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Government and Public Interest

By SAMUEL P. CAPEN*
Chancellor, University of Buffalo

Leading educator calls for adherence to rules of the Constitution for safeguarding public interest, the supreme function of government. Denounces representatives of people who are subservient to special interests of either capital or labor and holds recent tragic disturbances weakens our social structure.

The public interest is supreme. It outweighs the interest of any group. The public interest comprehends the interests of both the majority and the minority. The majority of the moment may not exploit or curtail the rights of the minority. A minority may not take any action which is hostile to the public interest.

Samuel P. Capen

Government, local, state and national, is the instrument—established by the

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*Extract from baccalaureate address by Chancellor Capen at the University of Buffalo, Buffalo, N. Y., June 2, 1946.

Will Foreign Exchange Speculation Cease?

By A. M. SAKOLSKI

Dr. Sakolski discusses effects of International Monetary Fund on dealings in foreign exchange by individuals and private organizations. Holds Fund's operations, if successful, will prevent open private dealings in exchange, and, because of rigid parities, will force strict control by national governments. Contends it is extremely difficult to make this control effective if equilibrium of fixed parities cannot be maintained, and this situation may produce "black market" operations, which means legitimate and professional foreign exchange speculation will be replaced by illegitimate transactions.

The actual working of the International Monetary Fund as adopted by the Bretton Woods Conference is soon to be a reality, and all the arguments for a rational system of foreign exchange clearings to replace the old automatic and unregulated machinery of foreign exchange transactions, with its uncertainties and opportunities for speculation, is to be put to a practical test. Does this mean that speculation in foreign exchange—a practice that had become a recognized institution in the field of finance, is at an end? Does it mean that transactions in forward exchange, a pristine temporary stabilizer of foreign currency values, will disappear? Or will there come about a new species of foreign currency transactions, within or without the sphere of the International Monetary Fund?

A. M. Sakolski

The basic purpose of the International Monetary Fund is stabilization of foreign exchange values.

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Economic Unity of Western Europe

By DR. WILLIAM F. HAUHART
Dean Emeritus, Southern Methodist University

Economist points out Britain and Germany in peacetime have had important trade relations with each other and that a forced change of Germany from an industrial to an agricultural country would be harmful to British interests as well as to other European nations dependent on international trade. Says policy will prove a boomerang to Allies and will result through crippling dislocations in enormous economic waste. Quotes Churchill as favoring "a living" for Germany, and concludes Allies' policy will put England on the horns of a dilemma.

The economic interests of the various states of Europe have always been closely interwoven. This is particularly true of the western part of Europe including Holland, Belgium, France, the Scandinavian countries, Germany, and England. The trade of these nations among themselves has always exceeded their exchange of goods and services with non-European countries. Before 1914 England was Germany's best customer, although the exports of the United Kingdom to Germany were somewhat less than her imports from that country. The balances were taken care of by invisible items or were equalized in a triangular fashion through the trade of a third country. If we take a year about a half

Dr. Wm. F. Hauhart

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Second Thoughts on British White Paper on Employment Policy

By JOHN JEWKES*
Wartime Director of Economic Section of War Cabinet Secretariat

Professor Jewkes, a colleague on White Paper's preparation, says its importance has become dimmed by the shortage of labor and the remoteness of unemployment. He cites difficulty in defining full employment, and the stimulus to inflation resulting from such policy. Maintains normal oscillations in foreign commerce offer obstacles to full employment. Warns of fundamental problems of administering such program.

I. Introduction

1. I say "second thoughts" in the title of my paper today because as an official in the office of the Minister of Reconstruction I was privileged to assist in the preparation of the White Paper on Employment Policy which the British Government published in May 1944. At that time I think the overwhelming majority of British economists were excited, and indeed relieved, that the document (supported by all the political parties in the then Coalition Government) had finally seen the light of day. Its first words seemed heavy with meaning—"the Government accept as one of their primary aims and responsibilities the maintenance of a high and stable level of employment after the war." Here was the formal and official

*An address written by Professor Jewkes, read by Leo Wollman, before National Bureau of Economic Research, June 7, 1946.

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America's Future Role in Foreign Lending

By DR. JULIUS HIRSCH

Formerly German Republic's Secretary for Economy, and Member of Her First Reparations Commission.

Foreign trade expert cites bad results of our previous European lending and costly lend-lease experience, and predicts that because of our national self-sufficiency, much of our lending will result in increased claims abroad, with an absence of reciprocal "counter-values" for us. Warns against building up war potential for future enemies. Estimates prospective calls on our funds at almost $25-28 billions, and points out relatively great importance of our dollars to respective borrowers. Dr. Hirsch suggests following political and economic prerequisites to future loans: (1) prohibition against loans to present or potential war mongers, or to non-members of UN; (2) guarantees that borrower will not increase his military potential; (3) some general control of the money; (4) our acquisition of political security rights within borrower's territory; (5) use of funds to raise borrower's standards.

