with more than one aspect of the many-sided problem of "fundamental equilibrium." The question which will be discussed here concerns the relation between the prices and costs in an individual country, on the one hand, and the prices and costs on the "world market," on the other. But what is to be understood by the term "world market" during the next few years, those which for us, in this connection, will be of crucial importance? Without doubt, the level of prices and costs in the United States. This, however, does not imply that other countries can let their wage rates rise as high as in the United States—such a thing will not be possible before a similar efficiency has been attained—but it does signify that the fluctuations in the American price level will be regulative for the changes in the price quotations on the world market—there is at present no other country, or group of countries, that could in any way check the ups-and-downs in the American level of prices. For different countries it will therefore be necessary to endeavor to attain a certain equilibrium relatively to the American price level. In the summer of 1945 a couple of Swiss economists, on the basis of the then available figures, computed the "purchasing power parity" between the Swiss franc and the dollar and they came to the conclusion that, in view of a greater price advance in Switzerland than in the United States, the foreign exchange value of the Swiss franc ought to be reduced as soon as possible. To this, however, it was objected from different quarters that at any rate certain prices in Switzerland would certainly fall as soon as the high freight and insurance rates entailed by the war were adjusted to a more normal level, whereas, on the other hand, the American price level would presumably rise, for one reason because everything pointed to a rather considerable increase in the hourly rates of wages, which have such an important bearing on the costs of production. After the settlement of the steel strike in the middle of February, 1946, it can be taken for granted that the American hourly wage rates, at all events within the principal branches of industry, will be immediately raised by about 15%. As these rates appear to have risen on an average by 30-35% since the first half-year of 1939, it may be expected that *wage rates in the United States towards the summer of 1946 will be about 50% higher than during the first half-year of 1939.*

When other countries proceed to a comparison between the rise in their own wage rates and the rise which has occurred in the United States, care should be taken first and foremost that really comparable figure series are used. The following table, which was drawn up by Kenneth B. Williams, an expert on labor questions on the staff of the Federal Reserve Board in Washington, shows in what degree the significance of the term "rise of wage rates" shifts according as the comparison is based on the one or the other figure series.

Increases in Pay of All Non-Agricultural Employees as Shown by Various Methods of Measurement
1940 to 1944

Method of Measurement	% Increase
Total payroll	104
Average weekly earnings	63
Average hourly earnings	47
Average straight time hourly earnings	41
Average straight time hourly earnings with constant industry weights	35
Average wage rates	30

The increase in the "total payroll" is due, *inter alia*, to the increase in the number of employees when unemployment practically ceased during the war. In addition, it is affected by the increase in the average weekly earnings, which in turn was due to the prolongation of the working week as well as to higher pay for overtime work. The increase in the average straight time hourly earnings reflects, for example, the transfer of workers from agriculture and other relatively poorly-paid work to industries with relatively high hourly rates. From the viewpoint of costs of production the changes in the average straight time hourly earnings play the principal part, but not until adjustment has been made for the transfer of workers to industries with higher wage rates. The last figure series but one in the above table shows approximately the same result as the change in "wage rates," which refers to the wages paid for a certain quantum of work (or quantum of time, when time wages are paid). In any international investigation care must be taken to compare like with like. The percentage increase, in fact, varies considerably from the one series to the other.

If we study the changes in the exchange rates and price levels for example during the 1920s, we shall find that the changes in wage rates in the different countries provide the best basis for judging the real value of the different currencies. For, even if the costs of production in the different countries were affected by changes in the efficiency of the productive apparatus in question, it seems that the relation between the countries in this respect had remained relatively constant. In fact, we find a high degree of correspondence in the changes of the price levels in different countries, as soon as the more fundamental factors had been given an opportunity to make themselves felt. Many theoretically justified objections may be made against the theory of the "purchasing power parities," but an examination of the figure material of the last 30 years shows that in practice the said theory has worked astonishingly well. It is, one may say, a rather peculiar theory, which turns out to be more tenable in practice than from a purely theoretical point of view.

In order that a comparison between the level of prices and costs in different countries may give reliable results, it is necessary that the *base year* selected as a starting point for the comparison should show a state of sufficient equilibrium. The year 1913 was in this respect satisfactory; from an economic point of view it was not a characteristic year, marking rather an intermediate stage between a boom and a slump. There is, however, good reason to presume that the different countries, after a long period of peace, had attained in 1913 a state of equilibrium in relation to one another.

It is not, however, possible to make any corresponding assumption in regard to the situation in 1939. Even a superficial examination of different series of price index numbers, recalculated according to the existing rates of exchange, indicates that *e.g.*, the French franc was undervalued relatively both to the pound sterling and the dollar. But also in regard to the United States, certain reservations must be made. The very fact that in 1939 there were 9,000,000 unemployed in the United States indicates that the economic life of the country was by no means in equilibrium. Different explanations may be given regarding the disturbance of equilibrium that had occurred in the United States, but from the point of view which is of special interest here, namely the relation to the economy of other countries, it is important to draw attention to the difference which existed during practically the whole 1930s in the development of costs and particularly wages between the United States, on the one hand, and the countries of the sterling group, on the other.

The severe and quite unexpected fall of prices which began to assume alarming proportions as far back as 1930 soon led to a marked lack of equilibrium between costs and prices, with consequent reduction of the number of employed workers. At first an attempt was made to restore equilibrium by reducing wages and other costs (including interest charges), but the fall of prices was so marked that a satisfactory result could not be attained solely by these means. England and other countries whose currencies were devaluated in the autumn of 1931 obtained thereby some support for their respective price levels; and, as those countries continued to force down wages and other costs *even after their currencies had been depreciated* they succeeded rather soon in restoring a high degree of equilibrium in the cost and price structure and thus in attaining an improvement of the economic situation, which led to larger real national income and a higher standard of living. Slowly but surely, normal wage rates rose according as the demand for labor increased.

In the United States, on the other hand, the dollar was maintained at the former gold parity down to the spring of 1933, which exposed the domestic prices and wage rates to a terrible pressure. The consequence, however, was that as soon as the dollar had been devalued, so that the pressure from outside had lightened, a strong reaction set in against the wage policy hitherto pursued; the nominal wages were in fact raised in 1933 and 1934 practically up to the level of 1929. Prices, on the other hand, remained at a considerably lower level.

In 1936-1937 a new wage movement set in, although there was still considerable unemployment in the United States; wage rates were raised by about 15%; commodity prices at first showed a tendency to rise, but a setback soon occurred, and the lack of equilibrium between costs and prices was thus still further aggravated. In short, the result was that the American nominal wages, owing to purely internal conditions, were raised in a degree which had no correspondence in the wage movement in other countries. World prices, however, were determined during the 30s mainly by developments in the sterling group. They, in fact, followed neither gold nor the dollar but the pound sterling, in view of the economic importance of the sterling group at that time. This fact has not been sufficiently observed in the United States where, to the perpetual astonishment of a European, wage questions are constantly being discussed without the least regard to developments in other countries. The fact that under normal conditions merely 10% of the American production of goods is exported has evidently led to an underestinate of the economic influence of foreign countries on American industry. It is, however, incontestable that, at any rate during the 30s, the world price level, and thus also American prices, were practically determined by price movements within the sterling group. A unilateral increase of wage costs in the United States was bound under such conditions to lead to a lack of equilibrium also in the internal American cost and price structure—and here we find a natural explanation of the high degree of unemployment in America which still existed in 1939, and which shows that the working classes as a whole may be the chief sufferers from a misguided wage policy.

Here, however, we are chiefly concerned with developments from the viewpoint of an international state of equilibrium. If the above analysis is correct—and everything indicates that this is the case—the European countries, in comparing increases of costs within their own economy with that which since 1939 has occurred in the United States, may proceed from the assumption that they have, so to speak, a certain margin to the good, owing to the fact that the American level of costs was too high in 1939. An exact gauge of this margin can scarcely be given; presumably it lay between 10 and 20%; but the important thing is that its existence should not be overlooked. For it may stand in good stead. Most European countries are suffering from high coal prices and other adverse circumstances resulting from the war, which tend to increase the costs of production. For this a certain compensation is required; perhaps we have already attained it as a legacy of prewar conditions.

As regards England, it must also be borne in mind that the foreign exchange value of the pound sterling (reckoned in gold or dollars) was reduced by about 14% during the late summer and autumn of 1939. In this way an additional margin was produced — a fact which is often overlooked in making comparisons between price movements in England and the United States.

As American wage rates are now rising by about 15%, we must, however, ask ourselves whether this rise can be borne by industry without an economic decline supervening. Contrary to what happened in 1936-1937, it can be taken for granted that price movements on the American market this time will be determined primarily by purely American factors or, in other words, that there is no group of countries outside the United States which in regard to prices is strong enough to check a rise on the American market, due to an increase in the costs of production. This, however, holds good only within certain limits. Various American prices are even now at a rather high level as compared with corresponding quotations abroad, but, in view of difficulties in delivery and other circumstances which tend to retard production in other countries, American industries will presumably be able to maintain their international position despite the increase in costs to which they are at present exposed.

In American discussions, as previously indicated, international points of view are scarcely considered at all. There attention is being concentrated almost solely on the question of the increases in price which the American price-controlling authorities should allow in order to give industrial companies a sufficient margin. In this respect there is a considerable divergence of opinion between the representatives of industry, on the one hand, and the price-controlling authorities on the other, whilst the labor organizations are scarcely adopting any concerted policy. Presumably, sufficient price increases will be allowed in order to enable a remunerative production to be maintained. When this has been done two important tasks remain, which here can be merely indicated. Firstly, care should be taken that the level of costs attained after the present adjustment of wage rates shall be maintained fairly stable for a considerable time ahead, so that, nationally and internationally, a firm basis is laid for the adjustments necessary after the war. Even with a stabilization of the nominal income, an increase of the real income can be effected by suitable price reductions and especially by a general improvement in quality after the deterioration entailed by the war.

Secondly, the price-controlling authorities in particular should realize that the purchasing power of money during the war has changed in such a way that, broadly speaking, it is likely to become permanent. The average rise in wage rates by 50% since 1939, compared with a rise in the price level amounting to somewhat more than 40%, reflects a fall in the purchasing value of money by at least 25-30%. This change must be accepted in widely different fields, in order that a natural equilibrium may be restored, and that industries may one day be freed from the strait-jacket of price control. Everything cannot be attained at once, but official and other prices, taxes, rents, etc., can be gradually adjusted to a new normal level. In this way the intensive force inherent in American economic life may again have an opportunity to assert itself.

In the memorable speech with which Lord Keynes on Dec. 18, 1945, took part in the debate in the House of Lords on the American loan, he stated: "The United States is rapidly becoming a high-living and a high-cost country. Their wages are two and a half times ours. These are the historic, classical methods by which in the long run international equilibrium will be restored." These words of Keynes should, however, be interpreted with some reservation. Experience shows that in the United States the import surplus of foreign raw products, manufactures and semi-manufactures is largest when American industries are favored by a boom with a high degree of employment. But a sudden rise in wage costs, as was the case in 1936-1937, may lead to an abrupt setback in the economic situation and thus also to a considerable decrease in imports. The world as a whole will derive most benefit from such a balance between costs and prices in the American economy that a steady course of economic development will be facilitated.

Hanson-Van Winkle Securities Offered

An underwriting group headed by Maxwell, Marshall & Co. on June 4 offered to the public $1,250,000 4½% 15-year sinking fund debentures and 101,284 shares of common stock (par $3.50) of the Hanson-Van Winkle-Munning Co. The debentures, due April 1, 1961, are priced at 100% and accrued interest, and the common stock at $10.625 a share. The net proceeds will be approximately $1,525,300. Of this, $606,500 will be expended for the retirement of 14,899 shares of first preferred stock at $40 per share plus accrued dividends, approximately $600,000 for the payment of existing bank indebtedness, and about $187,300 for other general corporate purposes. The balance will be used to pay for the additional land and buildings in Matawan, N. J., and Stratford, Conn. The company manufactures metal polishing machines.

'I Am Advocate of Small Business'

(Continued from first page)

I can't tell you how much I appreciate it. The honor that is given to me today by this venerable institution—and it is a venerable institution according to our standards in this Western Hemisphere—is one that I'll treasure all the rest of my life.

This college has a wonderful background and history. I listened to President Mead a while ago as he discussed that background and history. One of the things I like about this college is that it is a small college in a rural community.

I was born in a small town. I was raised in a small town. Don't quote me on that in Independence. (Laughter.) I spent the best ten years of my life operating a 540-acre farm in Jackson County, Missouri, and that farm is still home to me.

This is a wonderful institution on account of its connection with the first President of the United States. It was my privilege the other night to be present at the graduation of my daughter — at another Washington University in which George Washington was interested, and in which he had some measure of helping the founding. In fact, he directed that that institution be founded in his will. I understand that he was a trustee of this great institution when he was made President of the United States. A great honor. My great predecessor whom I succeeded at his death was also an honorary graduate of this great institution and he liked small colleges and small communities and rural communities. He always called himself a farmer. Although he was graduated from Harvard and Columbia in a community that is very large in population, I think his heart ran to the soil. I know that mine does.

I think this country is great on account of its small educational institutions, more than anything else. You know James A. Garfield said that his idea of a college was a bench in a log house with himself on one end of that bench and Mark Hopkins on the other, and his idea on that was that Mark Hopkins was famous as an educator because he was an individual educator.

In institutions such as this, the teachers and the professors can give individual attention to each member of each class. As you were receiving your diplomas, I listened to Dr. Mead, and he had a special salutation for each and every one of you.

Now I would like for the president of Harvard, of Yale, of Columbia or Princeton to have that individual touch that your president had here today. That is what young men and young women need when they are getting an education. They want some one whom they can trust, and they want some one in whom they can have confidence, to whom they can take their problems and have them solved.

This looks to me as if it is a wonderful class. When the roll was called I thought I was in Jackson County, Mo. The names are exactly the same.

Advocate of Small Business

That is true all over the United States in these small educational institutions. You know, I am rather an advocate of small business, and small educational institutions, and small communities. I have said time and again that I would much rather see a thousand insurance companies with four million dollars in assets than one insurance company with four billion. I would rather see a hundred steel companies than one United States Steel Corporation. I would rather see a thousand banks than one National City Bank.

You know the reason for that? Every one of those small institutions gives some two or three men a chance to be "big shots" in their communities. When you go to the National City Bank or the United States Steel Corporation or the Metropolitan Life Insurance Company, you will find one "big shot" and a hundred or so vice-presidents—vice-presidents—vice-presidents. So many vice-presidents that you can't tell how the institutions run.

I believe that an institution such as this will contribute more in the long run to the welfare of this great nation of ours than any other thing that is in this country at this time.

Facing Greatest Age in History

You know I am an optimist so far as the United States of America is concerned. I think it is the greatest country that the sun has ever shown upon, and I think it is facing the greatest age in its history. And I think that is due to the fact that the country is going to be in the hands of you young people here before me today who are going to carry on in the tradition of the great man who was a trustee when he became President of the United States, the man who helped to institute the greatest government in the history of the world — a government, as I have said time and again, which has a diffusion of powers and which prevents any one man or any one group of men from gaining absolute control. Sometimes they think they have control, but it has never turned out that way—and it never will.

Now I can't tell you how very much I appreciate the honor which you have conferred upon me. I can't tell you how much I appreciate it, but from the bottom of my heart I thank you.

The Debt Reduction Program

(Continued from page 3069)

ties eligible for bank purchase and the market rose (yields declined).

"The heavy current and prospective withdrawal of funds by the Treasury from the Government deposits in commercial banks in order to pay off maturing debt, and the fact that this reduction in Treasury deposits was not offset by gains in private deposits as had occurred during the war, caused some banks to sell intermediate-term Governments (usually at good profits) and forced all banks to consider the effect on their portfolios of substantial retirement of short-term issues. Also, since a part of the maturing securities were held by the Federal Reserve Banks, the commercial banks had to transfer more to the Federal than they received back on maturing issues held by them and their customers. In technical terms, reserve balances were reduced and this had a tightening effect on the money market. The Federal Reserve Banks relieved this pressure by purchasing bills and certificates to replace the redeemed issues held by them.

"The banks have not, of course, been the only influence in the market. The prospect of a balanced budget and of an indefinite period of time before new Treasury offerings of long-term issues would be available, led to a bidding up of the price of these issues, and speculative buying accelerated the rise. As in all markets where speculation is important, the movement probably overreached itself. In any event, the sobering fact that a large potential supply of Government issues was being carried by means of bank loans led many investors to defer further purchases of the long issues at the high prices reached. Moreover, some institutional investors had been obtaining funds to buy long issues by selling intermediate bonds to the banks, and when many of the banks stopped buying and did some selling of such issues because of heavy war loan calls, this shift to the longer issues by other institutions was also curtailed. Thus a combination of influences has been operating in the market—changes in the liquidity requirements of the banks and in the outlook for short-term rates, speculation, changes in institutional demand, etc. Out of the unsettlement came the elimination of the preferential discount rate, the removal of the limit of one-quarter point on changes in the price of a Treasury bond in any one day, and a clear statement by officials of the Federal Rererve System that the ⅞%-2½% pattern of interest rates will be maintained.

"Another aspect of the debt reduction program has to do with the broader effect on the economy and particularly the importance of the program as an anti-inflationary weapon. The fact that the funds now being used to retire debt were obtained by sale of issues in the Victory Loan means that the current program of the Treasury is in reality a refunding program and not a debt reduction program. Moreover, a large part of the funds obtained in the Victory Loan were a result of indirect bank participation in the Drive. During the period of the Drive the commercial banks purchased about $6 billion of Government securities and also substantially increased their loans on Governments. Thus retirement of debt must proceed to the point where over $6 billion of debt held by the banks has been redeemed before the inflationary potential built up during the Victory Loan Drive has been undone. It appears that this point will be reached in the June redemptions.

"Even after the cancellation of the bank credit expansion that occurred in the Victory Loan Drive, the debt retirement does not currently have an anti-inflationary effect on private purchasing power. A refunding program, involving the sale of long-term issues to the nonbank public and retirement of short-term debt held by the banks, is anti-inflationary because a part of the cash accumulations of the public are channelled into Government bonds and private bank deposits are reduced. But under the current program the reduction in private deposits occurred several months ago, and what is now being reduced is simply an idle Treasury deposit. It is, however, better that the Treasury deposit be used to pay off debt than to meet larger expenditures.

"A true anti-inflationary program by the Treasury, aside from the question of the level of interest rates, has two facets. One is an extension of the refunding program, involving the sale of new long-term issues to nonbank investors to the extent that such investors will absorb them, using the proceeds to retire short-term debt as it matures. The other is a retirement of short-term debt out of a surplus of receipts over expenditures. The latter is the only program that actually means a reduction of the public debt. Current forecasts are that the Federal budget may be balanced in 1947. The general economic environment would seem to require a large excess of receipts over expenditures as a counter-inflationary measure. The country should be thinking in terms of a $5-10 billion surplus, not merely a balanced budget."

UN Lays Another Egg

(Continued from page 3054)

The report's data "supporting" the finding that even a "potential" threat to peace exists, is replete with dubious reasoning, colored by political inconsistencies. For example it is stated as a basic conclusion that "the allegations against the Franco regime involve matters which travel far beyond domestic jurisdiction and which concern the maintenance of international peace and security, and the smooth and efficient working of the United Nations as the instrument mainly responsible for performing this duty." But the foremost proponent of these charges, namely the Soviet government, surely has itself much more violently and effectively played just this role, in seizing territory and power all over Europe, and in infiltrating into the sovereign nation of Iran. Moscow's contribution to the "smooth" working of UN has been strangely demonstrated in objecting to every cooperative measure at Yalta, San Francisco, Potsdam, London, Paris, and here at Hunter with her initiation of the filibuster-walkout technique.

Also, Franco's wartime attitude toward the Axis powers is a basic item of the quasi-guilt finding. But what of the Soviet's corresponding record? As copious quotations from Franco's past correspondence with Hitler and Mussolini are offered in this report, it seems relevant likewise to cite some of the concurrent dicta from the sainted men of Moscow. The following pronouncement did not emanate from Madrid, but from the lips of M. Molotov in Moscow, in October 1939: "Ideological wars are reminiscent of old religious wars . . . that brought economic ruin and savagery; . . . a war of this kind has no justification whatsoever; . . . the ideology of Hitlerism, like any other ideological system can be accepted or rejected—that is a matter of view . . . everybody will understand that an ideology cannot be destroyed by force . . . **Therefore it is senseless and criminal to wage a war for the destruction of Hitlerism, covered by the false banner of a struggle for democracy.**"

V. Molotov

Similarly inconsistent is Moscow's currently announced intention of adopting diplomatic relations with President Peron of Argentina—scarcely imaginable as a noble ideological act.

To act logically, perhaps the General Assembly should establish a subcommittee to investigate Russia—at least her right to membership in UN!

* * *

Exit Mr. Stettinius

Wholly irrespective to what degree Mr. Stettinius' resignation resulted from his progressive demotions since he was Secretary of State, his departure highlights the general question of the independence of the U. S. representative—both *per se* and relative to the delegates of the other nations. To Security Council observers, it has seemed that Mr. Stettinius completely lacked both the vigor and enthusiasm which he so constantly displayed at San Francisco. Apart from the factor of his bad health, while he was not quite playing a messenger-boy role he has appeared to be completely hamstrung by orders. Thus during much of the give-and-take extemporaneous debate, often brilliantly engaged in by supposedly lesser lights such as Hodgson, Van Kleffens, and Lange, the American delegate remained exasperatingly inhibited.

E. R. Stettinius, Jr.

The delegates of all nations act to some extent "under wraps" pursuant to instructions from home—such instructions ranging from broad outlines of policy to specific details, as in the "marching orders" given to Mr. Gromyko. Such an amorphous relationship is bound to harbor dissension. For example, the Australian liaisonship has continually appeared to embrace internal jealousy. In San Francisco the colorful and voluble Foreign Minister Evatt stole the show from his fellow-delegate, Prime Minister Forde, to such an extent that the respective personal entourages of the two gentlemen were scarcely on speaking terms. Here at Hunter the earlier proceedings were materially enlightened and enlivened by the Australian Hodgson's vigorous statements and resolutions—both direct and in repartee. But to what extent Col. Hodgson operated on his own was not easily determinable—for he himself passed the word that his home office only was apprised of his doings by delayed cable; while on the other hand, Foreign Minister Evatt on his arrival here last week created the impression that he himself had been "keeping a tight rein" on both Hodgson and the able Paul Hasluck.

Herbert Vere Evatt

The Polish delegate, Mr. Lange, is perhaps jointly influenced by Warsaw and Moscow; but such restriction appears to be limited to fundamental policy; giving him free rein to persist in lengthy, able, and frequently humorous dialectics.

It appears that Messrs. Cadogan of U. K. and Van Kleffens of the Netherlands have manifested a happy medium of home-control policy. They have exhibited rare ability in debating legal points and in making extemporaneous decisions and compromises, seemingly based on continuing deep rooted understanding of their respective nations' concept of sound policy.

Of course, the *reductio ad absurdum* in the home office-delegate relationship has occurred in the "liaisoning" of the unfortunate Hassein Ala with his government in Tehran—with his final "scuttling."

* * *

Inconsistencies Regarding International Trade

The Preparatory Committee meeting for the much-heralded International Conference on Trade and Employment will definitely convene in London on October 15. The lofty aims propounded by this group, however, highlight the sharp and basic inconsistency between the current ideals being propounded for the liberalization of international trade on the one hand, and on the other the entire array of proposals being brewed in the Economic and Social Council, and within various member countries, for steering the world in the opposite direction.

For example, the Council's own Economic and Employment Commission in its formal report last week advocated as a major tenet the distribution of the world's raw materials on the basis of need—rather than of ability to pay. **International WPA technique for which governmental and intergovernmental planning is strictly indispensable!** Central planning and authoritarianism on a worldwide scale will likewise be necessary for the implementation of the giant international relief and rehabilitation operations that are being fostered.

Even the American economy, which is less Socialistic than most of the other nations of the world, is domestically operating under so many controls, that our pleas for the relaxation of the barriers to world trade, are no more than high-sounding lip service. For example, our OPA price controls, make the continuance of restrictions on both exports and imports indispensable. In England the coal and steel industries are being nationalized; ensuring the control, through subsidy or otherwise, of these industries' exports. Her Socialist government has abolished a free market in cotton. And, as Harold Wincott so ably points out in his article from London in this issue of the "Chronicle," the Labor Government's basic philosophy is completely opposed to internationalism in finance.

So the agencies of UN itself, as well as the member nations, must change their controlling current philosophies, if the International Trade Organization, or any similar efforts, are to have any semblance of significance.

* * *

Political and Ideological Differences Besetting Economic Council

Already at this early stage of its career the Economic and Social Council is running into a bevy of squabbles springing from nationalistically differing interests and ideologies. One altercation has been started by Russia's opposition to the goal of freedom of information. This was expressed vigorously at an open session last week by Nikolai I. Feonov, the Soviet delegate. He criticized Mrs. Roosevelt's recommendation for a special sub-committee to promote freedom of the press and of general information; thus demonstrating the unyielding technique of Russia's officials conducting themselves—even in quite unimportant phases—as proponents of particular national policies, instead of idealistic world citizens. In fact, Mr. Feonov frankly came out with his opinion that the Commission would be very much "stronger" if its members were to act as the representatives of their respective Governments.

Another matter which has set off an altercation is the proposed assumption by the Economic and Social Council of the administrative functions which the defunct League of Nations formerly performed respecting international loans. Inclusion of this on the Council's agenda was objected to at length by the Soviet delegate on several technical grounds. Significance is added to this disagreement by the connotation that Russia's traditional feud with the League will similarly govern her attitude toward all other matters relevant thereto.

Again the labor agitation respecting representation for the left-wing Soviet-supported World Federation of Trade Unions, has come up. It will be recalled that this matter, with particular reference to the conflict with the A. F. of L-backed International Labor Office, was fought over at great length both in London and San Francisco. The CIO's representatives and Soviet elements agitated for full representation of the WFTU, despite the fact that it is not an intergovernmental agency like ILO. In any event, an agreement has just been signed, providing for the latter's affiliation with the UN as a specialized agency. But this, of course has not stopped continuing agitation by the WFTU, as is witnessed by this week's voluble outburst by Sidney Hillman reiterating the CIO's renewed demand for UN power.

Nationwide Strikes Are a Sword Over Our Heads

(Continued from page 3069)

playing their parts. The distinct advantage of this co-operative economy is shown by the fact that the average person today has command over about ten times as many goods as during the period of family self sufficiency early in our history, while the working schedule has been cut in half. But our system is a delicate mechanism that can easily be disrupted when attacked at vulnerable points, such as transportation, electric light and power, mining, water supply, sanitation, and the distribution of food. Soft coal, for instance, supplies fuel for about one-half of the factories, two-thirds of our electric power, and practically all of our locomotives. Areas so vital to the life of the country should be effectively protected against interruption.

"It has been said that you cannot 'dig coal with bayonets,' and you cannot force people to work. Because of the implication involved, this is a specious and dangerous doctrine as it entirely ignores the fundamental concept that society rests upon an implied contract that all groups will co-operate for its welfare. In fact, this is the basic law of civilization itself. It naturally follows, therefore, from the essential nature of organized society that no group through concerted action should have the power to threaten or to interrupt facilities that concern the health, safety, or welfare of the nation.

Crisis Outgrowth of Union Coddling

"The current crisis did not spring up overnight but is the outgrowth of more than a decade of pampering and coddling labor unions and granting special rights and privileges which were incorporated in legislation, particularly in the Wagner Act, which is known as the Magna Carta of Labor. This act is grossly one-sided for under its provisions labor leaders can with impunity violate collective bargaining contracts while management, on the other hand, is held strictly accountable and is subject to severe penalties for violation. The granting of special judicial privileges breeds contempt and disrespect for law and government.

"This legislation coupled with general indifference on the part of our officials and the American people permitted the forging of a vicious weapon, which was seized by reckless and irresponsible leaders, who, puffed with power, and with callous and brutal disregard for the life of the community, attempted to club the American people into submission in order to gain their selfish ends.

"When any group becomes so powerful that it can rise above the fundamental law of the land, society is on the borderline of disintegration. When that stage is reached there rapidly follows the 'man on horseback' under whose regime all vital personal rights would be scrapped and the labor unions abolished.

"It is to be hoped that the terrifying experience we have passed through will shock the American people out of their lethargy and that an aroused public opinion will insist upon the Government's safeguarding the public interests so that never again will it be possible for any individuals or groups to throw down the gauntlet and challenge our society.

"The President has requested Congress to enact stringent legislation to meet the emergency situation and to recommend a long-range program on labor relations. Consideration will undoubtedly be given to the overhauling of the Wagner Act, to make labor unions legally and financially responsible for the violation of their contracts, as now applies to management, as well as to outlaw any strike in industries dealing with the essential needs of the community. Provisions may also be made for enforced cooling-off periods in labor disputes, and for compulsory arbitration in case mediation fails.

"There is danger that under emotional stress and public pressure reactionary legislation may be imposed which would not only be unworkable but might be the cause of endless friction. Hence the necessity of our legislators proceeding with judicious calm but keeping uppermost in mind the protection of our common welfare.

"On the other hand, leaders of labor should now fully realize that the interests of their groups are inextricably interwoven with those of the public and that, in consequence, labor gains and betterments must be won within the realm of public welfare and not by placing special above general interests.

Legislation No Final Remedy

"While sound legislation accompanied by courageous enforcement will be helpful in dealing with the critical industrial problems, in itself it will not provide the necessary protection against assaults upon the life of the community. In the final analysis, the most effective safeguard is to be found in the spirit, high sense of social responsibility, and loyalty of people and Government officials to the underlying principles, traditions, and ideals of the country.

"On the other hand, we find that emphasis has been placed upon rights instead of duties, wages rather than output, spending without regard to means of payment, and group interests above the general welfare. For more than a decade we have been dominated by the false philosophy that the Government should play the part of Santa Claus and guarantee security and an abundant life to all, while pressure groups were encouraged to make shameful raids on the Treasury to get their share of the spoils. The Government has become an instrument to grant special favors and privileges to groups rather than a protector of common interests. In consequence, the nation has been split into classes that tear and weaken the fabric of our society. Thus, when the crisis came we were helpless to protect ourselves.

"The survival of private enterprise and our democratic form of government is dependent upon an over-all constructive approach to our challenging problems. We must find a basis for co-operative action in the areas of common interests, which fortunately are more numerous and fundamental than the fringes of disagreement among the various groups. Above all, we must join forces in being eternally vigilant to safeguard the public interest against assault from any source."

Municipal News and Notes

This week the municipal market continued to improve, after its steady retreat from an all-time high set in early April, the long-term bond index recording an advance for the second week in a row. It appears that the market is once again heading for untroubled waters after the strike furore and the approach of a new trial period for long-term government issues, tending to encourage a period of watchful relaxation. Main attention is being focused on the new issue market with initial reception reported generally good. Some market issues were marked up by a few basis points and there has been reflected an underlying optimism, due to revived interest among buyers. Corporate holders of Victory loan flotations are now beginning to come under the long-term capital gains provisions on these government bonds. It is reported that little pressure has been exerted in the past few weeks from individual holders of the bonds, with recent trading generally light and of a professional character.

The calendar for this week was light, calling for only about $15,000,000 and the visible supply for the next month will not aggregate over $70,000,000, although there is considerable talk of new large issues which are expected to eventuate in the near future. Among these is a $78,000,000 flotation for the City of Philadelphia, in addition to the over $29,000,000 already on schedule for that metropolis. Allegheny County is expected to seek bids on over $30,000,000; various Ohio local units have authorized at recent elections more than $70,000,000 of bonds, and the Washington Bridge Authority plans to rebuild the Tacoma Narrows Bridge at a cost of about $8,500,000.

Although dealers' shelves are now well stocked, since even a short dull period will pile up supply, it is hoped that the newly kindled interest on the buying side will shortly deplete the old inventory and permit the absorption of the newly contemplated emissions. Currently dealers are advertising approximately $120,000,000, a figure considerably higher than a month back. It is an accepted fact that the large life insurance companies are not buying municipals in any way near the volume that formerly prevailed, their portfolios showing drastic decreases in municipals as compared to other bond holdings. Foreseeing a great amount of local government financing in the next decade, municpal bond dealers are hoping that a closing of the yield spread will be made between Governments (with their Federal income tax factor), and municipal obligations.

Cities Spend to Attract Industry

Legislation authorizing municipal bond issues to finance the acquisition of buildings for lease to private industry, use of city funds for industrial advertising and promotion, and special taxes to maintain city development commissions are cited as examples of the new nation-wide interest in cities in attracting peacetime industry, a report of the American Municipal Association says.

City promotional activities are being initiated on both state and municipal levels. Twenty-three states have enacted legislation enabling cities to engage in industrial promotion and direct advertising of municipal advantages. New legislation in Kentucky becomes effective June 15.

Cities are publishing promotional pamphlets designed to attract enterprise and boost existing industry. Several, including Cambridge, Mass., advertise directly by mail. City-financed industrial commissions, some supported by small industrial levies, exist in Salina, Kan., Kearney and Paterson, N J, Rochester and Utica, N. Y., Iron Mountain, Mich., and several Texas cities. San Antonio, spends some $100,000 annually for promotion.

Statutory limitations on promotional expenditures by cities vary in different states. In Rhode Island, no more than ¼ to 1 mill a dollar of taxable property valuation is permitted, while Michigan cities may spend up to 4 mills a dollar.

Iowa Plans Big Highway Program

Governor Blue announced recently that Iowa plans to spend over $100,000,000 on highway construction by the end of 1948. He said that $45,529,000 will be spent on the primary road system, and $60,546,000 will be spent on secondary roads.

Besides the $106,000,000 in sight, Governor Blue pointed out that the State may obtain an additional $18,000,000 from a one-cent gasoline tax increase imposed by the 1945 State Legislature, but now being challenged in the courts. If this extra cent of tax is upheld, he said the expenditure for Iowa roads in the next two and a half years can go to $124,000,000.

The Governor said the program would exceed the primary paving program originally begun with the voting of $118,000,000 of bonds by 98 of the 99 Iowa counties.

He said the $33,000,000 of Federal post-war highway aid available to Iowa by 1948 can be matched for two years from present funds, and that the 1947 Legislature will have to provide money to match Federal aid for the third year.

Two More States to Seek Veterans' Bonuses

Joining the ranks of those States who seek to remember their young men who served the country during the late and unlamented World War II, are Louisiana and Michigan. A proposed State constitutional amendment was introduced in the Louisiana Senate, to clear the way for an $80,000,000 bond issue for such bonuses. If approved by the Legislature it is to be submitted to the voters at the election next November. Governor Kelly of Michigan is being urged to call a mid-summer session of the State Legislature for the same purpose.

Ontario to Sell $30,000,000 Issue

Arrangements have been completed with a large syndicate for the sale of a new issue of $30,000,000 Province of Ontario serial debentures, it was reported on May 31. The issue, to be sold at par and accrued interest, comprises $5,000,000 of 2⅝% bonds, maturing $500,000 annually from 1957 to 1966; $20,000,000 of 2¾% bonds, maturing $2,000,000 annually from 1967 to 1976, and $5,000,000 of 2½% bonds, due 1947 through 1956. Proceeds are to be used for refunding purposes.

BIDS WANTED

A RESOLUTION

DIRECTING THE PUBLICATION OF A NOTICE INVITING PROPOSALS TO PURCHASE $5,700,000.00 OF PUBLIC IMPROVEMENT GENERAL REVENUE BONDS OF THE CITY OF SAN ANTONIO, TEXAS.

* * *

BE IT RESOLVED BY THE COMMISSIONERS OF THE CITY OF SAN ANTONIO—

1. That sealed bids addressed to the City Clerk of the City of San Antonio will be received at the office of the City Clerk of the City of San Antonio in the City Hall, San Antonio 5, Texas, until 10:00 o'clock A. M. on the 27th day of June, A. D. 1946, at which time and place bids will be opened for the sale of all or any part of $5,700,000.00 of Public Improvement General Revenue Bonds to be issued by the City of San Antonio, Texas, and dated the 1st day of July, A. D. 1946, said bonds being in series and numbered as follows:

A-45 INTERREGIONAL HIGHWAY BONDS	$1,750,000.00
B-45 AIRPORT ADMINISTRATION BUILDING BONDS	1,500,000.00
C-45 STREET AND BRIDGE BONDS	2,000,000.00
E-45 GARBAGE DISPOSAL BONDS	300,000.00
U-45 FIRE STATION BONDS	150,000.00

2. The Bonds are of the denomination of $1,000.00 to mature within a period of 20 years, to be paid serially in yearly installments, as nearly equal as practicable, to bear interest from date of not more than 2½ per cent per annum, payable semi-annually.

3. Both principal and interest are payable at the office of the City Treasurer in the City of San Antonio, or at the fiscal agency of the City of San Antonio in New York, N. Y.

4. All proposals shall be made on bid forms furnished by the City Auditor, and accompanied by a Cashier's check for $10,000.00, payable unconditionally to the City of San Antonio to guarantee the performance of the proposal.

5. The Bidder shall state the rate of interest at which the Bonds are proposed to be bought, not to exceed 2½ per cent, and the premium, if any.

6. The Bidder shall pay for the opinion of approval by Chapman & Cutler, Attorneys-at-Law, of Chicago, Illinois, but the City will pay for the printing of the bonds, and the City will furnish the opinion as to the legality of the bonds by the City Attorney and the approval of the Attorney General of Texas.

7. Bonds are to be delivered and paid for by the City Treasury in San Antonio, Texas.

8. No bid for less than par and accrued interest to date of payment, into the City Treasury, will be considered.

9. The City reserves the right to reject any and all bids.

10. Further information relative to this sale may be obtained on application to the City Auditor of the City of San Antonio, City Hall, San Antonio 5, Texas.

PASSED AND APPROVED this 23rd day of May A. D. 1946.

GUS B. MAUERMANN,
MAYOR.

ATTEST:
FRANK W. BRADY,
City Clerk.

Are Reputed Shortages a Mirage?

(Continued from page 3059)

proximately one half of the total output. Again the question naturally arises—where are all these goods going?

The current situation is a vivid reminder of what happened in 1919 and 1920. In my opinion the pattern of those two years is being exactly reproduced with the same destructive possibilities which we witnessed in the summer of 1920. The strongest claim which the Office of Price Administration is making for its continuance is that it is preventing inflation and the eventual economic collapse which inflation always brings. The evidence which lies all around us proclaims to the contrary.

OPA Frightens Public Into Buying

In its attempt to induce public support, OPA preaches continually the doctrine of scarcity. Only by frightening the people into the acceptance of this belief can it keep before them the spectre of possible inflation. Once the public has accepted generally the psychology of scarcity the first condition is created which guarantees scarcity. People who have goods to sell develop an exaggerated opinion as to the value of their goods. On the other hand, people who wish to buy give exaggerated expression to their demand for goods and are always eager to obtain them irrespective of need, of price, or condition of sale. In betweeen these two attitudes the intermediary processors and handlers of goods respond to their speculative instincts with the result that goods are accumulated for future price increases rather than released for immediate consumption. The psychology of scarcity alone is able to produce these results but they are being intensified still further by the procedure of price making followed by the Office of Price Administration.

Under OPA, prices of any given commodity are increased by short hitches at irregular intervals. The price curve is not unlike an unevenly constructed staircase. Under war conditions and postwar conditions alike, costs creep upward steadily and gradually. Price adjustment to these steadily increasing costs is resisted by OPA until a certain breaking point is reached and then granted. But the inevitability of the price adjustment is apparent to sellers long before it is allowed. During this period of anticipation sales are reduced or minimized and, in some cases, disappear altogether. The eventual price increase, when it comes, will break the long-jam temporarily and then comes another long season during which the channels of distribution again run completely dry.

OPA Leading to Use of Subterfuges

But this irregular and interrupted flow of goods to the consumer is not the only consequence of the present system of price control. There has developed throughout the industrial and business community of the entire country a new and previously undreamed of set of methods in the trading of commodities. I am not here referring to the so-called black market but to the system of circuitous subterfuges which are legal in themselves but which would not be tolerated for an instant in any soundly operating economic system. Distribution is being encumbered by every conceivable type and variety of sales condition. In many instances, money transactions are completely eliminated. Crazy and uneconomical barter arrangements are set up. In passing from one level of processors to the next or from one group of distributors to the next, goods are often traded two or three times in place of the single trade which once sufficed. Alongside the usual channels of distribution have been built all kinds of auxiliary reservoirs and detours which have the dual effect of increasing costs and prices on the one hand and retarding the flow of goods on the other. Over the entire area of industry and trade men are being forced into the use of these questionable devices in order to remain in business. This development has become a mighty sinister force striking at the very heart of business morality in America.

The Black Market

The final consequence is the black market which has slimed its way into every corner and crevice of the economic system and which every consumer above the age of 12 has had occasion to observe for himself. To one who believes that the welfare of the country and the salvation of its people depend on honest incentive, straightforward dealing and free competition, the spectacle is truly terrifying.

Yet, all of these developments have been conceived, nourished and brought to full fruition under a system of government controls which are described as essential to the protection of the American people. In fact, the appeal to the people for their continuance has taken the character of a holy crusade.

Yet the evils which I have referred to are not necessarily testimony against price control in principle. They are testimony against price control as it has been administered. It is not necessary that prices be determined by formulas derived from conditions of ten years ago. It is not necessary that price regulations be delayed from two to six months after their need has been recognized. It is not necessary that the price of one commodity be made to bear the burden of cost of another commodity. It is not necessary that the price of a finished product be used as a means of regulating the value of its raw material. It is not necessary that prices be so constructed as to force the transfer of production from one commodity to another for the sake of obtaining a higher profit. It is not necessary that legal interpretations of existing or imaginary laws be placed above economic facts in the determination of prices. A distorted objective, a short-sighted procedure, can destroy the value of the soundest principle in government policy.

Conditions Similar to 1919-20

Comparing the present situation with that which existed in 1919 and 1920 we find little to contrast but much which is similar. Then, as now, costs and prices were moving up. Then, as now, all essential goods appeared to be extremely scarce. Then, the reputed scarcity turned out to be a mirage. What will it be now?

In the spring of 1920, sugar was supposed to be about the scarcist commodity in the world. It was wholesaling at 25c a pound and orders were being taken for delivery within 12 months. A special commission was set up by President Wilson to investigate the sugar situation. Open hearings were held in New York. All of the sugar experts testified. The commission reported officially that the sugar scarcity was real and that the housewives must resign themselves to the extremely high prices and the great scarcity for at least another year or two. With a few weeks after the issuance of this official report the price of sugar broke and went down to 8c a pound. Sugar appeared from all quarters in mountainous volume. Warehouses, attics, basements throughout the entire metropolitan areas disgorged sugar. Scores of barges in New York harbor were found to be loaded with sugar. The American Sugar Refining Company closed down completely and did not refine a pound of sugar for a period of six months, waiting for the American public to consume the enormous surplus.

Precisely the same experience was had with respect to silk. It was thought to be as precious as gold. It was transported across the country in armored cars accompanied by guards. It was priced in the neighborhood of $20 a pound and almost impossible to get at that figure. And then all of a sudden the truth was discovered regarding silk. The markets were suffocated with silk. Silk dropped to $3 a pound. Within a period of a few weeks almost exactly the same fate befell every other basic commodity, leaving in its wake demoralized markets and a chain of bankruptcies. Prosperity and artificial scarcity overnight were replaced by depression and unmanageable surpluses.

The lesson for us today should be obvious. The appearance of scarcity is not proof of scarcity. Under conditions of rising prices goods will appear to be scarce when as a matter of fact the actual supply could be far in excess of current needs. The most dangerous cloud on the economic horizon today is the Philosophy of scarcity and the procedures which are being followed by Government to nourish this philosophy and give it the appearance of reality. The entire productive capacity of America has been operating at record heights and under peacetime conditions for a period of nine months.

The Loan to Britain—A Part of Larger Program

(Continued from page 3061)

economic cooperation as well as on poltical cooperation. That principle this government has recognized by its participation in the measures thus far adopted for world economic cooperation. The Congress, and in particular this Committee, has assumed leadership in a program of world economic cooperation by approving membership in the Bretton Woods Institutions and by the provisions of funds for the Export-Import Bank. The Congress has also shown the desire of this country to participate in cooperative economic measures by approving the inclusion of economic as well as political provisions in the charter of the United Nations, and by generously providing for our participation in the United Nations Relief and Rehabilitation Administration.

By these actions, and by declaring it "to be the policy of the United States to seek to bring about further agreement and cooperation among nations and international bodies, as soon as possible, on ways and means which will best reduce obstacles to and restrictions upon international trade, eliminate unfair trade practices, promote mutually advantageous commercial relations, and otherwise facilitate the expansion and balanced growth of international trade and promote the stability of international economic relations," the Congress has served notice that never again will this country stand by while the world develops the weapons of economic warfare.

U. S. in Leadership of World Cooperation

This program of world cooperation can succeed only to the degree in which it obtains the wholehearted participation of all our Allies, both great and small, both Eastern and Western. This country can and must exercise leadership—it cannot do the job alone.

Unless the greater part of the world joins with us in the reduction of tariff barriers, in the elimination of preferences, in the removal of export and import quotas, in the reduction and ultimate removal of exchange and and currency restrictions, the world will continue in a state of armed economic truce. An armed economic truce will not persist any more than will an armed military truce. If the world permits the armaments of economic warfare to be forged, occasion will be found for their utilization. If the world permits economic blocs to be created, the economic blocs will war with each other.

World economic peace and cooperation are dependent on world recovery. A hungry world will not be a peaceful world. World economic stagnation cannot lead to peace.

Our program for world economic cooperation must be a program to assist in world economic recovery. It is for this reason that the International Bank for Reconstruction and Development was established. It is for this reason that additional funds were provided for the Export-Import Bank and that another increase in those funds will be requested by the Administration.

Financial Agreement an Important Step

The financial agreement before this Committee is another and important step in promoting world recovery. Great Britain still occupies a key position in world trade. Its recovery from the effects of war is an essential and integral part of world recovery. Unless its recovery can be expedited, world recovery will lag.

The world needs British cooperation in the economic field as well as British recovery. Because of its contribution to the defeat of the enemy, Great Britain now finds itself with insufficient foreign exchange and foreign exchange producing assets to buy food and other necessities of life. If it is to participate wholeheartedly in the common effort to build a world economy based on open competitive trade, it must be given financial assistance now.

If the loan is made, the United Kingdom should be able to meet its needs and at the same time cooperate with this country and the other nations of the world in developing an international trade program free from unnecessary controls and restrictions. Otherwise, the British will be forced to try and meet their needs within the Empire and the rest of the sterling area. They will be forced to conserve foreign exchange by continuing and expanding their system of bilateral payments agreements. While it may be that the British cannot indefinitely continue the dollar pool, the continuation and extension of the far-reaching system of currency and trade agreements would result in the creation of a strong sterling bloc, and this would be a matter of grave concern to the future peace of the world.

Because of the position of Great Britain in world trade, the continued existence of a strong sterling bloc would inevitably result in the establishment of other competing economic blocs. The possibility for division and strife would be enormously increased. The possibility of building a lasting peace would be correspondingly diminished.