Before World War I the U. S. was a debtor country. This situation changed fundamentally after that event. Ever since then we have been the most important creditor nation of the world. The balance sheet of our foreign assets between 1920 and 1940 presents the following picture according to the figures of the Department of Commerce:

Julius Hirsch

U. S. Foreign Investment (in billion dollars)[1]

Owned in 1919	6.5
New investment	11.8
	18.3
Investment end of 1940	9.8
Amortization and repayment	4.9
Net loss	3.6
	18.3

The picture would look much less favorable if only our debtors

1 Computed according to August Maffry, "Foreign Trade in the Postwar Economy," Survey of Current Business, November, 1944, pp. 10-12.

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UN Observations

By A. WILFRED MAY

Controversies at Hunter represent small-scale replicas of the overhanging crucial worldwide schisms. Moscow's attitudes toward Spain and Argentina clearly reveal use of professed ideology as a camouflage for political action. Unexpected appointment of Senator Austin as U. S. Representative demonstrates bi-partisan unanimity on nation's foreign policy, but by-passes at least two better-equipped fellow-Republicans.

HUNTER COLLEGE, N. Y., June 12—Secretary-General Lie's admonition to Detroiters that children should not be advised that peace is secure beyond "the nearest future," well expresses the present maximum level of UN optimism.

A. Wilfred May

Unfortunately the proceedings here seem merely to be reproducing in miniature the great schisms which the war "Allies" are more clearly and forcefully exhibiting in the Council of Ministers, and the non-stop international invectives being hurled by their Heads of States.

One question being actively discussed in London, and confronting the coming Paris meetings, is whether Great Power cooperation actually is feasible, or whether it may not be better frankly to admit that the differences are irreconcileable, and let East and West go their own way in their respective spheres of influence. Here—in line therewith—the consoling thought is ever more frequently being expressed that even with the Soviet "written off" as a UN member, the lineup of Russia versus the World can live peacefully. Mr. Churchill, in discussing Mr. Byrnes' proposal for throwing the peacemaking into the lap of UN, and answering the objections that this might ruin the world organization or divide us into two worlds, replied that this might be better than appeasingly to accept the continued degeneration of the whole world position. "It is better to have a world united than a world divided," said he, "but it is better to have a world divided than a world destroyed." In other words, both within and without UN, a continuation of the world's traditional balance-of-power technique is being talked about.

But minimization of the evil of a permanent rift defining two worlds seems most dangerous. Division of the world into Russian and non-Russian blocs would lead to continuing rivalry, controversies, and friction; and hence the only doubt about a new World War would be the time of its occurrence.

* * * * *

The trend toward world division into blocs is consistent with the steering of the United Nations Organization, as evinced at its charter-formation in San Francisco and increasingly now, along the lines of a Grand Alliance rather than as a League of Nations administering peace on a worldwide basis. And in view of the exclusion from the present league of such neutrals as Switzerland, Sweden, Portugal, et al., the quality of "peace-loving" cannot really be the determining prerequisite for membership.

This spirit of a military alliance of victors is now being demonstrated in the attitude of the majority of the Security Council members toward the Franco-Spain situation. Not only did Dr. Evatt, in reporting for the sub-committee, actually argue as one reason for breaking off diplomatic relations that Spain is not now a UN member but the majority of the Council itself is evidently consid-

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Impact of Federal Budget On Our Economy

By HAROLD D. SMITH*
Director, Federal Bureau of the Budget

Holding operations of the Federal Government are so large, their impact on national economy cannot be ignored, Mr. Smith predicts 1947 budget will exceed $40 billions. Points out major budget items are fixed, and little saving can be accomplished by scaling down other costs. Asserts wartime deficit policy is threat of inflation, and a budgetary surplus is essential to combat this. Urges retention of high taxes and curtailment of public construction projects, and calls for Congressmen to ignore pressures, such as for GI terminal pay, which increase government outlays.


Harold D. Smith

An inquiring reporter recently discovered that during the seven years I have been its Director, the Bureau of the Budget has approved for submission to the President and the Congress recommended appropriations of a little over $500 billions, or more than half a trillion dollars. If all the budget requests of of the executive departments had been approved, this sum would have been even larger.

Quantitatively, such sums are so completely beyond our experience as individuals that they are incomprehensible. Yet their meaning for us as individuals and as a nation, while not simple, is nevertheless comprehensible to any person who will give his public budget at least as much thought as he gives his private budget. If this were not so, the democratic process would fail at its source.