Other Steps Are Necessary

While this loan is an important step in making world recovery and world cooperation possible, other steps are equally necessary. Loans to many other nations are equally necessary if the world is not to be divided against itself. I am just as much opposed to an Anglo-American bloc as to a British bloc which excludes us. I am just as much opposed to an Eastern bloc as to a Western bloc. It must be our foreign economic policy to promote economic recovery in the East of Europe as well as in the United Kingdom.

This agreement is in the interest of this country, of Great Britain and of the entire world. By speeding British recovery, it will make its contribution to world recovery. By securing from the the British their agreement to remove currency restrictions and to cooperate in removing other trade barriers, it will promote world trade unity and economic peace.

The extensive trade and financial controls in existence during the war were necessary in order to mobilize exports and imports for war purposes. Their continuation in peace time tends dangerously to divide the world and impedes the expansion of world trade.

Import and export quotas, preferential tariffs, exchange controls, clearing agreements and barter arrangements diminish the total amount of world trade and the participation of this country in it. Multilateral trade, under which each nation can buy where it chooses and can sell where it finds a ready market, tends to expand trade. Bilateral trade, where each nation can only sell to other countries in the measure in which it buys from them, tends to restrict trade. The doctor who could only buy groceries to the extent to which he could find sick grocers to treat would likely be an underfed doctor. Doctors as a whole find less opportunity to practice their profession or would find themselves in possession of too little food and clothing and too much lumber and steel.

Every businessman who participated in foreign trade before the war knows that the same principles apply to nations as to individuals. American businessmen doing business in Latin America before the war found a desire for American goods beyond the ability of those countries to purchase. At the same time, they found those countries flooded with German harmonicas and similar commodities which the Latin American countries did not desire in quantity but which they had to take in order to sell their surplus products abroad.

Without Barriers World Trade Will Expand

If through world economic cooperation, we can succeed in removing trade barriers and thus create a world trading community, world trade will expand. This will supply us with markets for our surplus agricultural and industrial production limited only by our willingness to import, to invest abroad and to travel abroad.

Participation in world trade is necessary to the full economic well being of this country. Because of our size and because of our wealth in many natural resources, we may need world trade less than others. The experience of the 30's demonstrates that this country can enjoy moderate prosperity even when world trade is limited. However, none of us would willingly return to the moderate prosperity of the latter 30's. We all look forward to an America of greater prosperity, of fuller employment. To attain that America, we must not only continue our efforts at home, but we must also expand our world trade—our imports as well as our exports. As a nation of farmers, workers and businessmen, we have a direct economic stake in the expansion of world trade.

I am, of course, mindful that shortages at home mean that for the immediate future we must limit our exports in many fields. I am aware that for the present world needs and the ability of many foreign countries to finance them from their own resources will in many instances exceed our ability to supply those needs. The recent continuation by the Congress of the Export Control Law will enable us to take care of these temporary difficulties by a wise limitation of exports and at the same time to meet essential needs abroad by directing those exports to the areas of greatest need. While we must take account of this present situation, we must build our program for the period of abundance which will follow.

U. S. Has Surplus Production Capacity

Even now there are many fields in which because of the productive capacity built up during the war we can produce far in excess of foreseeable domestic demands. We can now produce more railroad equipment, machine tools and certain types of general industrial machinery than we can use at home. This will soon be true with respect to power and transmission equipment. We have quantities of cotton, tobacco and other agricultural products which are surplus to domestic needs, at the same time as most primary food products continue to be in very short supply. Some of the metals and heavy chemicals, crude synthetic rubber and other industrial raw materials can be currently produced in excess of domestic demands. While food shortages may be expected to persist for some time, there is an ever-widening area where industrial production is sufficient to meet all reasonable demands, both domestic and foreign, and the areas of restricted supply are constantly contracting.

Once our productive capacity catches up with deferred consumer and producer demands, we shall again look to foreign markets in order to exchange our surplus industrial and agricultural production for those products which cannot be produced at home as economically as they can abroad, or which cannot be produced at home at all.

Even in the period immediately before the war, export trade and production for export made significant contributions to the national income and to employment. During this period, when our export trade declined in terms of dollars to somewhat less than ⅔ of the 1929 volume, exports nevertheless contributed over 3 billion dollars to the national income and somewhat less than 2½ million jobs to national employment.

A Goal of $10 Billions in Exports

If our measures for international economic cooperation are even moderately successful and if maximum employment is maintained at home, an export trade of well over 10 billion dollars is in my opinion a possible annual postwar goal for this country. As a matter of fact, exports are now running at an annual rate of about 10 billion dollars. Current exports, however, include many items for relief and reconstruction which are being purchased in the United States only because other sources of supply are not yet available.

An export trade of the order of 10 billion dollars would mean about 4 million jobs directly related to the export trade. I am sure that all will agree that 4 million jobs would represent a significant contribution to achieving full employment.

This type of an export program can only be realized if the measures designed to establish multilateral trade free of unnecessary restrictions are operative. If the British find it impossible to cooperate in developing a world trade community based on the principles embodied in the Bretton Woods institutions and in the recently published Proposals for the Expansion of World Trade and Employment, the chances are that in the long run our participation in world trade will be much smaller and employment resulting therefrom will be correspondingly reduced.

Many of our industries which contributed much to employment in this country in the pre-war period are dependent in large part on a healthy export trade. Even in the period 1935-39 six percent of our production of passenger cars was exported while in the period 1936-40, about twenty-one percent of our trucks were sold on export markets. The production of these vehicles totaled about 600,000 units representing 118,800,000 man hours of labor, or about 110 million dollars in wages at 1938 wage levels. In addition, of course, large numbers of people were employed in other industries, such as the mining industries and the steel industries to supply the raw materials going into the production of these cars. It must also be remembered that the increased volume resulting from manufacture for export enabled the industry to reduce unit costs with enormous benefit to consumers at home.

While our exports of cotton have dwindled, in the five years previous to the war they averaged over 5 million bales a year, of which over 1 million bales went to the United Kingdom. Our cotton exports during that period represented nearly 40 percent of our total production. Of the 9 to 10 million people in this country dependent on a living from cotton, over 3½ million were in families deriving the major portion of their income from the export trade.

Many other industries were similarly dependent on exports. 42½% of our production of resin and 39% of our production of turpentine was destined for export markets, with a total value for all naval stores in 1937 of 19.7 million dollars. 37.5% of our tobacco production, of which 40% went to the United Kingdom, was exported from 1935 to 1939.

Without Anglo-U. S. Agreement, Exports Will Decline

As a practical matter, failure to approve the loan will reduce our exports below the pre-war level with far-reaching consequences for our economy as a whole, and in particular for those fields of production like cotton and tobacco where large numbers of people gain their employment by producing for export. This would not happen immediately, of course, because of pent-up demands the world over, and because many countries have substantial accumulated balances of gold and dollars. However, once the immediate period of world reconversion is over our export trade, particularly to countries whose economic position forces them to sell for blocked sterling, would be substantially affected.

How Loan Affects Domestic Problems

Questions are raised from time to time as to the effect of this loan and our total lending program on the problems immediately facing us at home. As a preliminary matter, it must be emphasized that the British can, if the loan is approved, draw on the credit over a period of 5 years. Considering the time that has already passed, it would appear that the British cannot spend during the current year as much as ⅓ of the credit even if their orders are promptly placed. Furthermore, our analyses would lead us to believe that over ⅔ of the amount which the British might expend in 1946 will be for commodities in easy supply, such as tobacco, cotton, petroleum, crude synthetic rubber, machine tools, some types of industrial machinery and some chemicals.

The balance, or ⅓ of the amount which we estimate may be expended in 1946, will be for items of which there is continuing scarcity and on which we maintain export controls, such as meat, fats and oils, grains, naval stores, lumber, wood pulp, and steel mill products. These commodities are so badly needed by the British that they would probably attempt to purchase them here even in the absence of the loan. The granting of the loan will not increase the allocations granted to the British by the Department of Agriculture and the Civilian Production Administration, and the continuation of the allocation and export license authorities will adequately protect our domestic economy from undue demands for these commodities.

The general inflationary aspects of our export program have been carefully considered by the Department of Commerce as well as by the other agencies represented on the National Advisory Council on International Monetary and Financial Problems, and by the Office of Economic Stabilization. I am in entire agreement with the analysis of this problem contained in Mr. Chester Bowles' letter of March 8, addressed to Mr. Clayton. My opinion is in accord with his statement that "there is no doubt that the foreign lending program will add somewhat to these inflationary pressures, but the influence will be small relative to the inflationary pressures already created by domestic forces."

In any event, any slight increase of inconveniences and shortages at home, as well as of inflationary pressures, represents part of the small price which this country must pay for world reconstruction.

All Controls Will Not Be Removed

In emphasizing the importance to world peace and world trade of the removal of controls which is contemplated in this agreement and in our entire foreign economic program, I would not want to be understood as holding the belief that all controls affecting world trade can be immediately or even eventually eliminated. The Congress has recently recognized the continued necessity during the coming year for the control over exports by the Department of Commerce. Some few import controls still persist in this country. Countries like the United Kingdom, who will still have to preserve foreign exchange even if this loan and the balance of our lending program are approved, must continue rather close import controls. The Bretton Woods agreements recognize that during the transitional period and perhaps thereafter some exchange controls will be necessary. This country is a signatory to commodity agreements in the case of coffee, sugar and wheat, all of which give recognition to the need for directing exports and imports in the case of commodities produced by many small producers where surpluses are chronic. The Proposals for the Expansion of World Trade and Employment provide for intergovernmental commodity arrangements when chronic surpluses develop in the case of primary agricultural and other raw materials. I am inclined to believe that similar arrangements may be necessary in the case of raw materials which because of depletion of natural resources on a world wide basis will be in chronic short supply.

Domestically, though we all favor free enterprise, we have found it necessary to regulate segments of our economy by legislation. While we shall continue to strive for an international economy as free as possible of controls, I am certain that some regulation by international agreement will prove necessary.

The danger to world peace and world trade from such controls as may prove necessary will be minimized if they are developed by international agreement. The restrictions which came into being before the war were dangerous because they were unilaterally imposed by individual nations without concern for the welfare of the world as a whole or because they were developed by private cartels to serve private rather than public interests.

The financial agreement before your Committee is a necessary part of the larger program for world recovery and world reconstruction. This agreement taken alone will not bring about world peace or world prosperity. The economic program of which it is a part is our chance, perhaps our last chance, to work together with the peoples and governments of the world to build a peaceful and prosperous world.

Our Low Interest Policy

(Continued from page 3063)

and, consequently, a lower level of taxation than would otherwise be possible. More important, low interest rates will be a stimulating force in the economy generally, as they will make it possible for the home-buyer to get more house value for each dollar of monthly payment; for State and local taxpayers to get more schools and more hospitals for their tax dollars; and for industrial concerns and public utility companies to get more plant for every dollar of their fixed charges."

That these are valid considerations—up to a point—most people will probably agree. The question upon which opinion differs is as to how far the argument can be carried. It is one thing, for example, to argue that a 4% interest rate is more generally beneficial to the economy than a rate of, say 7%, and another thing to argue that 2%—or even 1%—is better than [illegible]%. The fact that "low" interest rates benefit the taxpayer, the home-owner, and other debtors by reduction of interest charges is not the whole story; on this basis it might be argued that doing away with interest altogether would be still more beneficial. Recent statements by Chairman Eccles of the Board of Governors of the Federal Reserve System, opposing further decline in interest rates, together with intimations that the Treasury regards present rates as low enough, are recognition that there are two sides to the interest question and that interest rates have a function to play in the economic system.

The savings of interest charges to the Government, to business, to the mortgagor, and to debtors generally do not, of course, come out of thin air. They are a tax upon all who save. They come out of the pockets of people who have to pay more for life insurance or to build up pension funds, and from reduced incomes of persons dependent upon some backlog of savings, whether well-to-do or only just able to scrape along. They are at the expense of schools and colleges, churches, hospitals, and charitable institutions which, through endowment or otherwise, have become recipients of investment income.

While to a certain extent taxpayers, savers, investors, debtors, and creditors are identical—many taxpayers, for example, are also bondholders, and many mortgagors of homes are owners of life insurance—their interests as such are seldom the same proportionately. Any sharp decline in interest rates, therefore, involves human as well as economic problems. We need to think of those who lose as well as of those who gain from low interest rates, and to weigh carefully the social and economic effect of the unprecedented tipping of the scales against the saver and investor.

Life Insurance Costs Increased by a Sixth

A principal bastion of security to millions of American families is insurance on the life of the breadwinner. The costs of insurance are heavily dependent upon the level of interest rates, for premium payments go into reserves, and the compounding of interest on these reserves creates a large part of the benefits paid. On the basis of representative figures developed by Lewis W. Douglas, president of the Mutual Life Insurance Company of New York, in conjunction with his testimony before the Senate Banking and Currency Committee last December, it cost about a sixth more to provide a dollar's worth of life insurance protection in 1944 than it did in 1930. The gross rate of interest earned by insurance companies over this period declined from 5.31 to 3.57%, while the net rate, which allows for taxes and expenses, fell from 5.03% in 1930 to 3.09 in 1945.

This one-sixth increase in cost of life insurance amounts to a great deal of money, for policyholders pay $4 to $5 billion each year for life insurance protection. Moreover, data prepared by Mr. Douglas gave warning that the one-sixth would become a one-third increase in life insurance costs should interest rates drop another percentage point from the rate at which new life insurance investments were being made in 1944.

The breadth of distribution of this hidden tax of cheap money is indicated by the number of life insurance policyholders—some 60 to 70 million persons (against some 36 million individual income taxpayers)—and by the fact, brought out by a National Resources Committee study, that 86% of the families paying premiums for life insurance in 1935-36 received incomes of $3,000 or less. The individual income tax is progressive, on the "ability to pay" principle, and heavily taxes large incomes from whatever source derived. The hidden tax of cheap money strikes at rich and poor alike. Its discrimination is directed at those who save to provide for the future.

Pension Costs Up

Cheap money raises the cost of private pension plans—set up for the benefit of some millions of employees of business establishments, teachers, policemen, clergymen, and others. Based upon preponderance of numbers, together with limitations on maximum pension benefits, the man or woman on the lower rungs of the income ladder is chiefly affected. Thirty annual payments of $500—$15,000 in all—create a pension reserve of $29,240 when interest is earned at 4¼%. To create a pension reserve of this same size at a 2¾% rate it is necessary to contribute $640 a year rather than $500—28% more. This percentage, derived for purposes of illustration, is within the range of increases in pension costs actually experienced by private pension funds.

In some cases, conservatism in the establishment of original contractual rates of interest, surplus reserves previously accumulated, and a hold-over of higher yielding investments have delayed the rate of cost increase; but, where it has not already done so, cheap money must ultimately reduce the amount of pension obtainable per dollar contributed.

Individuals who seek to build up a "nest-egg" to supplement retirement income derived from an organized pension plan, to put a child through school, or to meet unforeseen contingencies, are discouraged by the slowness with which their funds accumulate, by the poverty of interest accruals. Instead of 4 and 5% on sound and secure investments, as fifteen or twenty years ago, the investor now is fortunate who can realize more than 3%. Interest paid by savings banks has dropped even more drastically—from 3½ and 4% to 1½ or 2%. Those who, aged or disabled, must provide for self-support from past savings, have found their incomes cut by a quarter, a third, or more, even without taking account of rising living costs and heavier taxes. It is here that cheap money has struck some of its hardest blows. Here, truly, is the "forgotten man."

Foundations Devoted to Social Welfare

The Carnegie Corporation of New York, which devotes its investment income to education, social welfare, and research, experienced a reduction in its endowment income from $6,637,072 in 1932 to $3,989,590 in 1945—40%. "Under such circumstances," stated the report of the president for 1944, "(the trustees) are convinced of their obligation to discontinue many continuing or recurrent grants as well as limit the number and extent of new ones." A book just published on "American Foundations for Social Welfare," by Shelby M. Harrison and F. Emerson Andrews of the Russell Sage Foundation, cites the experience of the Carnegie Corporation as a "probable typical" illustration of the severe curtailment of funds available for expenditure by the foundations.

The effect upon church pensions was indicated by the following comment by William Fellowes Morgan in his annual report as president of the Church Pension Fund of the Protestant Episcopal Church for 1940:

"The main problem with which we are faced, as in the last few years, is the problem of interest earnings. In 1939 the average earned income on the fund's reserve liabilities was 3.08%. The corresponding figure for 1940 was 3.01%. Both of these are below the assumed rate of 3½% used in the actuarial calculations."

Interest rates on long-term high grade investments have declined further since 1940.

Full Effects Not Yet Felt

Even if interest rates stop declining and hold their present levels, average rates earned on investments of life insurance companies, savings banks, pension and endowment funds, will tend to be depressed further by the maturity or calls for redemption of bonds purchased years ago when interest rates were higher. At the time of the outbreak of the Second World War in 1939, 13 of the 25 issues of United States Treasury bonds outstanding still carried interest coupons of 3% or more. Of the 13, eight have since been paid off or refunded into securities yielding considerably smaller return; two more have been called in for payment this month. Most of the Treasury bonds now outstanding carry coupons of 2, 2¼, and 2½%, and as these are selling at premiums, the return to the new purchaser is less than the coupon rates.

Corporations, States, and municipalities have followed in the footsteps of the Federal government and taken advantage of the lowering of interest rates. Corporate refundings alone reached nearly $5 billion in 1945. A study by the Federal Reserve Bank of New York indicates that interest rates on the refunding issues ran ½, ¾, or a full 1% less than the rate on the obligations redeemed; and many of the latter were themselves refundings of still higher rate obligations outstanding until a few years ago.

The Other Side of the Coin

All this is on the reverse side of the coin of cheap money. As the Secretary of the Treasury has indicated, cheap money—by lowering debt charges—may serve the people as taxpayers; likewise corporations, borrowers on real estate, and other debtors, may realize the benefits to the extent that they are debtors. On the other hand, the equally if not more numerous group of creditors—life insurance policyholders, pension contributors, savings bank depositors, beneficiaries of endowment funds—pay the price to the extent that they are creditors. While the situation is complicated by the degree to which "consumers, workers, and citizens" are both debtors and creditors, the interests of people affected adversely by low interest rates ought to be considered in determining what is good for the country.

Nor is the question solely one of equity, important though that is. The problem of the effects of cheap money is more far-reaching. One of the effects to be considered is the kind of investments people will seek and the consequences to the *quality* of investment portfolios and to the economy in general. If people and institutions cannot get reasonable returns on high grade investments they are tempted to try to make up the loss by going into investments of higher yield but lessened security and assured earning power. In the study, "American Foundations for Social Welfare" quoted above, it is noted that the "Current low yields of conservative investments are forcing a fresh consideration (by the Foundations) of the problem of safety vs. income, and apply a new and severe test to the principle of perpetual endowment." All investing institutions face the same problem.

For individuals not equipped to make judicious selections, the venturing off the beaten path of sound investments is particularly beset with peril. The fact that the low yields on bonds tend to be reflected in inflated prices in other markets—stocks and real estate—adds to the danger. The situation fosters a spirit of speculation which could have very unpleasant consequences in the long run.

Finally, and perhaps most important of all, there is the effect of low interest rates upon prices of goods and services and the cost of living. If interest rates are held down by expanding the volume of money and credit, the "gains" to the taxpayer may be lost through rising prices that increase the Government's other expenditures.

Low interest rates may not enable the home buyer to get more value per dollar, or States and municipalities more schools and hospitals for their tax dollars, or industry more plant per dollar of expenditures, if they promote inflation and higher costs of construction.

In short, low interest rates can be far from an unmixed blessing. In these times when so much emphasis is being placed upon the advantages of cheap money, it is important not to overlook or underestimate the disadvantages. Cheap money is an instrument requiring careful weighing of the balance between the two. As Elliott V. Bell, New York State Superintendent of Banks, recently stated: "There comes a point where cheap money ceases to be a bargain."

Rochester Tie-Up Ended

Following Administration indication that it would not retreat from its original position of refusal to recognize any union, the city-labor dispute flared anew on June 4 and Anthony A. Capone, President of the A. F. of L. Trades and Central Labor Council, has asked Harold Hanover, Secretary-Treasurer of the State Federation of Labor, to request the return of Frederick H. Bullen, the mediator who arranged a settlement on May 29, an Associated Press dispatch from Rochester (N.Y.) says.

The citywide labor shutdown in Rochester ended on May 29 when the joint AFL-CIO strategy committee accepted a city administration promise to negotiate with organized employees, so long as the union "is loyal to the United States, and does not claim the right to strike against the public," according to an earlier Associated Press dispatch, which also stated in part as follows:

City Manager Louis B. Cartwright's "statement of policy," which was accepted at 2:15 a.m. on the aforementioned date explained that the city administration will meet "with city employees or a committee of employees selected by organized or unorganized employees." Such committees may be accompanied by counsel. On this basis, the city would continue to refuse to negotiate with union leaders who were not city employees.

[Mention of the one-day shutdown, which on May 28 made approximately 30,000 unionists idle, was made in our issue of May 30, 1946, page 2930.—Ed.]

Stanhope Goddard Dies

Stanhope S. Goddard, associated with Hemphill, Noyes & Co., 15 Broad Street, New York City, died at his home at the age of fifty-five. Born in Pittsburgh, Mr. Goddard in 1921 opened an office there for the firm of Redmond & Co., in which he was a partner for four years. In 1925 he organized Goddard & Co. and a year later opened a branch office in New York. When this firm was dissolved in 1936 he joined Hemphill, Noyes & Co.

The Retailer and OPA

(Continued from page 3063)

I guess I am one. But", I insisted, "I am not a **greedy** lobbyist. I am a citizen first, and a merchant second, and only then a lobbyist."

I readily admit that in asking Congress and OPA to modify stifling price regulations in order to speed full production and thus fight inflation, the NRDGA is arguing for a special interest. But it is the special interest of all the consumers of the United States. We are not asking for removal of price controls; we ask only modification of those controls which serve to hamstring production. Our objective is full production because we know that only through full production can inflation be definitely prevented. And we retailers fear inflation more than we do Mr. Bowles' name-calling.

Retailers and Consumers Have a Common Interest

It is ridiculous to assume, as some spokesmen for OPA do, that retailers and consumers are on opposite sides of the fence in the matter of price and commodity control. We are on the same side of the fence because—and this is something you will do well to remember in the years to come—retailers who stay in business do so because they place the interests of their customers first. Retailers who do not place the interests of their customers first, do not long remain in business.

Had it not been for the whole-hearted cooperation and compliance of retail stores in every community, the Price Administrators would not have had a ghost of a chance to achieve any sort of price control. We sought no glory for that effort; it was our responsibility as good citizens. And now it is our responsibility as good citizens to see to it that over-zealous and misguided government officials insisting upon continuation of controls for control's sake, do not force us into an uncontrolled price inflation that might wreck our whole economy.

Retailers Are the Public's Purchasing Agents

We merchants, more than anyone, want to see fair price tags on our goods, and sound merchandise on our shelves. We are the public's Purchasing Agent in peace, just as we served as Quartermaster to the civilian public during the war. We expect to be in business long after OPA has become a more-or-less painful memory. We dare not be short-sighted in our views. Three months of inflation, of quick and excessive profits, would be the most disastrous thing that could happen to us.

The best protection this country, or any country, has against inflation is full production. And the worst barrier to full production at this moment when we need it most, is the OPA's unrealistic attitude. As our own Lew Hahn recently warned, under the guise of holding the price line OPA is fostering a camouflaged, concealed inflation that is daily lowering our living standards, increasing the cost of living, and reducing the purchasing power of the dollar.

There may be some who can sit back and say, "That is OPA's responsibility. It is running the show. If Washington wants to gouge the consumer, it is no concern of ours." I am proud to be able to tell you that the 7,500 stores of the National Retail Dry Goods Association feel that it is their concern. They recognize and will not shirk their responsibility to the public and to the nation.

Middle-of-the-Road Policy Advocated

The National Retail Dry Goods Association has placed itself on record as favoring a middle-of-the-road policy through which the present "heated discussions" of OPA can be speedily settled. It has stated:—

"While the extremists on one side of this question of extending price control battle to abolish OPA and extremists on the other side insist it be continued exactly as it has been, the interests of the American public, the chief party concerned, seem to have been completely overlooked. The nation undoubtedly is threatened by inflation, of which a rising price level is merely one symptom. Nobody wants inflation regardless of his opinion of the efficacy of Government price controls, but only production can curb inflation and eliminate black markets. Therefore the National Retail Dry Good Association suggests that the Congress put an end to the heated discussions which have been waged by speedily enacting a measure to accomplish the following:

1—Extend the Emergency Price Control Act for a period of nine months from June 30, 1946.

2—Eliminate the Maximum Average Price provision and all other restrictions which unfortunately have prevented production of needed merchandise.

3—Allow price ceilings which will permit industry to cover current costs of production and provide an opportunity for reasonable profit.

4—Establish specific legislative standards that will compel the removal of pirce controls promptly when such controls no longer are necessary.

"In our considered opinion this program would serve the best interests of the American consuming public by continuing price controls where necessary and at the same time encouraging production to relieve the current acute shortages of needed goods. Such a program would provide the common ground upon which all business could co-operate with Government in fighting against inflation."

Eventually, of course, the Government price controls will disappear because the Congress will undoubtedly refuse to vote to continue indefinitely such an emergency measure as the Price Control Act.

The Adjustment from a Controlled to a Free Market

Whether the end of Government price control will come in nine months time or one year from now or be deferred for several years, there still will be a period of serious readjustment from a controlled market to a free market.

Under our normal free ecomony there is a process going on continuously which serves to adjust prices to costs and to competition. Under a free economy, the slack is taken up from day to day. However, when you freeze the economy this process no longer works and the relationship between costs and selling prices are thrown out of gear.

If and when price controls are suddenly abolished, prices will probably react in a variety of ways. Some prices would certainly go up. Others might remain fairly stable.

Keeping prices down is something like putting pressure on a strong spiral spring. The greater the pressure the greater will be the reaction when that pressure is removed. There is, however, a way of withdrawing the pressure slowly and gradually so as to minimize the violence and extent of that reaction.

It would be of great value to the national economy if constructive steps could be taken in preparation for the period of decontrol, which steps would clearly indicate the desire of responsible business men that this transitional period from a controlled economy to a free economy would carry with it a minimum of dislocation. As that eminent statesman, Bernard M. Baruch, so clearly put it, "Let us have profit in business—but no profiteering."

Cooperative Price Restraint Needed

We of the NRDGA have promulgated a tentative plan under which business men and Government agencies could cooperate to promote **Price Restraint** after Government controls have been removed.

The Chairman of our Committee on Price Restraint is George L. Stearns II of L. L. Stearns and Son, Williamsport, Pa. Mr. Stearns also is Vice-President of the NRDGA for the mid-Atlantic States.

A Program for Retailers, Wholesalers, and Manufacturers

Our tentative program calls for an intensive campaign to enlist the support of all retailers, wholesalers, manufacturers and, most important, the consumers themselves along the following lines:

1. Secure the endorsements of representatives of the various groups concerned of what we may call a "bridge" of price restraint to carry our economy over the gap between our present government controls and that promised land where honest American competition will reduce prices and improve quality;

2. Explain fully to consumers the circumstances of price rises resulting from inflationary influences;

3. Prepare a pledge to be signed by retailers, wholesalers and manufacturers by which they shall individually commit themselves to hold the prices of their products to as low a level as possible while production levels are being regained—prices will drop of their own accord once production has been restored;

4. Strive constantly to reestablish the regular channels of trade and thereby destroy the black markets which, under present OPA regulations, are eating away the nation's economic body like a cancer;

5. Seek at all times, in all these endeavors, the cooperation and support of all other retail associations, of all consumer groups and of all manufacturing and retailing associations.

This battle the nation's retailers are waging against inflation is more than just another chapter in the exciting history of American business. It is a crucial contest between those who believe in the inherent soundness of our competitive economic system and those who want restrictive government control merely for the sake of exercising control.

I am confident that the American people want to continue the free enterprise system that made this nation great. I am equally confident that the American retailer will never forget that in business, as in private and in public life, the superlative obligation resting upon each of us is that of good citizenship.

Holds NASD Is An SEC Subsidiary

(Continued from page 3056)

tions pertaining to regulations? George Matthew Adams certainly stated a truism: "There is no doubt as to the fact that a nation is *best* governed that has the least number of laws. People do not want (or need) more laws, but better ones, and away with the poor and foolish ones."

We are endeavoring to enlighten the people in this area concerning the bureaucrats through our "Society of Sentinels." It's quite a job as there are 2270 such agencies. I'm enclosing one of our applications showing our objectives (see below—Editor) for your information. We're growing fast, too, all across the country! Any comments will be appreciated.

Sincerely,

Detroit, Mich. SEWARD N. LAWSON.

Objectives of the
SOCIETY OF SENTINELS

Believing that the material prosperity and the spiritual happiness of the people of the United States are promoted and safeguarded by a maximum of individual freedom and a minimum of governmental restriction, we pledge ourselves to do everything in our power:

1. To strengthen the desire of people for liberty.
2. To promote individualism and to oppose any trend toward collectivism and socialism.
3. To defend local government from encroachment by centralized government.
4. To oppose the assumption that, under the Constitution of the United States, the Federal Government has unlimited power.
5. To defend economic freedom and support voluntary agreements between individuals as against coercive laws, regulations and directives.
6. To promote domestic tranquility and to oppose those who foment class hostility and strife.
7. To oppose class legislation.
8. To interest and inform ourselves and others on the principles of good government and the duties and obligations of citizenship.
9. To reduce taxes by elimiating unnecessary activities of government.
10. To expose misleading and deceitful economic arguments by those who seek thereby to gain political influence and power.
11. To oppose all efforts on the part of government to redistribute the wealth of the citizens and to work for constitutional restrictions of the present unlimited taxing power of the government.
12. To oppose any trend toward totalitarianism, which makes government the master rather than the servant of the people.
13. To oppose laws which give special privileges to favored groups in violation of the principle that all citizens should be equal before the law.
14. To protect legitimate economic activities of private citizens from competition by government.

Editor's Note: The headquarters of the "Society of Sentinels" are in the Lafayette Building, Detroit 26, Mich.

State Chamber Opposes Federal Move to Attract Industry to New Locations

The use of Federal funds to attract industries from established industrial areas to uneconomic locations developed during the war is opposed in a report which will be acted upon by the Chamber of Commerce of the State of New York today (June 6) at its monthly meeting. The report emphasizes that these funds are contributed largely by the nation's older established industrial areas. During the war, for military and manpower reason, many new industries were located in interior sections of the country not previously industrialized and now lie idle, the report states, and future employment of the labor attracted to these "decentralized" war plants presents a problem. The report, which was prepared by the Committee on Internal Trade and Improvements, continues:

"Peacetime 'decentralization' now is being advanced as a panacea for correcting the economic maladjustments resulting from wartime 'decentralization'. Legislation is now pending before the Congress (S. 1385) which would authorize the use of Federal funds, which are contributed chiefly by residents of the nation's highly industrialized areas, as grants-in-aid and in other ways to enable the less industrialized states and local governments to offer special economic inducements to attract business away from the older established industrial areas."

In opposing the use of Federal funds for such purposes, the report points out that wartime developments such as rocket projectiles and atom bombs make the "decentralized" plants in interior sections of the country just as vulnerable to attack as those on the seaboard.

Inflationary Menace of Government Credit Activities

(Continued from page 3055)

origin at the time this Government issued greenbacks without gold reserves in the early 1860s, revived again at the time of the German fiasco, when that nation issued fiat money, without gold reserves, deliberately to defeat the terms of the Versailles Treaty and to liquidate her internal debt structure. Similar factors are not present in our economy today. To give the people of this nation a better understanding of what we are experiencing, we should designate the phenomenon by a correct, descriptive term, namely, extreme pressures for higher prices.

After a careful analysis, we should determine whether we are experiencing an extreme price rise, or are we about to experience such an extreme rise. If we are, then we should determine the cause and devote ourselves to a cure or a preventative.

Pressures for Rising Prices

May I point out some of the basic changes that have taken place in our economy that may constitute the force that creates the pressure for constantly rising prices.

First: We adhered to the gold standard during the Hoover administration in the face of an aggravated liquidation of our debt structure and a constant decline in our commodity price level. England abandoned the gold standard in September of 1931. By that action she, in part, arrested the rapid decline in prices. Had we temporarily abandoned gold at that time, the course of our financial affairs might have been greatly changed. This action on the part of the Hoover administration indicated a conclusion on its part that the depression should be permitted to run its course—go to the absolute bottom and then start anew. Whether that depression ran its full course, prior to March 4, 1933, will always remain a moot question.

The inauguration of President Roosevelt brought a new philosophy. We abandoned the gold standard, declined gold payment and embarked on a new course of fiscal affairs.

Second: In 1934 we increased the price of gold from $20.67 an ounce to $35.00 an ounce, buying foreign and domestically mined gold, but continuing to deny redemptions in gold.

Third: The coming of the war brought further changes, and justly so. We increased our Federal debt from $36 billions in 1934 to $275 billions as of a recent date.

Fourth: We increased our currency in circulation from $5½ billions in 1934 to $27 billions as of today.

Fifth: We reduced our gold ratio against currency in circulation from 40% to 25%.

Sixth: We reduced the requirement of gold reserves against Federal Reserve Bank deposits from 35% to 25%, both to give the gold in our ownership support for a greater volume of currency and an expanded Federal Reserve Bank deposit liability.

Seventh: We increased our commercial bank deposits from $40 billions in 1934 to $160 billions as of the last call date.

Eighth: We increased wage levels, since Pearl Harbor, by 61%, with the suggestions of the Government constituting the pattern therefor.

All of these actions on our part have already, or will, at some time in the future, have an effect upon our economy and upon the purchasing power of our monetary unit.

Whether these effects will be permanent; what they will be; when their full force is recognized, is a question that I cannot answer, nor do I believe that any other man would hazard an estimate of their effect.

New Pressures

What are we doing at the moment to aggravate or control some of the forces that we have created that continue to exert a pressure for higher prices?

First: Congress has recently enacted the Patman Bill, which incorporates the Wyatt program for emergency housing. Congress is currently giving consideration to the Wagner-Ellender-Taft Bill, which constitutes a long-range housing program. These bills have as their primary purpose a stimulation of our home building industry. Senator Taft has made the statement that the bill, of which he is a co-sponsor, has as its purpose the construction of 12,500,000 new housing units in the next 10-year period.

That, said Mr. Taft, will involve mortgage financing for a total of approximately $80 billions.

The Patman Bill provides for FHA insurance of a mortgage, bearing a ratio of 90% to the current cost of construction. The Wagner-Ellender-Taft Bill provides for the insurance of a mortgage bearing a ratio of 95% to the appraised value, with an amortization period of 32 years and bearing an interest rate of 4% per annum.

This volume of credit, insured by a Government agency, is intended to stimulate housing construction that may produce excesses far greater than we are suffering in shortages today. While we are all in accord that adequate housing for all of our people is necessary, an appeal for a reasonable balance between supply and demand, and a maintenance of that balance, is justified.

During the '20s we added $20 billions to our mortgage structure. In the early '30s we witnessed an extreme deflation in this type of financing. I doubt if this volume of mortgage credit, with long-term maturities, as provided by recent and prospective housing legislation, will serve the best interest of our economy.

Second: Credit expansion on a vast scale under the RFC participation program, which provides for that corporation's automatic insurance of any industrial loan of which a bank is prepared to carry 25% of the risk. Again, this represents credits created through Governmental activity that adds to the debt burden of industry.

This stimulates credit expansion and builds an expanded debt structure at a time of high prices. Not only does this constitute a pressure for higher prices but, in addition, experience reminds us that an excessive debt structure created at a time of high prices and incomes is a debt structure that may be vulnerable to instability and forced liquidation.

Third: The Congress of the United States is at the moment considering a loan to the United Kingdom of Great Britain. Many factors in the loan justify it, but it is to be remembered that it, too, will exert a force for higher prices in this country by creating shortages of goods already scarce. Most of the funds advanced under this agreement will be spent for goods and services in the United States.

In spite of this hazard the American Bankers Association has, by an unanimous vote of its executive council, approved this loan as a possible source of encouragement to increased multilateral world trade.

Fourth: The Office of Price Administration passes out of existence on the 30th of June, 1946. Congress is giving consideration to an extension of its terms for a period of a year. Without analyzing this bill, its advantages or disadvantages, I am inclined to feel that its extension is justified, owing to the fact that many shortages of which we complain today were created, and properly so, by Governmental activities during the war years. The common interest of all of the people should be considered, to the end, that hardships brought on by the emergencies of the war shall be avoided as far as possible.

Resume of Inflationary Factors

By reason of the activities on the part of the Government in fostering the creation of a private debt structure by guarantees, insurance and direct lending, we are creating additional pressures for higher prices, because of the shortages that already exist. Those credits aggravate and increase the demand.

A private debt structure in reasonable balance commensurate with our corporate or individual resources is desirable, at all times. To do the best we can with what we have, is to be preferred over a greatly expanded debt structure that is built on an unsound foundation.

In years past, there were two factors that brought about a depression; **First**, an over-extended private debt structure; and, **Second**, surplus production of our farms and our factories. Neither of these factors are current in our economy today. Caution and conservatism in the creation of a debt structure and the redevelopment of our foreign markets will serve us well to avoid a repetition of the early 1930's.

In my travels on behalf of the American Bankers Association, I have heard many men bewail our present monetary status, our huge debt structure and other phases of our present day economy. Of course, we have problems, but in the wake of every great war the economy of the countries involved have been dislocated. So with the last war. The dislocations were more extensive than any in history, that because of the number of nations involved, and the huge destruction of life and property. The reconstruction of our economy cannot be accomplished by an attack upon the individual phase of that economy. Careful planning, free of political expediency and political considerations, is essential.

Out of the maze of conflicting ideas, there appear three fundamental necessities—

FIRST: The restoration of civilian production with the same zeal for life that we devoted to production of war material to destroy.

SECOND: To rebuild our foreign trade to provide an additional outlet for our production and to give the people of other nations of the world the benefit of our industrial development.

THIRD: To maintain the present purchasing power of our American dollar. That, to demonstrate to the world that we will defend the integrity of that dollar, and in addition, to be fair to the people of America, who invested their accumulated funds and their savings in the securities of this Government.

Make these fundamentals our creed and the philosophy in our Government and all of the other problems that lie in our path will be surmounted with an ease and a grace that will justify an even greater pride in our American way of life. I have great faith in the future of America.

British Storm Over Loan Subsidies

(Continued from page 3065)

cepting even in the absence of a large dollar loan. In his recent pamphlet entitled "A Page of British Folly", Mr. R. F. Harrod, the leading Oxford economist and Lord Keynes's successor as Editor of the "Economic Journal", strongly criticises the British people and its leaders for not having received these conditions with enthusiasm. But those who share his views constitute an insignificant minority. The view that Britain ought to have put up with much hardship rather than accept such terms is much more prevalent.

This being so, it is understandable that Mr. Vinson's statement, which made it appear that instead of receiving $3,750,000,000 in return for accepting the American terms, Britain was to receive on balance, only $950,000,000 (after ceding to holders of blocked sterling $2,000,000,000 and making freely convertible into dollars another £200,000,000,) should arouse very strong resentment. One member of Parliament remarked in private conversation: "I have always thought the Washington Loan Agreement the worst bargain ever concluded since Esau sold his birthright for a mess of pottage. But now it appears that this deal is even worse than I imagined it. After all, Esau, having paid dearly for his mess of pottage, did not hand back to Jacob three-quarters of his meal."

Many supporters of the loan were most indignant about the agitation as they feared that Mr. Dalton's denial of commitments regarding the sterling balances might strengthen opposition to the ratification of the loan in the House of Representatives. Nevertheless, the opponents of the loan were determined to pursue this matter.

In his answer to the ten questions addressed to him on May 28, Mr. Dalton most emphatically declared that there will be no additional commitment or agreement on the matter of sterling balances between this country and the United States. The matter now rests between Britain and the holders of these balances, and negotiations will not begin until after the ratification of the dollar loan.

This clear-cut statement was welcomed even by some of the supporters of the loan. They feel that, had the British position not been made plain, Congress would have ratified the agreement under the false impression that there is or is going to be, some form of understanding fixing the minimum amount of dollars that Britain is to hand over to other countries.

They believe the Chancellor of the Exchequer was right in making it quite plain that Britain has a free hand in fixing her terms with her creditors provided that a settlement is reached within twelve months after the ratification of the loan. After Mr. Dalton's statement it will at any rate not be possible to accuse Britain of obtaining the ratification of the loan under false pretenses.

Troster, Currie Installs Wire to Mercier, McDowell; Resumes to Trubee, Collins

Troster, Currie & Summers, 74 Trinity Place, New York City, announce the installation of a direct wire to Mercier, McDowell & Dolphyn, members of the Detroit Stock Exchange, Buhl Building, Detroit, Mich., and the resumption of their wire to Trubee Collins & Co., members of the New York Stock Exchange, M. & T. Building, Buffalo, N. Y.

Business Man's Bookshelf

Arbitration of Labor Disputes—Clarence M. Updegraff and Whitley P. McCoy—Commerce Clearing House, Inc., 214 North Michigan Avenue, Chicago 1, Ill.—Cloth—$3.75.

Decade of Decisions, A—Eric Johnston—reprint of an address before the annual meeting—Chamber of Commerce of the United States, Washington, D. C.—paper.

Human Relations and Efficient Production—Score card for a Better Understanding in Industry—National Association of Manufacturers, 14 West 49th Street, New York, N. Y.—paper.

Paths to Production—William K. Jackson—reprint of an address before the annual meeting—Chamber of Commerce of the United States, Washington, D. C.—paper.

Program for Industrial Peace, A—Herman W. Steinkraus—reprint of an address before the annual meeting—Chamber of Commerce to the United States, Washington, D. C.—paper.

Regulations Regarding Payments Between Switzerland and Various Countries—Bank for International Settlements, Basle, Switzerland—paper—(printed in either French or German)—Sw. fcs. 32.50.

Cotton and Rayon Textile Companies—An analysis of Comparative Investment Values and Opportunities—E. W. Axe & Co., Inc., 730 Fifth Avenue, New York 19, N. Y.—paper $1.00 (50¢ to Public Libraries and non-profit institutions).

New York Laws Affecting Business Corporations—Annotated and revised to April 26, 1946—containing the amendments of the Legislative Session which adjourned March 26, 1946—United States Corporation Company, 160 Broadway, New York 7, N. Y.—paper—$2.00.

Batkin, Jacobs Co. Opens in New York

Batkin, Jacobs & Co. announce the opening of offices at 32 Broadway, New York City, to conduct a general brokerage business. Principals of the firm are Sidney Jacobs, for many years with Stryker & Brown; E. Jacobs; Ely Batkin, previously with B. G. Cantor & Co.; and Jerome Batkin.

Officers Elected by Investment Counselors' Assoc. of So. Calif.

LOS ANGELES, CALIF.—The Investment Counselors' Association of Southern California held its annual meeting on April 29, 1946. Murray W. Hawkins, C. M. McCuen, Donald Myrick, C. C. Newby, and Henry H. Clifford were elected to the Board of Governors. Harlan B. Robinson was elected Secretary-Treasurer. The Board of Governors met on May 27, 1946, and elected H. H. Clifford as Chairman.

The Association holds regular monthly dinner meetings at which are discussed subjects of economic and financial interest.

Securities Now in Registration

● INDICATES ADDITIONS SINCE PREVIOUS ISSUE

Air Capital Manufacturers Inc., Wichita, Kan.
May 20 (letter of notification) 40,000 shares of cumulative convertible 6% preferred stock ($5 par) and 40,000 shares of 10¢ par common to be given, share for share with sales of preferred. Offering price, $5 a share. **Underwriter**—The issuer. For added capital for acquiring additional equipment and floor space and retire bills payable.

● **Airfield Operating Corp., Salisbury, Md.**
May 29 (letter of notification) 2,000 shares of capital stock (par $25). **Offering** price, $25 a share. For purchasing, leasing and acquisition of airports and for working capital. No underwriting.

All American Aviation, Inc., Wilmington (6/24-28)
May 23 filed 100,000 shares of common stock. **Underwriters**—Van Alstyne, Noel & Co.; Francis I. du Pont & Co., and Courts & Co. **Offering**—Stock will be offered to public. Price by amendment. **Proceeds**—Purchase of twin-engine aircraft, etc. For details see issue of May 30.

Allied Stores Corp., New York (6/17)
May 29 filed 257,840 shares of common stock (no par). **Underwriter**—Lehman Brothers. **Offering**—Stock is to be offered for subscription to holders of common stock at the rate of one share for each seven shares held of record at close of business on date registration statement becomes effective. It is expected that the offering to shareholders will be made on or about June 18, and it will extend for a period of 14 days. **Proceeds**—Net proceeds will be added to the general funds and applied to such purposes as directors may determine. For details see issue of May 30.

American Airlines, Inc., New York (6/12)
May 22 filed $40,000,000 sinking fund debentures, due 1966, and 400,000 shares ($100 par) cumulative convertible preferred stock. Prices by amendment. **Underwriters**—Kidder, Peabody & Co.; Lehman Brothers; Emanuel, Deetjen & Co., and Glore, Forgan & Co. **Proceds**—General corporate purposes. For details see issue of May 30.

American Investment Co. of Illinois, St. Louis
May 24 filed 90,000 shares 5% convertible preference stock (par $25). **Underwriters**—Alex. Brown & Sons. **Offering**—Shares initially will be offered to holders of its 5% cumulative convertible preferred stock on an exchange basis of two shares of preference stock for each share of preferred. Preferred stockholders also will receive a cash adjustment. Shares of preference stock, not issued in the exchange offer, will be offered to the public through underwriters. **Proceeds**—Net proceeds will be used for redemption of unexchanged shares of preferred at $50 a share on June 28.

● **American Manufacturing Co., Inc., Montgomery, Ala.**
May 31 (letter of notification) 300,000 shares. **Offering** price, $1 a share. For purchasing additional equipment and machinery, for plant expansion, and for other general corporate purposes. There will be no underwriter but the securities will be sold entirely within the state of Alabama by Harry Marks, a broker licensed by the state, for an agreed compensation of $5,000.

American 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.

● **Arrow Safety Device Co., Mount Holly, N. J.**
May 29 (letter of notification) 6,000 shares of common stock (no par). Price, $10 per share. Proceeds for working capital. Offered to present stockholders in ratio of 3 new shares for each 10 shares held. Not underwritten.

● **Aviation Corp., New York (6/17)**
May 29 filed 320,667 shares of common stock (par $3). **Underwriters**—No underwriting. **Offering**—Company previously reserved 375,000 shares of common stock for issuance to officers and executives upon exercise of options. By this means, company issued 4,666 shares and allotted options on 359,000 shares, leaving 23,667 shares to be allotted, certain options having lapsed. The shares being registered are those on which options may be exercised on or before May 30. **Proceeds**—Net proceeds will be added to working capital. **Business**—Manufacture of aircraft.

Aviation Maintenance Corp., Van Nuys, Calif.
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.

Awful Fresh MacFarlane, Oakland, Calif.
May 13 filed 12,000 shares of 6% cumulative preferred stock (par $25) and 30,400 shares of common stock (no par). Of the common stock 24,000 are reserved for conversion of the preferred. **Underwriter**—Stevenson, Leydecker & Co. **Offering**—Preferred and 64,000 shares of common are being offered for the account of T. G. Stanley, the preferred at $25 per share and the common at $8.75 per share.