Mr. Average Citizen can no longer afford to neglect his public budget. As far as the Federal budget is concerned, he cannot afford the luxury of occasional heated criticism of the Administration in Washington with the resultant righteous feeling that his obligations as a citizen toward the budget have been discharged.

Those New Deal budgets before the war, about which many citizens complained loudly, now rate in third or fourth place. They

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*An address by Mr. Smith before the National Tax Association and the Chicago Association of Commerce, Chicago, Ill., June 6, 1946.

Production vs. Monetary Controls As Inflation Curbs

By D. W. MATTHEWS
President, Bondex Inc., New York City

Maintaining monetary measures or interest rate controls alone are not effective in curbing inflation, Mr. Mathews contends best remedy is full production. This has not been accomplished, because of strikes and other reconversion disturbances. Says higher interest rates have not been effective in inflation control, and suggests one pattern of interest rates be maintained with reference to government debt, and another for commercial borrowings. Sees more strikes ahead that may slow down production.


D. W. Matthews

Are bankers inviting a storm of criticism at some future date for not having controlled inflation through those monetary methods of combating inflation that they now stress so strongly, thereby leading the public to the belief that they (the bankers) have greater powers for the control of inflation than actually they have?

This is the time of bankers' conventions and it seems to be open season for the heads of bankers' associations, representative bankers and officers of the Federal Reserve Banks to make pronouncements about controlling inflation by monetary means. A dozen or more such pronouncements have come into public print within the past several weeks.

The all important matters of production, price controls and taxation generally have been touched upon only lightly. Most proposals for countering inflation call for stopping further "monetization of the federal debt" and for controlling money rates

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Can Our Inflation Be Stopped?

By E. M. ZIMMERMANN

Writer holds noise and furor about continuation of OPA to stop inflation is futile and useless as long as only effects of inflation, and not inflation itself, is attacked. Says actual inflation now amounts to roughly $400 billions and that for thirteen years "we have been following pattern laid down by Germany in 1914-1923." Recommends as remedial measures: (1) renew faith in dollar; (2) cut government expenses to "marrow"; (3) reduce national debt in sizable amounts; (4) refund short-term into long-term bonds; (5) raise and broaden taxes; (6) remove subsidies; and (7) return power over money to Congress.

"YES" is the answer when the question is viewed from an academic viewpoint. When looked at realistically and practically, however, the answer is emphatically "NO." Why is this? Because no political party has the guts to do it.


E. M. Zimmermann

All of this noise and furor about the continuation of OPA for the purpose of STOPPING inflation is wholly futile and useless. As a matter of fact, there is nothing whatever OPA can do to stop inflation itself. It is a physical impossibility. All that price control, rationing and regulation of production can do is to curb the EFFECTS of inflation. Such measures deal only with symptoms and cannot touch the disease itself.

At our Nation's capital is now being witnessed the sorry spectacle of a group of economic doctors gathered around a patient very sick with the cancer of inflation. All of their efforts are concentrated on keeping the effects of the disease from showing externally on the body of the patient. No attempt is made to remove the cancer itself. One M. D. says let's give him a shot of ad-

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Siamese Twins

"Preferred Allotments List" in sale of original issues constitutes no evil. Integrated in trade custom and usage. Not unlike merchants giving considerate treatment to existing customers. SEC gives no relief to underwriters "bagged" with sticky issues. Should adopt a hands-off policy. Attempt to do through NASD what the Commission may not do itself, denounced.

In a recent news item dealing with original offerings, James A. Treanor, Jr., Director of the Trading and Exchange Division of the Securities and Exchange Commission, was quoted as saying:

"Many thoughtful persons it and out of government have expressed grave concern about these practices which tend to reestablish the odious 'preferred list' of the 1929 era. Whether such practices are in violation of the laws administered by this Commission is being considered, but whether they are or not, the businesses affected ought to take immediate steps to put an end to this evil.

"If the organizations representing securities dealers, as well as those representing banks and insurance companies, are unable or are unwilling to clean up this situation, I propose to recommend to the Commission that it make a thorough investigation. That such an

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Prospects for Higher Prices of Selected Stocks

By G. Y. BILLARD

Partner, J. R. Williston & Co.

Analyst ascribes leisurely dealings in stock market to domestic uncertainties and sees approaching clarification of these uncertainties bringing renewed demand for equities with resultant higher prices for selective issues. Reviews price changes and notes in last nine months, stocks of several important industries have doubled. Holds labor situation has passed crisis, but in measuring prospect for any stock, consideration should be given to likely duration of present sellers' type of market.

Leisurely Dealings

Leisurely dealings with prices easing under pressure of persistent, although light, offerings, and some isolated weak spots, such as Chicago & North Western issues on the omission of the preferred dividend, presented striking contrast with the bullish demonstration coinciding with the rather realistic handling of the labor crisis of the preceding week.

Gordon Y. Billard

Principal reasons for the sudden shift in sentiment lay in an apparent reversal in the Administration's attitude regarding the desirability of effective anti-strike legislation, rumblings in the automobile and allied industries of another round of wage increases, and labor union defiance of the Government as evidenced in the Petrillo blast. Then too, from the technical standpoint, inability of the rails to gather sufficient strength to hurdle the barrier of last February, which has already been accomplished by the industrials and utilities, naturally fosters cautious advices by Dow theory students.

Considering the relatively advanced level of the market and the widespread hopelessness and despair resulting from months of progressive industrial paralysis, it is rather remarkable that the market exhibits such a firm undertone. The answer is that existing domestic troubles have been weighed in the market place and are being reflected in the prevailing price level. The corollary to this is that if the present outlook were not as cloudy as it is, stock prices would in all probability be substantially higher. Hence it is our view that clarification of existing domestic uncertainties will bring renewed demand for equities with resultant higher prices for selected issues.

Confusing

The stock market admittedly presents a most confusing pattern. There are many issues which one could readily list that are presently capitalizing this year's probable earnings on an extremely conservative basis and offering a

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BUSINESS BUZZ

"But if your agents stand that still how do they get any business?"

NASD Board Discusses Controversial Proposed SEC Allotment Rule at Bretton Woods Meeting

Governors should be commended, it is generally believed in investment house circles, for refusal to be stampeded into quick action.

The Board of Governors of the National Association of Securities Dealers at its meeting at Bretton Woods is understood to have given lengthy consideration to the Securities & Exchange Commission's Proposed Rule X-15C2-3 but to have taken no final action on the matter.

Caught as it was in a dilemma between the legitimate interests of the securities industry's opposition to the rule, on the one hand, and pressure from the SEC for quick action, on the other hand, the Board is to be commended, it is generally felt in investment house circles, for its refusal to be stampeded along a course which would drastically alter trade custom. Further discussions on the question seems likely.

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The Informational Requirements For Full Employment Policies

By ALEXANDER LOVEDAY*
Member, Economic and Employment Committee, UN
Former Director of Economic, Financial and Transit Department of League of Nations

Mr. Loveday declares full employment implies coordination of national policies, and having available complete relevant information on global scale. Endorses proposal UN's Economic and Social Council establish an international trade-cycle bureau as aid to policy-making. Reveals plans for a UN Balance of Payments sub-Commission to report direction of international trade and changes in payments.

Now that governments have committed themselves to doing something about the risk of depressions—committed themselves indeed to the courageous objective of trying to maintain full employment, I want to consider what agencies of information and very broadly—superficially if you will—what types of information they will require to give them some chance of success—or perhaps better, of obviating tragic failure. I shall begin by making one important assumption—namely that fluctuations in business activity spread naturally from country to country and that no country, unless it is a vast land mass like Russia, rich in almost all natural products and covering many degrees of latitude, can hope to maintain a high degree of economic activity acting alone. I shall assume, that is, that full employment policies must either be international or imply the coordination of national policies. Granted this, then, the problem before us of the research and the research equipment required is largely one of international organization.

Alexander Loveday

But all international research must be based on national foundations and something must therefore be said first about those foundations. The policy maker is necessarily a busy person; he has to know not only about the subject on which he is framing policy, but also about the general and approved objectives of policy and more difficult because less certain, about what the public and the legislature will accept at any particular moment of time. His are the functions of judgment and imagination. Judgment to decide what should be done; imagination to decide what can be done; and judgment again to marry this "should" and "can." He requires therefore not crude but refined data about the actual situation and about the hopes and threats that it carries for the future. He requires not a steel engraving showing every detail of the pic-

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*An address by Mr. Loveday before National Bureau of Economic Research June 6, 1946.

America's Responsibility And World Security

By HON. HERSCHEL V. JOHNSON*
Acting U. S. Representative on UN Security Council

Mr. Johnson declares international events of past decade should have taught these lessons: (1) weakness invites aggression; (2) united we stand, divided we fall; (3) public confidence and support are indispensable to effective peace machinery; and (4) areas of agreement must be expanded. Urges us to put our complete power behind UN, and assume our full share of military responsibility for world security.