Barium Steel Corp., S. E. Canton, O. (6/17-21)
March 30 filed 350,000 shares of common stock (par $1). **Underwriters**—Bond & Goodwin, Inc. **Offering**—Price to public at market but at not less than $10 per share. **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.

Beatrice Foods Co., Chicago (6/17)
May 29 filed, 59,862 shares of 3⅜% cumulative convertible preferred stock ($100 par). **Underwriter**—Glore, Forgan & Co., Chicago. **Offering**—Preferred will be offered for exchange to holders of $4.25 cumulative preferred stock on basis of one share of new preferred for each share of $4.25 preferred. Exchange offer is subject to purchase by underwriters of all shares of new preferred not taken in exchange. **Proceeds**—Redemption of old preferred not exchanged. For details see issue of May 30.

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.

Booth Fisheries Corp., Chicago (6/17)
May 29 filed 15,000 shares of cumulative convertible preferred stock (par $100) and an unspecified number of shares of common stock (par $5). **Underwriters**—By amendment. **Offering**—Preferred and common stocks will be offered to the public. Prices by amendment. Common shares are being sold by six stockholders including Central Republic Investment Co., A. C. Allyn and Co., Inc., and Lee Higginson Corp. The latter two companies and Central Republic Investment Co. (one of the selling stockholders) propose to participate as underwriters in connection with the public distribution of the stocks. **Proceeds**—Net proceeds to the company from the sale of preferred will be applied to the redemption of 9,148.5 shares of preferred stock at $105 plus dividends. Balance will be added to general funds.

● **Brooklawn County Club, Inc., Bridgeport, Conn.**
May 31 (letter of notification) $200,000 of 4½% first mortgage bonds, due 1966. **Offering**—Price, 100; $175,500 will be offered to present bondholders in exchange for equal amount of 5% bonds. To refund bonded indebtedness and for general corporate purposes. No underwriting.

Brooklyn (N. Y.) Union Gas Co.
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.

● **Bubble Up Bottling Co., Washington, D. C.**
June 3 (letter of notification) 10,000 shares of common stock (no par). Offering price, 4,800 shares at $5 a share; 5,200 shares will be held for offering to one individual in return for services and personal property. No underwriting. To finance bottling and related operations of the company.

Budd Company, Philadelphia
May 24 filed 543,000 shares of no par common stock. **Underwriters**—Carl M. Loeb, Rhoades & Co., and Blyth & Co. Inc. **Offering**—Shares will be offered for subscription to common stockholders of record on June 21 at the rate of one additional share for each five common shares held. Unsubscribed shares will be offered to the public by underwriters. **Proceeds**—To increase working capital and to finance purchases of additional machinery and equipment, etc. For details see issue of May 30.

● **Burrillville Racing Association, Pawtucket, R. I.**
June 3 (letter of notification) 13,500 shares of no par class A stock. Offering price, $22 a share. No underwriting. To pay for a portion of the expenses of constructing new horse racing plant at Lincoln, R. I.

California Electric Power Co., Riverside, Cal.
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**—Redemption of first mortgage bonds 3½% series; balance to general funds.

Calif. Oregon Power Co., Medford, Ore. (6/12)
May 24 filed 312,000 shares of common stock (no par). Stock will be sold through competitive bidding. **Underwriters**—Names by amendment. Probable bidders include Blyth & Co., Inc.; The First Boston Corp.; Kuhn, Loeb & Co.; Smith Barney & Co. (jointly); Harriman Ripley & Co. **Offering**—Stock is being sold by Standard Gas and Electric Co., parent, of California.

● **Candego Mines, Ltd., Montreal, Canada (6/19)**
May 31 filed 500,000 shares of common stock (par $1). **Underwriters**—Sabiston-Hughes, Ltd., Toronto. **Offering**—Shares will be offered to public at 75 cents a share. **Proceeds**—Net proceeds, estimated at $300,000, will be used for mining operations. **Business**—Exploring for ore.

• **Carbonate Mining & Milling Co., Spokane, Wash.**
May 28 (letter of notification) 400,000 shares of common stock. **Offering** price 10 cents a share. For working capital. **Underwriting**—Officers and directors of company.

• **Cardiff Fluorite Mines Ltd., Toronto, Can. (6/24)**
June 3 filed 400,000 shares of common stock ($1 par) (Canadian funds). **Underwriter** — Frank P. Hunt, Rochester, N. Y., is underwriter for sale of stock in United States. **Offering**—Stock will be sold to public at 55 cents a share. **Proceeds**—Of the net proceeds, $40,000 together with $22,000 of treasury funds, will be used for development work. If sufficient ore is found, company will erect a mill at an estimated cost of $150,000. The balance will go into working capital. **Business**—Company intends to explore for the mineral known as Fluorite.

Carriers & General Corp., New York (6/15)
May 27 filed $1,872,000 15-year 3% debentures, due 1961. **Underwriters**—Paine, Webber, Jackson & Curtis. **Offering**—Price by amendment. **Proceeds**—For redemption of entire issue of 15-year 3¾% debentures, due 1960, at 103¾% plus accrued interest.

• **Cawthon-Coleman Drug Co., Selma, Ala.**
June 3 (letter of notification) 1,000 shares of $100 par 5% cumulative preferred stock. Offering price, $100 a share. No underwriting; to provide additional working capital.

Central El. & Gas Co., Sioux Falls, S. D. (6/17)
May 29 filed 35,000 shares of $2 cumulative preferred stock, series A (no par), but with a stated value of $50 a share, and 175,000 shares of common stock (par $1). **Underwriter**—Paine, Webber and Jackson & Curtis, Chicago. **Offering**—The stocks will be offered to the public at prices to be supplied by amendment. **Proceeds**—To pay off $3,000,000 loan from First National Bank Chicago and Harris Trust and Savings Bank, Chicago, balance working capital.

Central Indiana Gas Co., Munice, 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. **Proceeds**—Redemption of first mortgage 3¾% bonds; construction fund. For details see issue of May 2. **Bids Invited**—Company will receive bids for the sale of bonds up to noon EDST June 10, coupon rate to be specified on the bids, at its office 90 Broad St., New York.

• **Central Ohio Light & Power Co., Findlay, Ohio (6/17)**
May 29 filed 30,000 shares of common stock (par $10). **Underwriters**—If unsubscribed shares are sold to underwriters names will be filed by amendment. Probable underwriters include Blyth & Co., Inc.; Otis & Co., Inc.; Harriman Ripley & Co., Inc. **Offering** — The shares will be offered for subscription to common stockholders at the rate of one new share for each 2.8 shares now held. Unsubscribed shares may be sold to underwriters or to other parties. **Proceeds**—For expansion of consumer services and improvement of properties. **Business**—Public Utility.

Chefford Master Manufacturing Co., Inc., Fairfield, Ill. (6/10)
May 8 filed 40,000 5% cumulative convertible preferred shares (par 25) and 40,000 common shares (par $2). **Underwriter**—Cruttenden 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.

• **China Motor Corp., Linden, N. J.**
May 31 (letter of notification) 2,970 shares of preferred stock (par $100) and 2,970 shares of common stock (no par). **Offering**—To be offered in units of one share of preferred at $100 and one share of common at $1. **Proceeds**—Proceeds will be used to furnish working capital and expansion of facilities. Not underwritten, as securities will be sold by officers of the corporation without compensation.

City Ice & Fuel Co., Chicago
May 23 filed $12,000,000 of 2¾% sinking fund debentures, due 1966, and 114,827 shares common stock (no par). **Underwriter**—A. G. Becker & Co. **Offering**—Common stockholders will be given the right to subscribe for the 114,827 shares of common at the rate of one share of new common for each 10 shares outstanding. Unsubscribed shares, as well as the entire issue of debentures, will be offered to the public at prices to be supplied by amendment. **Proceeds**—$10,378,500 for retirement at 101¾ of promissory notes; $1,170,550 redemption at par by subsidiary of first mortgage sinking fund 4s. For detail see issue of May 30.

• **City Stores Co., Philadelphia (6/17)**
May 29 filed 100,000 shares common stock (par $5). **Underwriters**—Lehman Brothers. **Offering**—Stock is being sold by Bankers Securities Corp., parent. Price by amendment. **Business**—Holding company owning majority of stocks of corporations engaged primarily in the operation of six department stores.

• **Clifford, Couturier, Inc., New York**
May 31 (letter of notification) 19,000 shares of 5% cumulative convertible preferred stock (par $5). Price, $5 per share. Proceeds will be used for working capital and other corporate purposes. Not underwritten. Stock will be offered to the public by the corporation.

• **Coastal States Life Insurance Co., Atlanta, Ga.**
May 28 (letter of notification) $300,000 of common stock divided into 15,000 shares ($10 par) and the remaining $10 a share to be capital surplus. **Offering** price, $20 a share. No underwriting. For capital and surplus.

Consol. Vultee Aircraft Corp., San Diego (6/17)
May 29 filed 77,134 shares of common stock (par $1). **Underwriters**—Names by amendment. **Offering**—Shares are to be issued upon the exercise of options allotted by the company to its officers and supervisor executives. For details see issue of May 30.

• **Cyprus Mines, Ltd., Montreal, Canada (6/19)**
May 31 filed 500,000 shares of common stock (par $1). **Underwriters**—Sabiston-Hughes, Ltd., Toronto. **Offering**—Shares will be offered to the public at 75 cents a share. **Proceeds**—Net proceeds, estimated at $300,000, will be used for mining operations. **Business** — Exploring for ore.

• **Dayton Consolidated Mines Co., Virginia City, Nev.**
May 28 (letter of notification) 176,330 shares of common stock. **Offering** price, 156,330 shares at 30 cents a share. 20,000 shares are to be issued at 25 cents a share. For further developing of mining properties. **Underwriter**—The Broy Co., San Francisco.

Dayton Power & Light Co. (6/7)
May 1 filed 1,530,000 shares common stock ($7 par). **Underwriters**—Blyth & Co., Inc., Mellon Securities Corp. Issue awarded June 5 on bid of $33.639 per share, or an aggregate of $51,467,670.

• **Dazey Corp., St. Louis, Mo. (6/20)**
June 4 filed 50,000 shares of 5% cumulative convertible preferred stock (par $10) and 100,000 shares of common stock (par 10c). Stock being sold by five stockholders. **Underwriters**—Scherck, Richter Co., St. Louis. **Offering**—Offering prices are $10 a share for the preferred and $4 a share for the common. **Business**—Manufacture of butter churns.

Delhi Oil Corp., Dallas, Texas (6/11)
May 23 filed 175,000 shares common stock (par 50¢) **Underwriters**—No underwriters. **Offering**—Shares will be offered for sale to common stockholders of Southern Union Gas Co., which owns all of the outstanding common stock of the corporation. **Proceeds**—Proceeds will be added to cash balances to be applied to the payment of current or other liabilities. **Business**—Production of crude petroleum.

Denman Tire & Rubber Co., Warren, O. (6/17)
May 17 filed 50,000 shares of 5% cum. conv. preferred stock (par 10) and 95,000 shares ($1 par) common stock. **Underwriters**—Herrick, Waddell & Co., Inc. **Offering**—Company is offering the 50,000 preferred shares to the public. The 95,000 shares of common stock are issued and outstanding and are being sold by the present owners. Price to public: preferred, $10 per share; common, $8 per share. **Purpose**—Proceeds will be added to general funds.

• **Desert Mesa Land Co., Pasadena, Calif.**
May 31 (letter of notification) 500 shares of common stock. **Offering** price, $100 a share. For working capital. No underwriting.

• **Dewey and Almy Chemical Co., Cambridge, Mass. (6/24)**
June 5 filed $5,000,000 convertible debentures, due 1976, and 15,000 shares of common stock (no par). Company is selling the debentures while the common stock is being sold by Consolidated Investment Trust, which owns 35,800 shares of company's outstanding common. **Underwriters**—Paine, Webber, Jackson & Curtis. **Offering**—Debentures and common stock will be offered to the public. Price by amendment. **Proceeds**—Of the net proceeds from the sale of the debentures, $2,610,825 will be used for redemption of company's outstanding $4.25 cumulative preferred stock which is callable at $105 a share plus dividends. Approximately $1,500,000 will be used for construction of additional manufacturing facilities and remainder will be added to working capital.

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.

• **Disston (Henry) & Sons, Inc., Philadelphia (6/10)**
June 3 (letter of notification) 300 shares of capital stock. Stock to be sold on behalf of Jacob S. Disston, Jr. **Underwriter**—Harriman Ripley & Co., Inc. Price (at market), $68 to $72 per share.

• **Doman-Frasier Helicopters, Inc., New York (6/10)**
June 3 (letter of notification) 150,000 shares of common stock (par $1). Price to public, $1 per share. Proceeds will be used for experimental purposes in connection with development of helicopters. Not underwritten.

Douglas & Lomason Co., Detroit, Mich. (6/17)
May 28 filed 92,118 shares of common stock (par $2). **Underwriters**—White, Noble & Co., Grand Rapids, Mich.; F. H. Koller & Co., Inc., New York, and Miller, Kenower & Co., Detroit. **Offering**—Stock will be sold to public at $6.125 a share. **Proceeds**—Of the total eight stockholders are selling 73,208 shares. Net proceeds to company from sale of 18,910 shares will be used to pay balance due in purchase of certain real estate; plant addition; additional machinery and equipment. For details see issue of May 30.

• **Ducommun Metals & Supply Co., Vernon, Calif. (6/19)**
May 31 filed 125,000 shares of common stock (par $2). **Underwriters**—The principal underwriter is Hill Richards & Co. **Offering**—105,000 shares will be offered to public at a price to be filed by amendment and 20,000 shares will be offered for sale to officers and employees not at present stockholders and to the employes' bonus and profit sharing trust. **Proceeds**—Of the net proceeds, approximately $1,000,000 will be used to expand and increase its inventory and the balance to increase working capital. **Business**—Merchandiser of steel and industrial supplies.

Electronic Traps, Inc., Rochester, N. Y.
May 20 (letter of notification) 40,000 shares of common stock (par $5). Price to public, $5 per share. **Proceeds**—To finance the manufacture of corporation products and to repay loan, the proceeds of which were used for manufacturing purposes. Issue not underwritten, but if company is unable to sell stock it may later secure broker's assistance.

• **Electronics House Inc., Stamford, Conn.**
June 3 (letter of notification) 150 shares of no par stock. Offering price, $100 a share. No underwriting. For additional working capital.

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**—2,000 shares optioned to G. H. Bernard to purchase on or before Aug. 23, 1946, at $7.625 a share, 15,000 shares to be sold at market 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.

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● **Films Inc., New York**

May 27 (letter of notification) 19,062 shares of common stock for subscription to present common stockholders. **Offering** price, $1.80 a share. No underwriting. For working capital.

Flying Freight Inc., New York (6/25)

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.

FR Corporation, New York (6/11)

May 23 filed 175,000 shares common stock (par 50¢) of which company is selling 150,000 shares and two officers 12,500 shares. **Underwriters**—First Colony Corp. **Offering**—Stock will be sold to public at $5.85 a share. **Proceeds**—Construction of plant, purchase of equipment, working capital. For details see issue of May 30.

Franklin Simon & Co., New York (6/11-12)

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**—Redemption of 21,339 outstanding shares (excluding treasury shares) off 7% cumulative preferred stock at $115 per share and accrued dividends. For details see issue of May 16.

Front Range Oil & Drilling Co., Denver, Colo.

May 20 (letter of notification) 1,493,303 shares of capital stock (par 5¢) and 20,000 shares as a bonus offering donated by Harry J. Newton, President. **Offering**—Price 5¢ a share. 100,000 shares allotted to present shareholders to purchase at par and receive also a 20% share bonus with each purchase. No underwriting at present. **Proceeds**—To drill oil well in Albany County, Wyo., to acquire further oil and gas interests and to pay officers' salaries and general expenses.

Fundamental Investors Inc., New York (6/10)

May 22 filed 500,000 shares of common stock (par $2). **Underwriters**—Hugh W. Long & Co. **Offering**—To be sold at market. **Proceeds**—For investment in securities. **Business**—Open-end investment trust of the limited management type.

● **Funsten (R. E.) Co., St. Louis, Mo. (6/24)**

June 3 filed 15,684 shares of 4½% cumulative convertible preferred stock (par $50) and 196,137 shares of common stock (par $1). **Underwriters**—G. H. Walker & Co. and Alex. Brown & Sons. The shares are owned by the underwriters who acquired them by purchasing the company's old $100 par common from stockholders. The old common stock was recapitalized into the 4½% preferred and the $1 par common. **Offering**—Stocks will be offered to public. Prices by amendment. **Business**—Purchasing and selling pecans.

Gatineau Power Co., Ottawa, Ont. (6/15)

May 27 filed $45,000,000 series C and $10,000,000 series D first mortgage bonds, due 1970 and $9,500,000 of sinking fund debentures, due 1961. **Underwriters**—To be decided by competitive bidding. Possible bidders include The First Boston Corp.; Halsey Stuart & Co., Inc.; Blyth & Co., Inc., and Mellon Securities Corp. **Proceeds**—Refunding. For details see issue of May 30.

● **General Builders Supply Corp., New York (6/19)**

May 31 filed 40,000 shares of 5% cumulative convertible preferred stock (par $25) and 170,000 shares of common stock (par $1). **Underwriters**—Allen & Co. **Offering**—11,238 shares of new preferred will be offered in exchange to holders of $7 cumulative (no par) preferred stock on basis of one share of old preferred for 4.6 shares of new preferred. Remaining 28,762 shares of preferred and all the common shares will be sold to underwriters who will offer them to the public $25 and $4 a share, respectively. Of the common being offered, the company is selling 100,000 shares and 12 stockholders are selling 70,000 shares. Certain warrant holders of company have agreed to sell to underwriters warrants for purchase, during a period of four years, of 40,000 shares of common. **Proceeds**—Net proceeds to company of approximately $950,000 will be added to working capital and will be used to reimburse treasury for previous expenditures, for property improvements and additions to present trucking facilities. **Business**— Sale of builders supplies.

General Cable Corp., New York (6/26)

May 17 filed 150,000 shares of 4% cumulative first preferred stock (par $100) and 150,000 shares of 4% cumulative convertible second preferred stock (par $50). **Underwriters**—Blyth & Co., Inc. **Offering**—Holders of 150,000 outstanding shares of 7% cumulative preferred stock are offered the privilege of exchanging their shares for 150,000 shares of the first preferred stock and 150,000 shares of the second preferred on basis of one share each (plus a cash adjustment) for each share of 7% preferred. Shares of first and second preferred not taken in exchange will be sold to Blyth & Co., Inc., and associates for resale to the public. Price by amendment. Price is presently expected to be not less than $150 per unit (one share of first preferred and one share of second preferred).

General Dry Batteries, Inc., Lockwood, O. (6/11)

May 23 filed 145,024 shares common stock (par $1), of which company is offering 25,000 shares and 21 stockholders 120,024 shares. Price to public by amendment. **Underwriters**—Smith, Barney & Co. **Proceeds**—Net proceeds to the company will be added to general funds.

General Finance Corp., Chicago, Ill. (6/11)

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 Securities Corp., Atlanta, Ga.

May 16 (letter of notification) 19,984 shares of common stock. Offering price, $6 a share. **Underwriter**—General Finance Co., Atlanta, Ga. **Proceeds**—For corporate purposes.

General Shoe Corp., Nashville, Tenn.

May 21 filed 50,000 shares (no par) cumulative preference stock and 64,030 shares ($1 par) common stock. **Underwriters**—Smith, Barney & Co., New York. **Offering**—Preference stock will be offered to public but common stock initially will be offered for subscription to present common stockholders at rate of one share of common for each 10 shares held. Unsubscribed shares of common will be purchased by underwriters and offered to public. Prices by amendment. **Proceeds**—Proceeds from preference stock, together with other funds, will be used to redeem company's $4,800,000 15-year 3% sinking fund debentures, due Dec. 1, 1959, at 104½ (exclusive of accrued interest). Net proceeds from sale of common stock will be added to general funds to be used from time to time for such corporate purposes as directors may determine.

Glenmore Distilleries Co., Louisville, Ky. (6/12)

May 24 filed 150,000 shares of class B (par $1) common stock (non-voting). **Underwriters**—Glore, Forgan & Co., and W. L. Lyons & Co. **Offering**—125,000 shares will be offered to the public and 25,000 will be offered to certain officers and employees of the company. Price by amendment. **Proceeds**—Net proceeds will be added to general funds to be used as working capital.

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.

● **Gove Corporation, Battle Creek, Mich.**

May 27 (letter of notification) 1,500 shares of no par common stock. **Offering** price, $10 a share. No underwriting. For purchase of inventory and to promote the business.

Grocery Store Products Co., Union City, N. J. (6/15)

May 27 filed for an undesignated number of shares of capital stock (par 25¢). **Underwriters**—No underwriters but company has entered into an agreement with Edgar W. Garbisch, President for purchase of any unsubscribed shares. **Offering**—Stock will be offered for subscription to stockholders of record June 20. Subscription warrants will expire on July 10, 1946. Subscription price may be paid either in cash or by surrender of first mortgage 6% bonds, due 1953, at principal amount, or partly in cash and partly by surrender of such bonds. **Proceeds**—For redemption of $646,200 6% first mortgage bonds. Balance of proceeds will be added to general funds.

● **Gubby Mines, Ltd., Montreal, Canada (6/19)**

May 31 filed 500,000 shares of common stock (par $1). **Underwriters**—Sabiston-Hughes, Ltd., Toronto. **Offering**—Shares will be offered to public at 75 cents a share. **Proceeds**—Net proceeds, estimated at $300,000, will be used for mining operations. **Business**—Exploring for ore.

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.

Gulf States Utilities Co., Beaumont, Texas

May 24 filed $27,000,000 first mortgage bonds, due 1976. **Underwriters**, by amendment. Bonds will be sold at competitive bidding. Probable bidders include Stone & Webster Securities Corp.; The First Boston Corp.; Halsey, Stuart & Co. Inc.; Blyth & Co.; Harriman Ripley & Co. **Proceeds**—Net proceeds, together with a $2,000,000 bank loan will be used to redeem its $27,300,000 of first mortgage and refunding bonds, series D 3½%, due 1969.

Harrison Wholesale Co., Chicago, Ill. (6/10-14)

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 Sisskind, 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. Stock acquired by selling stockholders in exchange for 432,000 shares common stock (par $3) of American Engineering Co. **Underwriters**—To be named by amendment. **Offering**—Price to public by amendment. Stop order hearing by SEC. For details see issue of March 7.

Hennegen-Bates Co., Baltimore, Md.

May 23 (letter of notification) 1,504 shares of stock to be sold on behalf of eight stockholders. Offering price $75 a share. **Underwriters**—Safe Deposit & Trust Co. of Baltimore as agent for selling stockholders. Net proceeds go to the selling stockholders.

Hoffman Radio Corp., Los Angeles (6/7)

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.

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. For details see issue of May 16.

Hudson Motor Car Co., Detroit, Mich. (6/12)

April 26 filed 226,973 shares of common stock (no par). **Underwriter**—W. E. Hutton & Co. **Offering**—Common stockholders of record May 27 are given the right to subscribe to the additional stock at $22 per share at the rate of one share for each seven shares of common held. Rights expire 3 p.m. (EDST) June 12. **Purpose**—To augment working capital. For details see issue of May 2.

● **Intaglio Service Corp., New York**

May 29 (letter of notification) 6,000 shares of 7% cumulative preferred stock. Price to public, $50 per share. Proceeds will be used in ordinary course of business, such as purchasing of supplies, equipment, materials, etc. No underwriters. Stock to be offered by issuer to employees.