After the first World War, one of the films interpreting the life of the American soldier portrayed a humorous and delightful character who frequently got himself into complicated situations. His name was Captain Flagg. In the midst of his difficulties his Lieutenant would always say to him, "Think fast, Captain Flagg." I like that terse injunction. It fits our times, for now we have all of us the hard task of thinking our way out of the chaotic and unhappy conditions which seem always to follow in the wake of war.

Herschel V. Johnson

*An address prepared by Mr. Johnson, but delivered by Lieut. Gen. M. B. Ridgway of U. S. Military Staff Committee of UN, before American Legion, Indianapolis, June 6.

This opportunity to meet with you, the chosen representatives of several million men who have served our country in two great wars, is more than an opportunity to make a speech. No group in the United States has a greater stake in a solution being found to the problem of consolidating the Allied victory than the men who won that victory. It is my hope tonight that I may contribute some ideas to thought and discussion about this problem which may reach into every community where the American Legion has a post.

Those of us who try to interpret the mind and purpose and ideals of the American people in international meetings can succeed only to the extent that the people we represent achieve themselves, a certain unity of purpose by making up their minds on broad policy. It is a painful and difficult process for all of us, because it involves self-discipine, facing unpleasant facts, giving up pet beliefs that do not fit the facts,

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Baltimore Stock Exch. Elects Brown President

BALTIMORE, MD.—J. Dorsey Brown has been elected President of the Baltimore Stock Exchange. Edward J. Armstrong (Stein Bros. & Boyce), W. Carroll Mead (Mead, Miller & Co.), and Walter M. Weillepp were named to the Governing Committee.

At the meeting of the Committee, John Redwood, Jr. (Baker, Watts & Co.) was elected Vice-President; Edward J. Armstrong, Treasurer; Mrs. Helen P. Garrett, Secretary and Assistant Treasurer, and Miss Jessie Johns, Assistant Secretary.

Case Bill Veto Emphasizes Need For Immediate Labor Legislation

By ELISHA M. FRIEDMAN
Consulting Economist

Mr. Friedman vigorously contends that, in view of the President's veto of the Case Bill (H. R. 4908), immediate legislation is required to reconcile the interests of labor with those of the rest of the community, so as to avoid disintegration of our economic and political system. In support thereof he quotes Justice Brandeis, who said that "it is the function of the legislature" to "substitute processes of justice for trial by combat." We are urged to profit from relevant foreign experience.

The President's veto of the Case Bill has solved no problem. The country is still in the same labor crisis under which public indignation precipitated the Case Bill. Some alternative legislation is needed immediately. A labor law passed a year from now will not meet the problems which now bedevil the country.

Elisha M. Friedman

Today the country has not a labor policy, but only expediency and appeasement. The evil results of such a lack of policy may be beyond remedy in June, 1947. A spiral of wage increases, forced by strikes, cannot be undone 12 months later. But we must act. The facts are abundant and well known. Over a thousand pages of testimony have been printed in the labor hearings of 1946 alone.

But all legislation to regulate unions is opposed by labor leaders. The opposition presents no logical arguments, but only vituperation. It threatens individual Congressmen. Petrillo defies the Government. Besides, the union spokesmen present no alternative proposals to the present anarchy in the relation of organized labor to the unorganized community. Wage increases are being demanded by union after union. The country is clearly in a crisis.

Who pays for the increase of union wages? Everybody who does not get the increase, viz: farmers, disabled veterans, widows, pensioners, city policemen, state health inspectors, Federal post-office employees, etc. *Dishwashers, in unions, now receive more than unorganized doctors at a Los Angeles hospital.* Factory porters, in unions, now receive very much more than unorganized school teachers in Detroit. The difference measures not greater ability or skill or social value, but the power of unions over society.

Technological advance is due to invention, engineering and management. Its fruits should not be preempted by an organized minority. The funds of progress should be distributed democratically. *Instead of increasing wages to the favored few, the benefits should go to the entire community in the form of lower selling prices.*

Higher wage rates raise the

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Anti-Labor Legislation Leads to Statism

By MATTHEW WOLL*
Vice-President, American Federation of Labor

Veteran labor leader expresses opposition to Case Bill and President's promised emergency measure. Says all rights labor has gained would be almost completely wiped out if these measures are enacted and they would compel individuals as well as groups to obey will of Government. Holds President has been ill-advised and misguided and defends both miners' strike and the royalty demands of Musicians' Union. Opposes totalitarianism in both organized labor and Government and accuses "ruling class" of seeking to curb growing power of labor.

I want to take your mind back just a little to the development of organized labor and to indicate that labor for the past one hundred years has had a labor program changing from time to time, it is true, modified to new conditions arising, but ever going on and on to bring labor up higher and forward in a greater participation in the rewards of activity jointly of employers and of employees.

Matthew Woll

Read the history of the American labor movement, study the annals of the American Federation of Labor, and see if there has not been a constant and persistent and consistent labor program. See the development of organized labor from feudalism, from his hands shackled, from his right to organize denied, from conspiracy doctrines, applied almost to every activity of labor, now to our status of free men, and then say we have had no program.

Look to our educational field, our social field, our political field, inspect every activity of human relationships, and there you will find labor in the past as well as of the present having presented in program.

Why do you meet in Convention? Is it not to review the program approved at your last meeting and to design a new program or a modified program to meet changing conditions for the future? And what is true of your International Union is true of every international union, and what is true of international unions is true of local unions and likewise of our federated bodies, city, state and national and international.

Thus we are formulating programs constantly, and I wonder sometimes if we do not minimize our own conception of that which has been done by urging new programs and forgetting the old and that which has been done in the past.

Yes, we are faced with dangers, it is true, dangers not only on the part of our Federal Government, but likewise on the part of our several state governments. We have had over a dozen of our states that have enacted anti-labor legislation.

That has taken a threefold character: one, attempting to regulate the internal affairs of our trade union organizations, in Colorado going even to the extent of requiring organizations to become incorporated in order that they may carry on collective activities in behalf of their members; in other states, requiring licensing of officers to represent organizations, requiring strike votes to be taken by secret ballot, not under union official guidance but under state guidance.

And so they have attempted likewise to regulate and control the instrumentalities which we have come to use as free men and as free workers to advance our economic interests.

Many other restrictions have been proposed. Fortunately, labor has overcome most of them, but still many remain and antagonism still exists in a number of states toward organized labor because they have come to realize, particularly the ruling class, that the

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*An address by Mr. Woll before the United Hatters, Cap and Millinery Workers International Union, New York City, June 6, 1946.

Gardner Urges Sound Monetary Policies

Under Secretary of the Treasury O. Max Gardner yesterday issued the following statement:

I was drafted to the Office of Under Secretary of the Treasury three months ago by Secretary Vinson and President Truman. I wish to say in this connection that I was not a candidate for this office and I have never been a candidate for appointment to any other Federal office.

O. Max Gardner

After a recent conference with Secretary-elect Snyder and President Truman, and at their joint insistence, I feel it my duty to continue my services on the same basis of my original acceptance, which was that my health, happiness and acceptable services would determine the period of my stay in office.

If I am helpful to the least degree in the preservation of faith in the credit and currency of America, I shall be amply repaid for my efforts. The sustained confidence in and solvency of our country is a matter of tremendous importance to our national and international relations and welfare, and for this great cause I stand ready and willing to help to the utmost of my ability.

Now M. C. Bittner & Co.

The firm name of Bittner & Co. has been changed to M. C. Bittner & Co., Incorporated. Offices will continue at 80 Broad Street. Officers of the new organization are Murray C. Bittner, President and Treasurer; Celia M. Bittner, Vice-President, and Toby Erlitz, Secretary.

Luke, Banks & Weeks

Luke, Banks & Weeks, 52 Wall Street, New York City, members of the New York Stock Exchange, will admit Frances Weeks Ryan and Raymond vonEssen to partnership as of June 20th. Morton M. Banks retired from the firm on June 5th.

Frost At Gross, Van Court

LOS ANGELES, CAL.—George R. Frost has become associated with Gross, Van Court & Co., 639 South Spring Street, members of the Los Angeles Stock Exchange. He was in the past with District Bond Company and Paul J. Marache & Co.

Public Utility Securities

Tucson Gas, Electric Light & Power

Another of the recent series of utility operating company common stock offerings appeared on June 7 when 147,000 shares of the Tucson Gas, Electric Light and Power Company were offered by a syndicate headed by Blyth & Co. and First Boston Corp., at $40 a share (net to company $37.81). The company had been owned by Federal Light & Traction Company, in turn controlled by Cities Service Power & Light in the Cities Service Company system.

The company supplies Tucson (the second largest city in Arizona) and environs with electricity and natural gas and also serves an adjacent rural area with electric service. Population served with electricity is estimated at about 92,000. Gross revenues are derived about 71% from electric operations and 29% natural gas. A breakdown of electric revenues shows 30% residential, 37% commercial, 22% industrial and 11% irrigation pumping and miscellaneous.

The company is largely a distributing company, about 88% of its power being purchased from the Parker Dam (U. S. Bureau of Reclamation), the balance being produced by the company. Among the important customers served are Consolidated Aircraft (modification center), Cortaro Farms, Eagle-Picher Mining, Southern Pacific Railroad (station and shops) and Home Ice Company.