International Minerals & Chemical Corp., Chicago

May 21 filed 145,834 shares of common stock (par $5). **Underwriters**—White, Weld & Co. **Offering**—Company proposes to issue 131,769 shares initially to present common stockholders and holders of stock purchases warrants for subscription at the rate of one common share for each five shares held. Price by amendment. Underwriters will purchase unsubscribed shares plus an additional 65 shares. Underwriters may or may not, as they determine, make a public offering of unsubscribed shares. The remaining 14,000 shares of common stock will be offered to "certain officers and employees." **Proceeds**—Construction and equipment. For details see issue of May 23.

International Paper Co., New York

April 26 filed 400,000 shares of $4 cumulative preferred stock (no par) and 100,000 shares of common stock (par $15). **Offering**—Company is offering to 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 ¼ share of common for each share of 5% preferred. Exchange offer will terminate July 1. For details see issue of May 2.

Iowa Public Service Co., Sioux City, Ia.

May 21 filed $13,750,000 first mortgage bonds, due 1976; 42,500 shares ($100 par) cumulative preferred stock, and 137,333 shares ($15 par) common stock. **Underwriters**—Names by amendment. Probable bidders include Halsey, Stuart & Co. Inc. (bonds); First Boston Corp.; W. C. Langley & Co. (stock); A. C. Allyn & Co., and Blyth & Co., Inc. **Offering**—Bonds and preferred stock will be sold at competitive bidding and the common stock will be offered for subscription to present common stockholders at the rate of one new share for each three shares held. **Proceeds**—Refunding improvements to physical properties, additional working capital. For details see issue of May 23.

● **Jack & Heintz Precision Industries, Inc., Maple Heights, Ohio (6/19)**
May 31 filed 50,228 shares of cumulative preferred stock (par $50), 4% series (convertible prior to April 1, 1956) and 550,000 shares of common stock (par $5). **Underwriters**—Blyth & Co., Inc. **Offering**—Stocks will be offered to public. Price by amendment. The preferred shares being registered includes 15,000 and 5,000 shares being sold by William S. Jack, President and Ralph M. Heintz, Vice President, respectively. **Proceeds**—Net proceeds to company from the sale of 30,228 shares of preferred and entire offering of common will be added to working capital. **Business**—Aircraft products, electric engines, internal combustion engines, bearings and refrigeration equipment.

King-Seeley Corp., Ann Arbor, Mich. (6/13-14)
May 21 filed for an unspecified number of common shares (par $1). **Underwriters**—F. Eberstadt & Co., Inc., and Watling, Lerchen & Co. **Proceeds**—To increase general corporate funds and partly to reduce bank loans. For details see issue of May 23.

● **Lamston (M. H.) Inc., New York**
June 3 (letter of notification) 1,000 shares of common stock (par $1). Price, $11.50 per share. Stock is being sold in behalf of Harold Stone, New York.

● **Liquid Conditioning Corp., New York**
May 31 (letter of notification) $237,000 class A stock. Price to public, $10. Proceeds for buildings, furniture, fixtures, etc. No underwritten. Stock will be offered by the corporation.

Marathon Corp., Rothschild, Wis. (6/18)
May 23 filed 420,000 shares of common stock (par $6.25). **Underwriters**—Lee Higginson Corp. **Offering**—Price by amendment. **Proceeds**—Refunding; to complete construction of Canadian pulp mill; to construct a building at Menasha, Wis.; balance for working capital. For details see issue of May 30.

● **Maryland Casualty Co., Baltimore (5/17)**
May 29 filed 239,940 shares ($10 par) cumulative prior preferred stock and 479,880 shares ($5 par) convertible preferred stock. **Underwriters**—Merrill Lynch, Pierce, Fenner & Beane, New York. **Offering**—Stocks initially will be offered for subscription to present common stockholders in ratio of one share of cumulative preferred for each 3⅓ shares of common held and one share of convertible preferred for each 1⅔ shares of common held. Subscription price by amendment. Unsubscribed shares will be offered to the public. **Proceeds**—Net proceeds of approximately $24,000,000, together with about $6,830,000 of other funds, will be used to pay the entire indebtedness of Maryland Holding Co., Inc., a wholly owned subsidiary of the company, to Reconstruction Finance Corp. This will release from pledge and return to the company for cancellation the 270,000 shares of preferred stock and 1,474,450 shares of common stock of the company owned by the subsidiary and pledged to the RFC as collateral security for a loan. **Business**—Casualty and surety stock company.

Mead Corp., Chillicothe, Ohio (6/11-12)
May 21 filed $12,000,000 first mortgage bonds, due 1966; 70,000 shares ($100 par) cumulative preferred stock and 101,056 shares ($50 par) cumulative second preferred stock, the interest and dividend rates by amendment. **Underwriters**—Drexel and Co., and Harriman Ripley & Co., Inc. **Offering**—Bonds will be sold to public. Preferred stock will be offered to holders of $6 cumulative pfd. stock, series A, and $5.50 cum. pfd. stock, series B, on a share for share exchange basis, plus a cash payment. Second preferred shares initially will be offered for subscription to common stockholders of record on June 11, 1946. **Proceeds**—Refunding, reimburse company for expenditures in financing a new company, enlargements and improvements to present plants. For details see issue of May 23.

Menasco Manufacturing Co., Los Angeles
May 17 filed 370,000 shares of common stock. **Underwriters**—Sutro & Co., and G. Brashears & Co. **Offering**—To be offered initially to shareholders in ratio of two new shares for each five shares held at $4 per share. Unsubscribed shares to be offered to public by underwriters at not less than $4.75 nor more than $10. **Proceeds**—To repay unsecured bank loans; to pay first instalment on purchase of plant from RFC; balance to be added to working capital.

● **Metallic Exploration Co., Searchlight, Nev.**
May 31 (letter of notification) 100,000 shares. **Offering** price, $1 a share. To provide funds to mine, produce ore, and build a milling plant. No underwriting.

Meyercord Co., Chicago (6/14)
May 27 filed 100,000 shares of common stock (par $5). **Underwriters**—Kebbon, McCormick & Co. **Offering**—Shares will be offered to public. Price by amendment. In addition, the company plans to sell 20,000 shares of common to L. H. Knopf, President of the company, and 10,000 shares to H. C. Castle, Vice-President, at the same price the common shares are sold to underwriters. It also will sell 477 shares of its common stock held in its treasury to certain key employees at $5 a share. **Proceeds**—General corporate funds.

New Issue Calendar

(Showing probable date of offering)

June 6, 1946

Hoffman Radio Corp.	Common

June 7, 1946

Dayton Power & Light Co.	Common
Michaels Brothers	Common
Seaboard Trust Co., Inc.	Class A and Common
Tucson Gas & Electric Light & Power	Common

June 10, 1946

Chefford Master Mfg. Co.	Pfd. and Com.
Central Indiana Gas Co. Noon (EDST)	Common
Disston (Henry) & Sons, Inc.	Capital Stock
Doman-Frazier Helicopters, Inc.	Common
Fundamental Investors, Inc.	Common
Harrison Wholesale Co.	Common
Motorette Corp.	Common
Nutrine Candy Co.	Common
Union Wire Rope Co.	Capital Stock

June 11, 1946

Delhi Oil Corp.	Common
FR Corp.	Common
Franklin Simon & Co.	Pfd. and Com.
General Dry Batteries, Inc.	Common
General Finance Corp.	Deb., Pfd. and Com.
Indianapolis Union Ry.	Bonds
Mead Corp.	Bonds, 1st Pfd. and 2nd Pfd.
Miles Shoes, Inc.	Pfd. and Com.

June 12, 1946

American Airlines, Inc.	Debs. and Pfd.
California Oregon Power Co.	Common
Glenmore Distilleries Co.	Common
Hudson Motor Car Co.	Common
Purex Corp.	Capital Stock
United Cigar Whelan Stores Corp.	Common
United Printers & Publishers (Inc.)	Common
U. S. Airlines, Inc.	Common
Wayne Knitting Mills	Common

June 13, 1946

King-Seeley Corp.	Common

June 14, 1946

Meyercord Co.	Common
Twin Coach Co.	Preferred

June 15, 1946

Carriers & General Corp.	Debentures
Gatineau Power Co.	Bonds and Debentures
Grocery Stores Products Co.	Capital Stock
Namm's Inc.	Common
Sterling Electric Motors Inc.	Debentures & Com.
United-Rexall Drug, Inc.	Capital Stock

June 17, 1946

Allied Stores Corp.	Common
Aviation Corp.	Common
Beatrice Foods Co.	Preferred
Booth Fisheries Corp.	Preferred and Common
Central El. & Gas Co.	Preferred and Common
Central Ohio Light & Power Co.	Common
City Stores Co.	Common
Consolidated Vultee Aircraft Corp.	Common
Denman Tire & Rubber Co.	Preferred & Common
Douglas & Lamson Co.	Common
Maryland Casualty Co.	Preferred
National Gypsum Co.	Common
Ohio Edison Co.	Common
Riegel Textiles Corp.	Preferred
Rome Cable Corp.	Preferred
Salt Dome Oil Corp.	Ctfs. of Interest
Sardik Food Products Corp.	Capital Stock
Steep Rock Iron Mines, Ltd.	Capital Stock
Varney Corp.	Common

June 18, 1946

Marathon Corp.	Common
Chesapeake & Ohio Ry. (Noon EST)	Equip. Trusts

June 19, 1946

Candego Mines Ltd.	Common
Chicago, Milwaukee, St. Paul & Pacific, (Noon EDST)	Conditional Sale Agreement
Cyrus Mine Ltd.	Common
Ducommun Metals & Supply Co.	Common
General Builders Supply Co.	Preferred and Com.
Gubby Mines Ltd.	Common
Jack & Heintz Precision Ind. Inc.	Pfd. and Com.
Monogram Pictures Corp.	Common
National Cellulose Corp.	Common
Van Norman Co.	Common

June 20, 1946

Dazey Corp.	Preferred and Common
Reynolds Pen Co.	Common

June 24, 1946

All American Aviation Inc.	Common
Cardiff Fluorite Mines Ltd.	Common
Dewey & Almy Chemical Co.	Debs. and Common
Funsten (R. E.) Co.	Preferred and Common
Neville Island Glass Co.	Class A and Common
Stratford Pen Corp.	Common
Timeley Clothes Inc.	Common

June 25, 1946

Flying Freight Inc.	Common

June 26, 1946

General Cable Corp.	First and Second Pfd.

Michaels Brothers, Brooklyn (6/7-10)
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 exended 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.

Midland Cooperative Wholesale, Minneapolis
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 (6/11)
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 recapitalization. **Underwriters**—Wertheim & Co., and Lehman Brothers. **Offering**—Price to public will be filed by amendment.

Missouri Power & Light Co., Jefferson City, Mo.
May 22 filed 7,500,000 first mortgage bonds, due 1976, and $4,000,000 ($100 par) cumulative preferred stock. Bonds and stock to be sold through competitive bidding. **Underwriters** by amendment. Probable bidders include Halsey, Stuart & Co. Inc. (bonds); The First Boston Corp.; Blyth & Co., Inc.; Coffin & Burr, Inc.; Kidder, Peabody & Co.; White, Weld & Co., and Shields & Co. (jointly). **Proceeds**—Principally refunding. For details see issue of May 23.

● **Monogram Pictures Corp., Hollywood, Calif. (6/19)**
May 31 filed 224,781¼ shares of common stock (par $1). **Underwriters**—Emanuel, Deetjen & Co. **Offering**—Stock will be offered to public. Price by amendment. **Proceeds**—Of the net proceeds, $35,000 will be used to discharge the balance of outstanding notes, $200,000 will be used for plant expansion, and the balance will be added to working capital. **Business**—Production and distribution of motion pictures.

● **Motorette Corp., Buffalo (6/10)**
May 29 (letter of notification) 24,000 shares of common stock (par $1). May be underwritten. Price, $10 per share. Proceeds for increased inventories, equipment, working capital, etc.

Namm's Inc., Brooklyn, N. Y. (6/15)
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 Cellulose Corp., Syracuse, N. Y. (6/19)**
May 31 filed 200,000 shares of common stock (par $1) with warrants to purchase 20,000 shares of common. **Underwriters**—Floyd D. Cerf Co., Inc. **Offering**—Stock will be offered to public at $6 a share. The warrants will be sold on the basis of one warrant for each 10 shares of common purchased. **Proceeds**—Estimated net proceeds of $1,020,000 will be used to pay off $61,000 of loans, to purchase plant and equipment at an estimated cost of $751,620 and the balance as additional working capital. **Business**—Manufacture of facial tissues, towelling, sanitary napkins, and facial tissue toilet paper.

National Gypsum Co., Buffalo, N. Y. (6/17-19)
May 21 filed 275,000 shares ($1 par) common stock. **Underwriters**—W. E. Hutton and Co., and Blyth & Co., Inc. **Offering** to be based on market. **Proceeds**—Costs for construction of two new plants, etc. For details see issue of May 23.

National Iron Works, San Diego, Calif.
May 21 (letter of notification) 18,500 shares of common stock. Offering price, $4.12½ a share. **Underwriters**—Nelson Douglass. For general corporate purposes.

● **Neville Island Glass Co., Inc., Pittsburgh (6/24)**
June 3 filed 60,000 shares of class A stock (par $1) and 60,000 shares of common stock (par 10c). **Underwriters**—Amott, Baker & Co., Inc., New York. **Offering**—Stocks will be offered to the public in units of one share of class A and one share of common at $10.10 a unit. Each share of class A stock is convertible into two shares of

(Continued on page 3102)

(Continued from page 3101)

common and is redeemable, at option of the company, a. $11 a share. **Proceeds**—Net proceeds, together with $700,000 to be realized from the sale of Series A and B bonds, will be used for construction of a plant on Neville Island (near Pittsburgh) and for equipment. The total cost is estimated a. $1,137,460. Any remaining proceeds will go into working capital. **Business**—The company was incorporated in February, 1946, and has not yet commenced operations. It intends to engage in the manufac.uring and selling of a general line of glass containers.

Nutrine Candy Co., Chicago (6/10)

May 21 filed 200,000 shares of common stock (par $1). **Underwriters**—Stifel, Nicolaus and Co., Inc. The stock is being sold by seven stockholders. **Offering**—Price by amendment. For details see issue of May 23.

Ohio Edison Co., Akron, Ohio (6/17)

May 29 filed 204,153 shares of common stock (par $8). The stock will be sold at competitive bidding with names of underwriters by amendment. Probable bidders include First Boston Corp.; Glore, Forgan & Co.; White, Weld & Co.-Shields & Co. (jointly); Morgan Stanley & Co., and Stone & Webster Securities Corp. **Proceeds**—Net proceeds will be used to finance construction of property additions. For details see issue of May 30.

● **Pacific Safety Equipment Co., Inc., Reno, Nev.**

May 31 (let.er of notification) 10,000 shares of common stock. **Offering** price, $10 a share. For the manufacture of gas and fire detection devices. **Underwriting**, through salesmen who will receive a maximum of $2.50 a share.

● **Pacific Telecoin Corp., San Francisco, Calif.**

May 31 (letter of notification) 58,000 shares of preferred stock (par $5) and 58,000 shares of common stock (par $10). **Underwriters**—Kobbe, Gearhart & Co., Inc., New York. **Offering**—Price $5.10 a unit consisting of one share of preferred and one share of common. **Proceeds**—For purchase of additional equipment, retirement of indebtedness and for working capital.

● **Pan-American Export Corp., Newark, N. J.**

May 29 (le ter of notification) 110,000 shares of class A common stock (par $1). **Underwriter**—Koellner & Gunther, Inc., Newark, N. J. Price to public, $2.65 per share. Proceeds for expansion of business, working capital, etc.

Paulsboro (N. J.) Manufacturing Co.

March 29 filed 9,886 shares 6% cumulative preferred (par $100); 31,000 common stock purchase warrants and 31,000 shares of common, issuable upon the exercise of the warrants. **Underwriters**—Butcher & Sherrerd, Philadelphia. **Offering**—1,886 shares of 6% cumulative preferred are offered in exchange (one new share for 10 old shares) for shares of 4% preference stock ($10 par), together with all dividends accrued thereon. Exchange offer is conditioned on purchase of remaining 8,000 shares of 6% cumulative preferred and of the 31,000 common stock purchase warrants by underwriter. **Proceeds**—Purchase or construction of a plant and necessary machinery and equipment. For details see issue of April 4.

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

Philadelphia (Pa.) Electric Power Co.

May 17 filed $30,000,000 first mortgage bonds, series due 1975, guaranteed unconditionally as to payment of principal and interest by Susquehanna Power Co. Bonds will be sold through competitive bidding. Probable bidders include, Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co., Shields & Co. and White, Weld & Co. (jointly); Morgan Stanley & Co. **Purpose**—Refinancing program. For details see issue of May 23.

Pittston Co., Hoboken, N. J.

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**—Payment of promissory notes aggregating $8,000,000. For details see issue of May 16.

● **Preferred Utilities Manufacturing Corp., N. Y.**

May 29 (letter of notification) 24,000 shares of $10 par 5½% cumulative convertible first preferred stock and 34,000 shares of 10c par common stock. Offering price, $11.50 a unit, consisting of one share of preferred and one share of common. In addition, 10,000 shares of common are to be purchased by the underwriters at 10c a share for investment. **Underwrtiers**—Childs, Jeffries & Thorndike, Inc., and First Colony Corp. **Purpose**—For purchase of machinery and equipment and to increase working capital.

Purex Corp., Ltd., South Gate, Calif. (6/12)

May 21 filed 165,000 shares ($1 par) capital stock. **Underwriters**—Blyth & Co., Inc. **Offering**—100,000 shares are being sold by 24 stockholders and 65,000 shares are being sold by company. Price, by amendment. **Proceeds**—To pay bank loan, additions and improvements, etc. For details see issue of May 23.

● **Reynolds Pen Co., Chicago (6/20)**

May 4 filed 400,000 shares of common stock (no par), of which 100,000 shares are being sold by company and 300,000 by stockholders. **Underwriters**—Names by amendment. Reported Allen & Co., probable underwriter. **Offering**—Terms by amendment. **Proceeds**—Net proceeds to the company will be added to working capital. **Business**—Manufacturing of ball-bearing tipped fountain pens.

Riegel Textile Corp., New York (6/17)

May 29 filed 50,000 shares preferred stock, series A (no par). **Underwriter**—Dillon, Read & Co. Inc. **Offering**—By amendment. **Proceeds**—Net proceeds will be applied to the repayment of $2,000,000 of 90-day notes held by Central Hanover Bank and Trust Co., New York, remaining proceeds will be added to general funds.

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.

● **Rome (N. Y.) Cable Corp. (6/17)**

May 29 filed 63,276 shares of cumulative convertible preferred stock (par $30). **Underwriters**—Carl M. Loeb, Rhoades & Co. **Offering**—Shares will be offered for subscription to common stockholders at rate of one share of preferred for each three shares of common held. **Proceeds**—Net proceeds will be used toward completion of a construction program and to carry larger inventories. **Business**—Manufacture of hot rolled copper rods and wire and cable products.

Salt Dome Oil Corp., Houston, Texas (6/17)

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 of record June 1 on basis of one share interest represented thereby for each share of common stock held at 58 cents per share. Rights expire June 17 at 3 p.m. **Proceeds**—Exploring and developing. For details see issue of April 4.

Sardik Food Products Corp., New York (6/17)

May 29 filed 175,000 shares of capital stock (no par). **Underwriter**—George F. Breen, New York. **Offering**—Stock will be offered to public at $16 a share with underwriters receiving a commission of $2 a share. Of the total being offered company is selling 155,000 shares and the remaining 20,000 shares are being sold by two stockholders. **Proceeds**—Working capital, purchase equipment and plant, etc. For details see issue of May 30.

Seaboard Fruit Co., Inc., New York (6/7)

May 27 (letter of notification) 58,000 units, consisting of 58,000 shares of convertible class A stock (par $4) and 29,000 shares of common stock (par 10c). **Underwriter**—Hill, Thompson & Co. **Offering**—To be offered in units of one share class A stock and ½ share of common at $5.10 per unit. **Proceeds**—To repay bank loans and augment working capital.

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.

Silver Capitol Mining Co.

May 22 (letter of notification) 600,000 shares of common stock. **Offering**—Price 20 cents a share. **Underwriters**—Standard Securities Corp., Spokane, Wash. **Proceeds**—For exploration development work in mining property.

● **Six Mix Corp., Reno, Nev.**

May 31 (letter of notification) 200 shares ($100 par) common stock. **Offering** price, $100 a share. To develop and manufacture a flavoring extract known as Six Mix. No underwriting.

● **South American Gold & Platinum Co., New York**

June 4 (letter of notification) 13,000 shares of common stock. Stock will be offered on the New York Stock Exchange through Lewisohn & Co., at market (approximately $7), but in no event shall the total price to the public exceed $100,000. Proceeds will go to General Development Co., owner of the stock. Offering is to be made any time within next three months, depending upon market conditions.

Spiegel, Inc., Chicago

May 9 filed 117,000 shares of common stock (par $2) and options to purchase 111,800 shares of common. **Underwriters**—No underwriting. **Offering**—101,500 are issuable or have been issued under options. In addition company expects to grant options to purchase 15,500 shares of common stock to certain of its employees.

● **Stratford Pen Corp. (6/24)**

June 5 filed 100,000 shares of common stock (par $1). **Underwriters**—First Colony Corp. **Proceeds**—To selling stockholders. **Offering**—Price to public, $9¼ per share

Steep Rock Iron Mines Ltd., Ont., Can. (6/17-21)

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.

Sterling Electric Motors, Inc., Los Angeles (6/15)

May 27 filed $500,000 15-year 5% sinking fund debentures, due 1961, and 29,709 shares common s.ock (par $1). **Underwriters**—Maxwell, Marshall & Co. **Offering**—Debentures will be sold to public at $1,000 each and common at $3.50 a share. Each $1,000 of debentures will have attached a detachable stock purchase warrant for purchase of 100 common shares. In addition, four stockholders of the company will sell to the principal underwriter warrants for 19,591 common shares at 7 cents a warrant. **Proceeds**—To finance cons.ruction of additional factory building; purchase equipment and machine tools; retire current bank loans and working capital, etc.

● **Super Vacuum Sales Corp., Denver, Colo.**

May 31 (letter of notification) 15,000 shares of class A common stock (par $10). **Offering** price, $10 a share. For the manufacture of smoke ejectors. **Underwriter**—The company.

Sutherland Paper Co., Kalamazoo, Mich.

May 21 filed 57,400 shares ($10 par) common stock. **Underwriters**—Harris, Hall & Co. (Inc.). **Offering**—Stock initially will be offered for subscription to present common stockholders on basis of one new share for each five shares held. Subscription price by amendment. Unsubscribed shares will be offered to public through underwriters. **Proceeds**—To repay outstanding term-loan notes amounting to $1,500,000, improvements and additions. For details see issue of May 23.

● **Timely Clothes, Inc., New York (6/24)**

June 4 filed 90,000 shares of common stock (par $10). Stock being sold by stockholders. **Underwriters**—The First Boston Corp. **Offering**—Price by amendment. **Business**—Manufacture and sale of men's suits, overcoats, topcoats, sport coats and slacks under the label "Timely Clothes."

● **Traders Post, Inc., Greenville, Miss.**

May 31 (letter of notification) 2,000 shares of 5% preferred stock and 9,000 shares of common (no par). **Offering** price, $50 a share of preferred and $1 a share of common. **Underwriter**—Stock will be offered by Henry T. Crosby & Co., Greenville, Miss. For paying off real estate indebtedness.

Tucson (Ariz.) Gas, El. Lt. & Power Co. (6/7)

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**—Blyth & Co., Inc., and The First Boston Corp. Issue awarded June 5 on bid of $37.81 per share or an aggregate of $5,558,000.