Electric rates are low, the average revenue per residential KWH in 1945 being 2.66¢. This was, however, after giving effect to a refund to customers ordered by the Arizona Corporation Commission, amounting to $475,000. On March 1, 1946, a new schedule of operations was put into effect which, as compared with 1945 rates before giving effect to the refund, would effect a reduction estimated at an annual rate of $600,000.

The Arizona Commission early in 1946 issued an opinion and order providing that the value of property for rate making purposes should be the original legitimate cost to the utility, less accrued depreciation. This was based on an Act of the Legislature which became operative around the end of 1945. Litigation is now in progress, which has been carried to the Supreme Court of Arizona, as to whether this law can be subjected to a public referendum. Apparently the order of the Commission does not require determination of "original cost when first devoted to public service" but merely the original cost to the company itself. However, if the law continues in effect, it provides that the State Commission should seek the cooperation of the FPC; the latter has, of course, always favored strictest application of the original cost idea on an initial construction basis.

The plant account is currently stated at cost to the company (subject to some accounting reservations) and intangibles so far as identified amount to less than 1% of the total. The depreciation reserve amounts to about 21% of gross plant.

Unfortunately, the summary of earnings is not set up on a pro forma basis in the prospectus. The share earnings as stated therein are as follows:

1945	$2.55 (a)
1944	2.50 (a)
1943	2.74
1942	2.33
1941	2.44
1940	2.30
1939	2.04
1938	1.67
1937	1.73

(a) After giving effect to rate refunds.

These earnings, however, do not adjust for tax savings due to consolidation with the parent company, Federal Light & Traction, which in 1945 amounted to $91,800 or nearly 63¢ a share. On the other hand, there will be a substantial saving in taxes under the new law. Based on data buried in a footnote on page 28 of the prospectus, 1945 share earnings after adjustment for all tax changes, would apparently have exceeded $4 a share. The rate cut for 1946 exceeded the 1945 refund by about $125,000 which amount, after adjustment for tax savings, would be equivalent to about 53¢ a share, reducing estimated earnings to around $3.50 (although there might, of course, be some offsetting gain in earnings due to the lower rates or natural growth). On the basis of the $3.50 estimate, the stock was retailed at about 11½ times earnings, which is below the general average for electric stocks.

While the prospectus makes no comment on dividend policy, it is understood that the President has indicated that he will recommend a $2 rate, the same as paid in 1945, on which basis the yield would be 5%. This is about the same rate as on the Dayton Power & Light offering which came almost simultaneously, and is well above the average current yield on electric power and light stocks.

* * *

Consolidated Edison Co. of New York, Inc., announced June 12 the proposed issuance of $290,000,000 1st and refunding mortgage bonds, to be sold through the competitive route. Proceeds, together with other funds will be used to refund $304,240,000 outstanding bond issues.

J. C. Groshot Resumes Investment Business

J. Charles Groshot has recently left military service and will resume his investment business as broker and dealer in over-the-counter and other securities, from offices at 60 Broad Street, New York City, where he will make his headquarters at the offices of Biel, Russell & Saxe.

Cleland Admits Kruge And Lambuth to Firm

James D. Cleland has admitted Walter C. Kruge and Earl Lambuth to partnership in James D Cleland & Co., 50 Broadway, New York City. Mr. Kruge has been with the firm for some time as manager of the industrial stock and bond department.

Road to Better Labor Relations

By FRANK RISING*

General Manager, Automotive and Aviation Parts Manufacturers

Mr. Rising lays blame for present labor relations situation largely to Administration policies and asserts as long as Administration pursues its present capricious course, more bitter strikes are just ahead, since every labor leader realizes administrative branch of government is afraid of the unions. Holds task of management is to educate the worker by telling workers reasons for policies. Says Wagner Act has been misinterpreted as not permitting employers to address workers, and lays down as program of employee education: (1) a better system of channeling information; (2) a better timing and flexibility in making statements; and (3) a greater use of spoken word in communicating with employees.

For a good many years, we have been on the wrong road not only in labor relations but in other avenues of sociological experiment. We have encouraged our people to believe that thrift and providence are meaningless because profligacy and wastefulness result only in "owing ourselves." We have popularized a national dole under the name "security" and state doles under the name of "unemployment compensation." We have taught people to look to someone else to shelter them until today a great many prefer to lean on others rather than be self-reliant and courageous.

Frank Rising

Worse still, we have built ourselves a world of fear, where everyone is frightened daily by horrible stories of future unemployment, depression and black despair. The government declares one "emergency" after another, using this fear propaganda to support actions which otherwise would be rejected by the people as outrageous to liberty.