Twin Coach Co., Kent, Ohio (6/14)

May 24 filed 85,715 shares ($35 par) $1.50 cumulative convertible preferred stock. **Underwriters**—Reynolds & Co. and Laurence M. Marks & Co. **Offering**—Stock will be offered to public. Price by amendment. **Proceeds**—Purchase from the War Assets Administration of hangar and other properties, purchase of machinery, equipment, etc. For details see issue of May 30.

Union Carbide & Carbon Co., New York

May 17 filed 463,889 shares of capital stock (no par). **Underwriters**—None. **Offering**—Shares are being offered by the corporation to certain officers and employees of corporation and subsidiaries pursuant to the terms and provision of a stock purchase plan. **Offering**—Price by amendment. **Proceeds**—Acquisition, construction and equipment of manufacturing and other facilities. For details see issue of May 23.

Union Wire Rope Corp., Kansas City (6/10)

Feb. 4 filed 42,000 shares capital stock (no par). **Underwriters**—P. W. Brooks & Co., Inc., New York. **Offering**—Stockholders of record May 24 will have the right to subscribe to the stock at $15.50 per share. Rights expire June 10.

United Cigar-Whelan Stores Corp., N. Y. (6/12-13)

May 10 filed 400,000 shares of common stock (par 30c). **Underwriters**—Allen & Co. **Offering**—Initial public offering price will be determined by a formula. **Proceeds**—To reimburse company for amount spent in acquis tion of the Dade Pharmacies and Dade Cut-Rate Liquor Store, for redemption of shares of prior preferred stock, working capital. For details see issue of May 19.

United Cigar-Whelan Stores Corp., N. Y.

May 14 filed 50,000 shares of convertible preferred stock. Cumulative dividend, $3.50 per annum (par $100). **Underwriters**—Allen & Co. **Offering**—Prior preferred stockholders 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. Convertible preferred not issued under the exchange offer will be sold to underwriters and offered to public at $100 per share. For details see issue of May 19.

United Investors Corp., Denton, Texas

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.

United Printers and Publishers (Inc.), Joliet, Ill. (6/12)

May 22 filed 165,656 shares ($1 par) common stock. Underwriters—A. C. Allyn & Co., Inc. **Offering**—Stock will be offered to public. Price by amendment. **Proceeds** — $3,500,000 will be used to redeem its 100,000 shares of outstanding cumulative preference stock at $35 a share. Balance will be added to general corporate funds.

United-Rexall Drug, Inc., Los Angeles (6/15)

May 27 filed a maximum of 1,000,000 shares of capital stock (par $2.50). **Underwriters**—Dillon, Read & Co., Inc. **Offering**—Stock will be offered to the public. Price by amendment. **Proceeds**—Acquisition of retail drug stores or companies manufacturing merchandise normally sold in drug stores, working capital, etc. For details see issue of May 30.

U. S. Airlines, Inc., St. Petersburg, Fla. (6/12-17)

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**—J. 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.

Vacuum Concrete Corp., Philadelphia

May 28 (letter of notification) 25,000 shares of common stock (par $1). **Underwriter**—Eastman, Dillon & Co. will act as agents. Price to public, $11 per share. **Proceeds**—To purchase additional equipment; to acquire assets of Vacuum Concrete, Inc., by retiring remaining outstanding stock and liquidation of its liabilities; to expand and develop patents, and for working capital.

● **Van Norman Co., Springfield, Mass. (6/19)**

May 31 filed 120,000 shares common stock (par $2.50). **Underwriters**—Paine, Webber, Jackson & Curtis, Boston. **Offering**—Stock will be offered to the public. Price by amendment. **Proceeds**—Net proceeds will be applied to the reimbursement of its funds incurred in the recent acquisition of stock of Morse Twist Drill and Machine Co. The balance will be used to reduce a bank loan. **Business**—Manufacturing certain machines and tools.

Verney Corp., Boston, Mass. (6/17)

May 29 filed 150,000 shares of common stock (par $2.50). **Underwriters**—Names by amendment. **Offering**—Price by amendment. Of shares being offered an unspecified amount is owned by selling stockholders and remaining shares are to be issued to the several underwriters upon conversion of company's 5% cumulative convertible preferred stock owned by the selling stockholders. For details see issue of May 30.

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.

● **W. A. and A. Motors, Inc., Baltimore, Md.**

May 28 (letter of notification) 1,500 shares of common stock. **Offering** price, $10 a share. Nn underwriting. To purchase machinery equipment.

Wayne Knitting Mills, Fort Wayne, Ind. (6/12)

May 24 filed 150,000 shares ($5 par) common stock. **Underwriters**—No underwriters. **Offering**—Shares will be offered for subscription to present common stockholders at $20 a share, in the ratio of one additional share for each share held. Unsubscribed shares will not to be reoffeerd or sold at this time. **Proceeds**—Refunding, general funds. For details see issue of May 30.

Willys-Overland Motors, Inc., Toledo, Ohio

May 17 filed 155,145 shares of cumulative preferred stock, series A (no par), convertible on or before Dec. 31, 1953), and 310,290 shares of common stock ($1 par). Dividend rate on preferred by amendment. **Underwriters**—Kuhn, Loeb & Co., and E. H. Rollins & Sons, Inc. **Offering**—Company is offering to stockholders rights to subscribe for the series A preferred at rate of one share for each 16 shares of common held. Price by amendment. Certain stockholders will not exercise their rights with respect to 46,773 shares of the series A preferred, which together with shares not subscribed for by other stockholders will be sold to underwriters for possible resale to public. Company is also offering rights to its stockholders to subscribe for 310,290 shares of common stock at rate of one new share for each eight shares held. Similar rights with respect to the preferred and common stock are being offered to holders of outstanding options. **Proceeds**—Net proceeds will be added to the general funds.

Wisconsin Electric Power Co., Milwaukee, Wis.

May 22 filed $50,000,000 first mortgage bonds, due 1976, and 260,000 shares ($100 par) cumulative preferred stock. Bonds and preferred stock will be sold through competitive bidding. Probable bidders include The First Boston Corp.; Dillon, Read & Co.; Blyth & Co., Inc.; Halsey, Stuart & Co., Inc. (bonds); Wisconsin Co. (stock); Mellon Securities Corp. **Offering**—Company will offer common stockholders the right to subscribe for shares of new serial preferred not subscribed for or exchanged, on a share-for-share basis, for shares of its old serial preferred stock, 4¾% series.

The subscription offer to common stockholders will be at the rate of 1/10th of a share of new serial preferred for each share of common held. The right of subscription is subject to the consummation of the exchange offer and to the sale to underwriters of all shares of new serial preferred stock not subscribed for or required to effect exchange. **Proceeds**—Refunding.

Wisconsin Power & Light Co., Madison, Wis.

May 21 filed 550,000 shares ($10 par) common stock to be sold at competitive bidding. **Underwriters**—By amendment. Probable bidders include Merrill Lynch, Pierce, Fenner & Beane; White, Weld & Co.; Glore, Forgan & Co., and Harriman Ripley & Co. (jointly); The Wisconsin Co., and Dillon, Read & Co. **Proceeds**—Part of the shares are to be sold by Middle West Corp., top holding company of the System, and part by preference stockholders of North West Utilities Co., parent of Wisconsin, who elect to sell such shares of Wisconsin common which will be distributed to them upon the dissolution of North West Utilities Co.

Yank Yellowknife Gold Mines, Ltd., Tor., Ont.

Feb. 13 filed 600,000 shares of common stock (par $1). **Underwriters**—J. J. Carrick, Ltd., Toronto, Canada. **Offering**—Price to public 25 cents per share, United States funds. For details see issue of Feb. 21.

York (Pa.) County Gas Co.

May 8 filed $1,700,000 first mortgage bonds, due 1976. Will be sold at competitive bidding. Probable bidders include Halsey, Stuart & Co., Inc. 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 issue to stockholders on recapitalization and 20,000 are being sold to underwriters at 10 cents per warrant share. Offering postponed indefinitely. For details see issue of Feb. 7.

Prospective Security Offerings

(NOT YET IN REGISTRATION)

● 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 Broadcasting Co., New York

May 23 company filed with FCC application for permission to offer a new issue of 1,000,000 shares of stock to the public. Estimated net proceeds ($14,000,000) would be devoted to financing present and proposed facilities of company. The public offering of stock, if approved, will be made through Dillon, Read & Co. Inc., with whom arrangements have been made by the ABC providing for the purchase from it of the entire proposed issue of 1,000,000 shares at $14 a share. Sale of the stock to the public by Dillon, Read & Co., will be at $15 a share.

American Bemberg Corp., New York

June 25 stockholders will vote on proposal that present 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 Gas & Power Co.

April 10 company (name to be changed to Minneapolis Gas Co.), under modified plan approved by SEC, reserves right to make public offering of not in excess of 874,078 shares of new common stock. Probable bidders include White, Weld & Co., W. C. Langley & Co., Otis & Co.

American Yarn & Processing Co., Mt. Holly, N. C.

It is expected that an issue of $1,500,000 preferred stock, of an authorized issue of $4,000,000 approved by stockholders March 14, last, will be filed with the SEC at an early date. Probable underwriters will include R. S. Dickson & Co. and Kidder, Peabody & 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.

● **Armour & Co., Chicago**

June 3 reported that there are prospects of a recapitalization by company before the end of 1946, maybe even before the end of Summer. Traditional underwriters are Kuhn, Loeb & Co., The First Boston Corp. and Harriman Ripley & Co.

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. Management does not anticipate entering into any underwriting arrangement.

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 Harriman, Ripley & Co., Inc.; Lee Higginson Corp., and Halsey, Stuart & Co. Inc.

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(Continued from page 3103)

Bessemer Limestone & Cement Co.
May 27 stockholders voted 25,000 shares of new 4% cumulative preferred stock (par $50). Directors plan to call the present outstanding 23,141 shares of 6% preferred, giving holders thereof the right to exchange their shares for new 4% preferred share for share.

Bibb Manufacturing Co., Macon, Ga.
June 1 stockholders will vote on changing capital stock from 200,000 shares (par $100) to 800,000 shares (par $25) four new shares to be exchanged for each old share; an additional 200,000 shares (par $25) will be created to be held for future needs of the company.

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.

Brown-Forman Distillers Corp., Louisville, Ky.
July 23 stockholders will vote on a plan which calls for increase in common stock from 300,000 shares to 600,000 (par $1), after which a 100% stock dividend will be declared. Directors also seek approval of an additional issue of 14,750 shares of 4% preferred stock for which the present $5 preferred can be exchanged, on a share-for-share basis.

Central & Southwest Corp.
Pursuant to plan of Central & South West Utilities Co. and American Public Service Co. approved by the SEC a sufficient number of shares of Central & Southwest Corp., the 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. (jointly); Smith, Barney & Co.-Harriman, Ripley & Co. (jointly); Blyth & Co., Inc.; Stone & Webster Securities Corp. and First Boston Corp. (jointly).

● **Century Manufacturing & Instrument Co.**
May 29 reported Estes, Snyder & Co., may underwrite offering of common stock following merger of Century and Continental Geophysical Service Co.

● **Chesapeake & Ohio Ry., Cleveland**
Company will receive bids up to 12 noon (EST) June 18 for the purchase of $1,500,000 equipment trust certificates. The bidder must specify the dividend rate which must be some multiple of 1/8 of 1%. Bids will be received at office of H. F. Lohmeyer, 3400 Terminal Tower, Cleveland. Probable bidders include Halsey, Stuart & Co., Inc.; Salomon Bros. & Hutzler; Harris, Hall & Co. (Inc.), and probably some trust companies.

● **Chicago Milwaukee St. Paul & Pacific RR., Chicago**
Company is inviting bids for the lowest interest rate at which bidders will provide either or both of the following (probably under conditional sale agreement): (1) Not to exceed $1,713,750, from time to time on or before May 1, 1947, for financing the acquisition of 18 new 1500 horsepower Diesel-electric road and switching locomotives; (2) Not to exceed $2,006,250, from time to time on or before Jan. 1, 1947, for financing the acquisition of 5 new 6,000 horsepower Diesel-electric passenger locomotives. Bids must be received before noon (CDST) June 19 at office of H. A. Scandrett, President, Room 874 Union Station Building, Chicago 6, Ill.

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, is expected to be postponed until late this year. 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.

Colling (H. T.) Co.
May 29 registration expected within 10 days of 58,000 shares of common stock. Public offering price $5 per share. Underwriter—Westheimer & Co., Cincinnati.

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.**
June 5. Following criticism by the New York P. S. Commission on company's delay in taking advantage of favorable market for refunding outstanding securities, R. H. Tapscott, President, said: "We have had under preparation for some time a program for refunding the callable long-term debt and preferred stock of the System Companies, a refunding operation aggregating upwards of $600,000,000. Work on the program has been going forward as rapidly as is practicable. We have applied to the Commission to refund $9,000,000 of the $9,515,000 outstanding bonds of the Yonkers company and hearings on that application have been closed. The trustees have already given general approval to the refinancing of $304,000,000 of callable debt of the parent company, and a formal application for this should be ready for filing with the Commission within the next 10 days." Traditional underwriters, Morgan Stanley & Co.

Consumers Power Co., Jackson, Mich.
March 14 filed with Michigan P. U. Commission application to sell at competitive bidding 876,568 common shares, after capital adjustment. Proceeds for extensions. Probable bidders include Morgan Stanley & Co.; Lehman Brothers; Harriman, Ripley & Co., and Mellon Securites Corp. (jointly).

Continental Foundry & Machine Co., Chicago
June 20 stockholders will vote to create a new issue of 5% convertible preferred stock which will be offered in exchange on a share-for-share basis for 7% preferred stock. All the 7% stock which is not exchanged will be redeemed on July 1 at $105. Each share of new stock will be convertible into two and a half shares of common.

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 2⅞% 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.

El Paso (Texas) Natural Gas Co.
June 12 stockholders will vote on authorizing the financing of a proposed natural gas pipe line from the Lea County, N. M., field to close to Blythe, Calif. The meeting is contingent on the company attaining the necessary approval of the FPC, which is expected to an early date. If securities sold, probable underwriters will be White, Weld & Co., and Stone & Webster Securities Corp.

Fair (The), Chicago
May 18 it was stated that company was planning to refinance its $1,239,330 4% mortgage notes, due 1959, on a long-term basis.

Fairchild Engine & Airplane Corp.
May 23 in connection with the corporation's call of its preferred stock for redemption June 24 Smith, Barney & Co., and associates are offering to purchase at $56 per share (flat) all shares of $2.50 preferred stock tendered to them. All such shares of preferred will be converted into common stock. Arrangements have been made with Smith, Barney & Co., and associates whereby the company will sell to them any common stock into which unconverted preferred was convertible. Associated with Smith, Barney & Co., are Eastman, Dillon & Co., Newhard, Cook & Co., Spencer Trask & Co., and McDonald & Co.

● **Florida Power Corp.**
June 4 it was reported that company to meet financing expenditures in 1947 may find it necessary to issue additional common stock if market conditions warrant it.

Fresh Dry Foods Inc., Columbia, S. C.
May 29 reported a registration statement covering 650,000 shares of common stock (par $1). Expected to be filed at an early date with Newkirk & Co., New York, as principal underwriters. Public offering price about $5 per share.

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.

● **Goldring Merchandising Co.**
May 28 reported prospective financing being discussed with Merrill Lynch, Pierce, Fenner & Beane, as underwriters.

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.

Grand Union Co.
May 23 reported directors giving careful consideration to a splitup of common shares and issuance of additional new stock, but it is likely that no action will be taken before September. The management, it is said, is now making an exhaustive budget study to determine what additional capital will be needed to finance an expansion program.

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 1¢ 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.
May 24 in connection with plan of dissolution of Engineers Public Service Co. part one of the plan calls for reclassification of common stocks of two subsidiaries, Gulf States Utilities Co. and El Paso Electric Co., and for their distribution to Engineers common stockholders. The Gulf States Utilities stock would be distributed through issuance of rights.

Hilton Hotels
May 28 company reported to be planning some new financing with Blyth & Co., Inc., as underwriters.

Hoving Corp., New York
May 28 Walter Hoving, former President of Lord & Taylor, announced incorporation under laws of Delaware of Hoving Corp. with an authorized capitalization of 2,000,000 shares ($1 par) common. New York office of the corporation is at 10 Rockefeller Plaza. The shares, it is understood, will be offered to the public at a date to be announced later. Blyth & Co., Inc. are associated with Mr. Hoving in his plans. The corporation will acquire ownership of and operate well known department and specialty store companies in various parts of the United States. These companies will be operated under their own name.

Hungerford Plastics Corp., Summit, N. J.
May 29 stated filing by letter of notification expected next week of 74,000 shares of common stock to be sold in behalf of the company. Proceeds—For expansion, etc. First Colony Corp will be underwriter. Public offering price expected at $4 per share.

Huyler's, New York City
May 27 stockholders approved an increase in authorized common from 600,000 to 700,000 shares and appproved 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.

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 3¼s due May 1, 1970, with new lower-cost securities. Probable underwriters include Lehman Brothers; Blyth & Co., Inc., and Halsey, Stuart & Co. Inc.

Indianapolis Union Ry.
Company will receive bids up to June 11 for the purchase of $6,500,000 refunding and improvement mortgage bonds, series G, due June 1, 1986. Interest rate to be specified in the bids. Bonds will be guaranteed jointly by the Pennsylvania RR. and New York Central RR. Proceeds together with treasury funds will be applied to the redemption on Sept. 1, 1946, of $7,679,000 refunding and improvement mortgage 3½% series B bonds. Probable bidders include Halsey, Stuart & Co., Inc., and The First Boston Corp.

Insuranshares Certificates Inc.
May 23 New York Stock Exchange received notice from company that the proposed offering of 101,700 shares of capital stock to holders of common stock of record May 27 has been postponed. Offering is contingent on registration statement (yet to be filed) becoming effective.

Interstate Power Co. (Del.)
May 21 pursuant to amended plan filed with SEC company proposes to sell through competitive bidding $20,000,000 new first mortgage bonds and such number of 3,000,000 common shares as may be necessary to enable the company to carry out the provisions of the amended plan. Probable bidders include the First Boston Corp.; Halsey, Stuart & Co. Inc. (bonds only); Dillon, Read & Co. Inc. (stock only).

● **Kansas Power & Light Co., Topeka, Kan.**
May 31 reported company probably will replace outstanding bonds and preferred stock with new lower cost securities. Probable bidders if securities are sold include Halsey, Stuart & Co., Inc. (bonds only); The First Boston Corp.; Blyth & Co., Inc.; Kidder Peabody & Co.; Harris Hall & Co. (Inc.).

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.

● **Lawyers Title Corp. of New York**
An order to show cause dated June 3, 1946, was duly made by the New York Supreme Court directing all persons interested to show cause before that Court on June 25, why an order should not be made authorizing the Superintendent of Insurance as liquidator of New York Title and Mortgage Co., to sell the stock of Lawyers Title Corp. of New York. The order provides that on the return day of the order to show cause, any person may bid for the purchase of all of the stock of Lawyers Title Corp. of New York provided, that prior to the making of any bid, such persons shall deliver to Thomas D. Austin, Special Counsel to the Superintendent of Insurance of the State of New York, as liquidator of New York Title and Mortgage Co., a certified check in the sum of $100,000 payable to the order of the Superintendent of Insurance.

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.

Macfadden Publications, Inc., New York
May 20 it was reported that company had under consideration plans to refund the outstanding 6% debentures and the $1.50 participating preference stock.

Markt & Hammacher Co., New York
May 23, Alien Property Custodian James E. Markham announced that he is offering at public sale minority stock and bond interests in this company, engaged in the export of hardware and farm implements with the aid of foreign and domestic affiliates. Securities being offered include 2,164 shares (21.99%) of the first preferred stock, 1,588 shares (34.90%) of the second preferred stock, 1,046 shares (29.90%) of the class A common stock, 2,000 shares (38.10%) of the class B common stock, $39,900 (14.60%) of 6% serial bonds and $93,100 (14.90%) of 6% income bonds. Bids will be received on the six lots individually and on the six lots as an entirety. Sale will be by public auction to be held at 12 noon (EDT), June 21, 1946, at the Office of Alien Property Custodian, 120 Broadway, New York 5, New York.

McGrath St. Paul Co.
May 28 early filing by letter of notification of 37,000 shares of cumulative convertible preferred stock and 37,000 shares of common stock (par 50¢) expected. Principal underwriters Irving J. Rice & Co., St. Paul, Minn., and Amos Treat & Co., New York. Preferred stock expected to be offered at $6 per share and common at $2 per share.

Metal Forming Corp.
May 29 filing of letter of notification expected in two weeks of 60,000 shares of common stock (par $1) to be sold for the account of certain stockholders. First Colony Corp., is to be underwriter. Stock expected to be offered at $7.50 per share.

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 3¼% 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 $13,000,000 4½% 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.

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.

Montreal, City of
May 16, J. O. Asselin, Chairman of Montreal's Executive Committee, conferred with investment bankers with respect to proposed sale in the United States of a new bond issue designed to provide funds for retirement of city's outstanding two-payment obligations. The tentative schedule, which is subject to approval of the municipal calls for bids on $20,610,000 bonds in June; $22,460,000 in August; $20,095,000 in December, and $22,474,000 in February of 1947. As an alternative the City may sell half the issue in June and the other half soon thereafter. Refunding in Canada of $121,816,000 Canadian and other payment bonds is to accompany the financing. The City will determine the coupon rate on the bonds, which are to mature 1947 to 1975. Investment banking groups planning to enter the competition include one led by Halsey, Stuart & Co. Inc.; one by Glore, Forgan & Co.; one jointly by Harriman Ripley & Co., Inc., and Dominion Securities Corp.; and one jointly by Shields & Co., and Blyth & Co., Inc.

● **Mountain States Power Co., Albany, Ore.**
June 4 Standard Gas & Electric Co. asked SEC permission to sell at competitive bidding its entire holdings of 140,614 shares of common stock. Probable bidders include Blyth & Co., Inc.; The First Boston Corp.; Harriman Ripley & Co. Standard would receive bids for the purchase of the stock up to 10:30 a.m. (CST), July 16.

National City Lines, Inc., Chicago
May 15 it was intimated that company may have financing plans in connection with steps being taken in acquiring additional lines. Probable underwriters include Reynolds & Co.

National Container Corp.
May 23 it was reported that company may refund its outstanding $4,300,000, 5% debentures due 1959 later this year with new lower-cost securities. Probable underwriters Van Alstyne, Noel & 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.
May 28 reported negotiations will be resumed probably in June with view for refunding of $10,000,000 first mortgage 4s, due 1951. New issue will probably run 25 years. Probable underwriters, Hayden, Stone & Co., and Halsey, Stuart & Co., Inc.

Northern Indiana Public Service Co.
April 17 reported that company has under consideration the refunding of its $45,000,000 series C 3⅛s with issue of about same size carrying lower coupon rate. Probable bidders, Halsey, Stuart & Co. Inc., and Harriman, Ripley & Co.

Northern Pacific Ry., St. Paul, Minn.
It was reported April 10 that company has under consideration the refunding of $55,000,000 collateral trust 4½% bonds due 1975 and the issuance of a new series. of collateral trust bonds. Prospective bidders, Morgan Stanley & Co., Halsey, Stuart & Co. Inc., and Kidder, Peabody & Co.

● **Ohio Public Service Co.**
May 28 it was reported that early sale by Cities Service Power & Light Co. of its common stock holdings of Ohio Public Service Co. was probable following the virtual completion of the refunding program of this subsidiary. This is one of the few remaining steps prior to complete divorcement of the Cities Service Co. from the utility field in compliance with the Public Utility Holding Company Act.

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.

● **Pacific Affiliates, Inc., San Francisco**
May 31 stockholders of Pacific Coast Mortgage Co. voted sale of Pacific Affiliates, Inc., wholly owned subsidiary, to Blair & Co., Inc. Involved in the acquisition was Pacific Affiliates' ownership of all stock in Pepsi-Cola Bottling Co., of Los Angeles.

Peabody Coal Co., Chicago
June 24 stockholders will vote on approving recapitalization plan involving the authorization of a series of prior preferred 4½% stock (par $20). If approved, holders of present 6% preferred (on which there were dividend arrearages of $30 per share May 1) will be asked to exchange one share for 6½ shares new prior preferred. Each prior preferred share would carry with it a warrant to subscribe for ⅕ of a share of class B stock at varying prices over a number of years.

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 3⅜s will be undertaken following consummation of merger of road with Chesapeake & Ohio Ry. Probable underwriters include Halsey, Stuart & Co., Inc., and Blyth & Co., Inc.

Philco Corp., Philadelphia
May 17 stockholders voted to increase 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.

● **Portland (Ore.) Gas & Coke Co.**
June 5 Paul B. McKee, President, in his annual report stated that the logical answer to company's present problems is to refund outstanding bonds ($8,747,000 Dec. 31, 1945) and eliminate preferred dividend arrearages ($3,641,634), through the issuance of new bonds and recapitalization of capital structure. Financial program expected later this year. Probable underwriters when plan is proposed include Blyth & Co., Inc.; Smith, Barney & Co.; Halsey, Stuart & Co., Inc.; The First Boston Corp., and Kidder, Peabody & Co.

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.

Rochester (N. Y.) Telephone Corp.
May 29 expected early registration and competitive sale in June of $6,238,000 35-year bonds now held by Halsey, Stuart & Co. Inc. Bonds now carry a 2½% coupon but it is probable that company will request that rate be specified in the bids. Probable bidders include Halsey, Stuart & Co., Inc.

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 changes. Company proposes to retire current funded debt ($11,640,683) and to issue up to $10,000,000 new bonds, but limited originally to $6,000,000. Probable bidders include White, Weld & Co.; Blyth & Co., Inc., and First Boston Corp.

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.

Seven-Up Texas Corp., Houston, Texas
May 21 sale was announced of controlling interest in the company to a group composed of Stifel Nicolaus & Co., St. Louis; Dittmar & Co., San Antonio, and Rauscher, Pierce & Co., Houston. New owners, it is said, plan considerable expansion of the company, including installation of new machinery, etc., necessitating new capital.

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
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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.

● **Southwest Merchandise Market, Wichita, Kan.**

June 3 reported company is planning issuance of 99,000 shares of common stock (par $1) to be offered at $3 per share, with Clayton Securities Co.; Sills, Minton & Co., and Estes, Snyder & Co., as underwriters.

Stevens (J. P.) & Co., New York

May 29 it is rumored that company expects to do some new financing in the immediate future following the merger of several Southern mills in which the company holds a controlling interest. Name of underwriters undetermined.

Sunray Drug Co.

May 23 reported company plans registration in immediate future of $2.000,000 debentures. Proceeds to be used to pay $1,000,000 bank loan and for working capital. Probable underwriters, Eastman, Dillon & Co.

Sunray Drug Co.

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.

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.

● **Toledo (Ohio) Edison Co.**

May 28 it was reported that a refunding program is contemplated at an early date for this company to be followed later by sale at competitive bidding of the common stock now held by Cities Service Power & Light Co.

Union Electric Co. of Missouri

It is rumored that company contemplates refunding its outstanding $90,000,000 3⅜s of 1971 with lower cost obligations. Possible bidders would include Dillon, Read & Co. Inc., and Halsey, Stuart & Co., Inc.

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 4's 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 States Hoffman Machinery Corp.**

June 19 stockholders will vote on authorizing 30,000 shares of preferred stock (par $100). It is contemplated to sell not less than 27,500 shares to underwriters. Probable underwriters, Kidder, Peabody & Co.

● **United States Lines Co. (N. J.)**

June 4 stockholders voted to approve the issuance of 213,287 shares of new 4½% preferred stock in share-for-share exchange for outstanding 7% preferred stock. Any unexchanged 7% stock will be called for redemption at $10.50 a share and accrued dividends.

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 Trust Co., Boston**

June 4 company has called its 45,000 shares of convertible preferred stock for redemption on July 1 at $22 plus 40 cents accrued dividend per share. The stock is convertible into common, share for share, at the option of the holder, prior to 3 p.m. June 27. An issue of additional common stock to take the place of preferred stock unconverted and redeemed has been underwritten by Hornblower & Weeks.

Texas Co.

May 16 it was reported that the directors are giving consideration to a plan of refinancing presently outstanding securities which would require the issuance of approximately $100,000,000 of debentures. Details of the new debenture issue, including interest rate and maturity are expected to be decided upon at an early date. Proceeds from the sale of the new issue will be applied to retirement of the company's presently outstanding $40,000,000 3% debentures due 1959 and $60,000,000 3% debentures which mature in 1965. Dillon, Read & Co. Inc., is expected to head the underwriting syndicate.

United States Realty-Sheraton, Inc.

In connection with the reorganization of the U. S. Realty & Improvement Co. and merger with Sheraton Corp., 42,390 shares of the reorganized company's common will be sold to an investment group headed by Lehman Brothers.

● **Virginia Electric & Power Co.**

June 4 company asked exemption from the SEC's competitive bidding rule in connection with the propose sale of $6,500,000 of notes to a group of banks and insurance companies.

Wabash Railway

May 1 it was reported that company may possibly refund its $47,000,000 first mortgage 3¼s of 1971 with lower coupon issue. Possible bidders include Halsey Stuart & Co., Inc., and Kuhn, Loeb & Co.

Western Maryland Ry.

May 22 reported company working on plans to refinanc $44,901,000 first mortgage 4s. Probable bidders includ Kuhn, Loeb & Co., and Halsey, Stuart & Co. Inc.

Western Pacific RR.

April 11 ICC conditionally authorized company to issu $10,000,000 first mortgage bonds, series B, due Jan. 1981, proceeds to be used to refund a like amount c first mortgage 4% bonds due Jan. 1, 1974, and held b RFC. Interest rate to be specified in bids. The direc tors have rejected the conditions attached by the IC but the company on May 27 filed a petition for recon sideration and oral argument. Probable bidders incluc Blyth & Co., Inc.; Bear, Stearns & Co.; Halsey, Stua & Co., Inc.; Merrill Lynch, Pierce, Fenner & Bean Shields & Co., and Glore, Forgan & Co.

● **Wiggins (E. W.) Airways, Inc.**

June 4 reported company plans to sell 1,000 shares c its capital stock at par ($50) a share. Proceeds would b used for purchase of machinery, working capital, etc.

Wisconsin Public Service Co., Milwaukee, Wi

May 20 it was reported that Standard Gas & Electr Co. expected to sell at competitive bidding some tin in June its holdings of 1,099,970 shares of common stoc Probable bidders include The Wisconsin Co.; The Fir Boston Corp.; Harriman Ripley & Co.

Yonkers (N. Y.) Electric Light & Power Co.

Jan. 21 company and parent Consolidated Edison Co. c New York, Inc. applied to New York P. S. Commissic for authority to issue $9,000,000 30-year debs., int. ra not to exceed 2¾%, to be guaranteed by parent. Issu to be sold through competitive bidding. Possible bidde include Halsey, Stuart & Co., Inc.; Morgan Stanley Co.; Lehman Bros., Harriman Ripley & Co. and Unic Securities Corp. (Joint); Blyth & Co., Inc.; Shields Co. and White, Weld & Co. (Joint); W. C. Langley Co.; Merrill, Lynch, Pierce, Fenner & Beane and Kidde Peabody & Co. (jointly).

NASD Governors to Consider SEC's Proposed 'Insider' Allotments Rule

(Continued from page 3055)

ernors of the Association will be making a grave mistake if they choose nevertheless to enter into negotiations with the SEC over the matter, rather than to give the Commission the battle which a large part of the financial district here believe it should get. The contention is the practice complained of constitutes trade custom which Congress alone and not the Commission has the power to alter.

Many feel, too, that simply because the head of an SEC division has the notion that a rule should be promulgated it does not follow that the Commission itself is of the same mind. After all many, if not all, of the Commissioners and their staff members recognize the fact that reckless action on their part will work to their personal detriment so far as their future careers are concerned and are likely to be conscious of this fact when it comes to taking definite official action. **The fact of the matter is that the attitude in many quarters is that Wallace Fulton, Executive Director of the Association, in an attempt to ingratiate himself with the SEC officials, is too prone to urge the NASD Governors to come forth with a compromise proposal on every issue that crops up.**

In any event, in April, when the SEC sent out a request from its Philadelphia office for opinions of the industry on the proposed rule, it claimed that it was in possession of documentary evidence of preferential lists of dealers' customers. The NASD replied then that it knew of no such preferential lists. Every dealer would have to admit, of course, that he had his regular customers for stock issues, but this was in harmony with ordinary trade practice.

It is understood now that the SEC is willing, tentatively, to drop its rule provided, however, the NASD itself adopts a similar rule to cover its membership. The SEC is said to be willing to yield this point to the NASD on the basis of the NASD's contention that it alone should have jurisdiction over such questions. The NASD feels that the whole field of fair-trade practices in the securities field is one for self-regulation by the industry.

Although the discussions on the proposed rule have passed the preliminary stages and some kinks have been ironed out of the situation, dealers are firmer in their conviction than ever that relatives and members of their families at least should not be barred from participating in new issues. In fact, it appears likely the NASD will take the position that "insiders" and the public alike should be allowed to invest in new issues and will attempt to compromise the issue with the SEC.

Preliminary to next week's meeting of the Board of Governors, the NASD requested each of its districts to set up a committee to study the subject in its own section. Reports of the findings that have been made will be given to the Board of Governors by the chairmen of the various districts who will sit as a sort of advisory council, but without power of vote, at the sessions next week.

The feeling is current throughout the financial district that the problem which looms so large in the eyes of the SEC has developed solely from an extremely active securities market and does not stem from any desire of underwriters and dealers to profit at the expense of the public interest.

The problem—if it really can be said to be a problem at all—is one of degree rather than of kind, it is thought. The NASD apparently is willing to settle the issue by voluntarily limiting the action of its members, that is, by setting limits to the extent so-called "insiders" may share in new stock offerings, a move which it is feared by many may prove unduly restrictive in a slower market.

Laurence Carroll Back At Prescott, Wright

KANSAS CITY, MO.—Lauren B. Carroll has returned to h duties at Prescott, Wright, Snid Co., 916 Baltimore Avenue, aft completing his military servic He was a Lieutenant-Colonel the U. S. Army Air Corps a was stationed in the Philippines Mr. Carroll will be in char of the trading department Prescott, Wright, Snider Co.

George Carden Dies

George Alexander Carden, la yer, and formerly a newspape man and member of the Ne York Stock Exchange, died at h home of a heart ailment. He w 80 years of age.

Mr. Carden studied law Northwestern University and w admitted to the Texas bar 1889 serving as Acting Distr Attorney for Dallas County 1898. In 1912 he came to ne York and at the outbreak of t first World War led a group investors who purchased sev Austrian steamships. The Go ernment intimated that it want the ships, and although offers h been made for resale at hea profit, the ships were sold to t Government at cost.

In 1922 the brokerage firm Carden, Green & Co. was form and admitted to membership the Stock Exchange. Mr. Card was himself also a member of t Curb, Cotton and Produce E changes. The brokerage firm w terminated in 1925.

Young Offers United Util. & Specialty Stock

Donald Young & Co., Inc., New York, on June 4 offered 75,000 shares of common stock (par value $1) of United Utilities & Specialty Corp. at $3.87½ per share, the entire proceeds to be used for additional working capital with which to build the company's inventories and increase its volume of sales.

The United corporation is engaged in the business of selling at retail through house-to-house canvassing, various items of household furnishings and specialties such as aluminumware, silverware, blankets, sheets, curtains, mattresses, rugs and kitchen utilities. It also sells, in the same manner, watches, some jewelry, and other miscellaneous items. All sales are made on the instalment basis.

Frank Schabarum With William H. Jones Co.

LOS ANGELES, CAL.—Frank A. Schabarum has become associated with William H. Jones & Co., 215 West Sixth Street, members of the Los Angeles Stock Exchange. Mr. Schabarum was formerly with Barbour, Smith & Co. and Banks, Huntley & Co. In the past he was an officer of Quincy Cass Associates.

Francis V. Nixon Is With Hopkins Harbach

LOS ANGELES, CAL.—Francis V. Nixon has become associated with Hopkins, Harbach & Co., 609 South Grand Avenue, members of the Los Angeles Stock Exchange. Mr. Nixon was previously with Buckley Brothers and Quincy Cass Associates. In the past he did business as an individual dealer in New York City and was an officer of Distributors Group, Inc.

Twin City Bond Club Silver Anniversary

The Twin City Bond Club will hold its silver anniversary golf tournament and picnic at the White Bear Yacht Club on June 20th. Features of the day will be golf, tennis, bridge, swimming, boating and the annual prize drawing. Fees for non-golfers are $4.00; for golfers, $5.00; and guests, $15.00.

Members of the Picnic Committee are: Douglas Warner, Paine, Webber, Jackson & Curtis, Chairman; Paul Matsche, Paine, Webber, Jackson & Curtis, St. Paul; Don McFarland, Kalman & Co.; Fred S. Goth, Merrill Lynch, Pierce, Fenner & Beane; O. Jack Talbot, Northwestern National Bank of Minneapolis; Don Goodman, Merrill Lynch, Pierce, Fenner & Beane; Dick Egan, Mannheimer-Egan, Inc.; Frank Mowatt; James Arms, J. P. Arms, Inc.; Robert Johns; Guy Phillips, Caldwell-Phillips & Co.; and Joseph E. Masek, Charles A. Fuller & Co.

DIVIDEND NOTICES

The Chesapeake and Ohio Railway Co.

A dividend for the second quarter of 1946 of seventy-five cents per share on $25 par common stock will be paid July 1, 1946, to stockholders of record at close of business June 7, 1946. Transfer books will not close.

H. F. LOHMEYER, *Secretary and Treasurer*

TEXTILES PLASTICS CHEMICALS

CELANESE CORPORATION OF AMERICA

180 Madison Avenue, New York 16, N. Y.

THE Board of Directors has this day declared the following dividends:

FIRST PREFERRED STOCK $4.75 SERIES

The regular quarterly dividend for the current quarter of $1.18¾ per share, payable July 1, 1946 to holders of record at the close of business June 17, 1946.

7% SECOND PREFERRED STOCK

The regular quarterly dividend for the current quarter of $1.75 per share, payable July 1, 1946 to holders of record at the close of business June 17, 1946.

COMMON STOCK

50 cents per share, payable June 30, 1946 to holders of record at the close of business June 17, 1946.

R. O. GILBERT
Secretary

June 4, 1946.

THE ATLANTIC REFINING CO.

Preferred Stock 3.60% Series B — Dividend Number 2

At a meeting of the Board of Directors held June 3, 1946, a dividend of ninety cents (90c) per share was declared on the Cumulative Preferred Stock 3.60% Series B of the Company, payable August 1, 1946, to stockholders of record at the close of business July 5, 1946. Checks will be mailed.

RICHARD ROLLINS, *Secretary*

June 3, 1946

THE ATLANTIC REFINING CO.

Preferred Stock Convertible 4% Series A — Dividend Number 41

At a meeting of the Board of Directors held June 3, 1946, a dividend of one dollar ($1) per share was declared on the Cumulative Preferred Stock Convertible 4% Series A of the Company, payable August 1, 1946, to stockholders of record at the close of business July 5, 1946. Checks will be mailed.

RICHARD ROLLINS, *Secretary*

June 3, 1946

LIQUIDATION NOTICE

The Meriden National Bank, located at Meriden, Connecticut is closing its affairs. All creditors of the association are therefore hereby notified to present claims for payment.

Dated May 13, 1946.

FRANK O'BRION, Cashier.

International
MINERALS & CHEMICAL CORPORATION

General Offices
20 North Wacker Drive, Chicago

★

Dividends were declared by the Board of Directors on May 23, 1946 as follows:

4% Cumulative Preferred Stock
17th Consecutive Quarterly Dividend of One Dollar ($1.00) per share.

$5.00 Par Value Common Stock
Fifty Cents (50c) per share.

Both dividends are payable June 28, 1946 to stockholders of record at the close of business June 14, 1946. Checks will be mailed.

Robert P. Resch
Vice President and Treasurer

★

Mining and Manufacturing
Phosphate • Potash • Fertilizer • Chemicals

J. I. Case Company
(Incorporated)

Racine, Wis., June 4, 1946.

A dividend of $1.75 per share upon the outstanding Preferred Stock of this Company has been declared payable July 1, 1946, and a dividend of 40c per share upon the outstanding $25 par value Common Stock of this Company has been declared payable July 1, 1946, to holders of record at the close of business June 12, 1946.

WM. B. PETERS, Secretary.

CANCO **AMERICAN CAN COMPANY**

PREFERRED STOCK

On May 28, 1946, a quarterly dividend of one and three-quarters per cent was declared on the Preferred Stock of this Company, payable July 1, 1946, to Stockholders of record at the close of business June 13, 1946. Transfer Books will remain open. Checks will be mailed.

R. A. BURGER, *Secretary.*

DU PONT **E. I. DU PONT DE NEMOURS & COMPANY**

WILMINGTON, DELAWARE: *May 20, 1946*

The Board of Directors has declared this day a dividend of $1.12½ a share on the outstanding Preferred Stock, payable July 25, 1946, to stockholders of record at the close of business on July 10, 1946; also $1.75 a share, as the second "interim" dividend for 1946, on the outstanding Common Stock, payable June 14, 1946, to stockholders of record at the close of business on May 27, 1946.

W. F. RASKOB, *Secretary*

THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY

New York, May 28, 1946.

The Board of Directors has this day declared a dividend of Two Dollars and Fifty Cents ($2.50) per share, being Dividend No. 95, on the Preferred Capital Stock of this Company, payable August 1, 1946, out of undivided net profits for the year ending June 30, 1946, to holders of said Preferred Capital Stock registered on the books of the Company at the close of business June 28, 1946.

Dividend checks will be mailed to holders of Preferred Capital Stock who have filed suitable orders therefor at this office.

D. C. WILSON, Assistant Treasurer.
120 Broadway, New York 5, N. Y.

DIVIDEND NOTICES

IRVING TRUST COMPANY

One Wall Street, New York

May 29, 1946

The Board of Directors has this day declared a quarterly dividend of 15 cents per share on the capital stock of this Company, par $10., payable July 1, 1946, to stockholders of record at the close of business June 10, 1946.

STEPHEN G. KENT, *Secretary*

SOUTHERN UNION GAS COMPANY

Dividends on Preferred and Common Stocks

The Board of Directors of Southern Union Gas Company has declared the regular quarterly dividend of $1.06¼ per share on the 4¼% Cumulative Preferred Stock of the Company, payable June 15, 1946 to stockholders of record June 1, 1946. Checks will be mailed.

The Board of Directors of Southern Union Gas Company has declared the regular quarterly dividend of 12½c per share on the Common Stock of the Company, payable June 15, 1946 to stockholders of record at the close of business June 1, 1946. Checks will be mailed.

H. V. McCONKEY,
Secretary and Treasurer

May 29, 1946

UNION CARBIDE AND CARBON CORPORATION

UCC

A cash dividend of Seventy-five cents (75¢) per share on the outstanding capital stock of this Corporation has been declared, payable July 1, 1946, to stockholders of record at the close of business June 7, 1946.

MORSE G. DIAL,
Secretary and Treasurer

DIVIDEND NOTICE
WESTERN TABLET & STATIONERY CORPORATION

Notice is hereby given that a dividend at the rate of $0.50 per share on the issued and outstanding shares without par value of the Common Stock of Western Tablet & Stationery Corporation has been declared payable on June 28, 1946, to the holders of record of such shares at the close of business on June 14, 1946.

E. H. BACH, Treasurer.

GUARANTY TRUST COMPANY OF NEW YORK

New York, June 5, 1946.

The Board of Directors has declared a quarterly dividend of Three Dollars ($3.) per share on the Capital Stock of this Company for the quarter ending June 30, 1946, payable on July 1, 1946, to stockholders of record at the close of business June 12, 1946

MATTHEW T. MURRAY, Secretary.

KANSAS CITY POWER & LIGHT COMPANY
First Preferred, Series B — **Dividend No. 78**
Kansas City, Missouri — **May 29, 1946**

The regular quarterly dividend of $1.50 per share on the First Preferred, Series "B", Stock of Kansas City Power & Light Company has been declared payable July 1, 1946, to stockholders of record at the close of business June 14, 1946.

All persons holding stock of the Company are requested to transfer on or before June 14, 1946, such stock to the persons who are entitled to receive the dividends.

H. B. MUNSELL, *Secretary.*

Our Reporter's Report

Market observers reported that the huge refinancing of Socony-Vaccum Oil Co., Inc., brought out by bankers yesterday, was accorded a good reception by investors.

This $100 million undertaking, carrying at 2½% coupon and running for 30 years, was priced at 100½ to return the buyer an indicated yield of 2.476%.

Many people would like to have seen a price tag of 100, contending that such a figure would have accelerated the sale no end. But the company and the bankers, presumably having a substantial feel of the market, were satisfied that it would move readily at the price fixed.

That their judgment was sound was indicated by the fact that the debentures met a good reception from institutional investors and trust funds seeking after quality as well as yield.

That the debentures were keyed to the prevailing market was clear from a comparison with the yield ruling on the recently distributed Standard Oil Co. (N. J.) 2⅜s.

Brought out a few weeks ago the latter issue is currently selling at prices to return an indicated yield of about 2.39%.

Incidentally, it was pointed out that as far back as the turn of the year comparable obligations of these two companies were selling at a spread of about 10 yield basis points.

Hardboiled Attitude

The New York State Public Service Commission through Milo Maltbie, Chairman, appears visibly perturbed by the alleged laxity of Consolidated Edison Co. of New York in getting along with the job of refinancing its $304,000,000 of debt and its preferred stocks.

Accusing the company of negligence in not proceeding with its refunding and replacement program, he warned that rate schedules of utilities in the State henceforth will be based on low interest and preferred dividend rates which are obtainable.

The company, in reply, pointed out that it had launched the undertaking recently with approval by stockholders of a new mortgage under which it plans to proceed, and noted that it already had undertaken to replace a $9,000,000 issue of its Yonkers subsidiary.

Two Utility Stocks

Depending upon clearance of the details by the Securities and Exchange Commission, investors will have the opportunity, possibly tomorrow, to buy common stocks of two operating utilities heretofore held by large holding organizations.

These stocks were up for sale at competitive bidding yesterday and the pricing ideas of competing groups were comparatively close.

One of the largest deals yet under the operation of the Public Utility Holding Company Act, brought 1,530,000 shares of common stock of Dayton Power & Light Corp. up for bids, the sale being for the account of Columbia Gas & Electric Corp.

The stock was awarded at $33.639 per share to Blyth & Co., Inc., and Mellon Securities Corp. and will be offered at $35.75 per share.

A second sale, much smaller, involved bidding for 147,000 shares of common stock of Tucson Gas, Electric Light & Power Co., being sold by Federal Light & Traction Co. This stock was awarded at $37.81 a share to Blyth & Co., Inc., and The First Boston Corp. and will be offered at $40 per share.

Largest in 19 Years

New issue flotations during May were the heaviest for that month in almost 20 years or since 1927, a recapitulation of the month's offerings discloses, approximating the $800,000,000 mark.

The outpouring was accounted for very largely by debt issues either by way of refunding or for the purpose of raising new capital. Some 50 issues were marketed with a total value of over $636,000,000. The total, however, was slightly under the figure of around $670,000,000 set in the preceding month, but more than double the aggregation for the same month in 1945.

Approximately an equivalent number of stock issues were floated to raise more than $150,000,000. This compared with $116,000,000 in May last year.

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