In the field of labor relations, these practices are glaringly apparent. Sophistry, falsehood, and shameful sloganeering have run unchecked until the working man is bewildered, afraid, and a ready dupe for the unscrupulous and selfish men who use him to support socialistic experiment.

Labor Union Policies

Despite the recent awakening of Congress and the trend toward laws to regulate the unions, and despite the strong turn of public sentiment in the same direction, I believe that the unions will continue their truculent, brutal methods for some time. I really don't see how the Administration can

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*An address by Mr. Rising before the National Fertilizer Association, French Lick, Ind., June 11, 1946.

G. F. Brewer Joins Staff Of Wm. Blair & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — George F. Brewer has joined the staff of Wm. Blair & Company, 135 South La Salle Street, members of the New York and Chicago Stock Exchanges. Mr. Brewer has been serving in the U. S. Army. Prior thereto he was with Lazard Freres & Co.

Curb Membership Changes

The Board of Governors of the New York Curb Exchange at its regular meeting held June 5th approved the transfer of a regular membership on the Exchange from Morton M. Banks to John K. Weeks, a partner in Luke, Banks & Weeks of New York City.

At the same time, Edwin H. Koehler of the New York firm of Marx & Co. was elected to associate membership on the Curb Exchange.

Silver Compromise Advances

By HERBERT M. BRATTER

Silver Senators agree to compromise raising Treasury's sale price of silver from 71.11 cents to 90.5 cents per ounce, but Sen. Green and others from silver manufacturing states have not yet indicated acceptance of proposal. The proviso increasing the Treasury's buying price of silver within two years to its "monetary value" of $1.29 an ounce expected to be deleted from compromise. However, removal of silver ceiling prices as well as 50% tax expected, though opposed by Treasury.

WASHINGTON, D. C., June 12—In a Saturday session on June 8 the Senate Appropriations Committee agreed to report out the compromise silver rider to the Treasury and Post Office Departments Appropriation Bill for 1947. The reporting of this rider puts before the Senate the identical silver compromise in two separate measures, the other one being the special bill introduced last month by Senator Abe Murdock of Utah and a group of other silver state Senators. Despite the action of the Senate Appropriations Committee, there still remains at least some doubt as to the course which Senator Theodore F. Green of the silverware-manufacturing state of Rhode Island will pursue when the compromise comes up on the Senate floor. According to Senator Green, this cannot be until some time after he returns from a short trip he is now making to Bermuda.

Herbert M. Bratter

The compromise as it left the Appropriations Committee for the Senate floor contains a provision for the sale and purchase of silver by the Treasury at about 90.5¢ during a two year period; and thereafter for the discontinuance of the Treasury's power to sell silver at below its monetary value and a proviso increasing the price at which the Treasury must accept newly-mined domestic silver

(Continued on page 3249)

Urge Rejection of "Silver Bloc" Proposals

Sixty-six members of Economists' National Committee on Monetary Policy petition Congress and President to reject Silver-Bloc proposals to raise price of silver and recommend a return of free market for the metal. Prof. Spahr replies to criticism.

A statement issued on May 10 by 66 members of the Economists' National Committee on Monetary Policy, of which, Dr. Walter E. Spahr is Executive Secretary, urges that the proposed legislation designed to increase the price of silver be rejected by Congress on the grounds that it amounts to a subsidy to silver producers and will result in a levy on taxpayers, manufacturers and users of silver.

Walter E. Spahr

The complete text of the statement follows:

"We, the undersigned, members of the Economists' National Committee on Monetary Policy, urge Congress to reject the proposed legislation designed to increase the price at which silver is to be bought and sold by the United States Treasury.

"The only price at which the Treasury should purchase silver is that determined in competitive world markets.

"There is no valid reason for subsidizing silver producers in this and other countries. Silver is chiefly a by-product in the mining of copper, lead, zinc, and gold; and this fact makes any subsidization of silver producers doubly inexcusable.

"There is no more validity in the argument of the silver bloc that silver should be bought and sold at its nominal monetary valuation of $1.29 per fine ounce, or at any price above the open-competitive market price, than there would be in an argument that the paper used to make paper currency should be bought and sold in the market at the nominal monetary value of the piece of currency manufactured from this paper.

"The proposed silver legislation is solely an attempt on the part of

(Continued on page 3237)

Skall, Joseph to Admit Masius to Partnership

CLEVELAND, OHIO — Skall, Joseph & Miller, Union Commerce Building, will admit Harold M. Masius, member of the New York Stock Exchange, to partnership in the firm on July 1st. Mr. Masius has been doing business as an individual floor broker and prior thereto was a partner in Strauss, Phillips & Co.

Sidney N. Amster and Robert Hays Gries will be admitted to limited partnership in Skall, Joseph and Miller on July 1st also.

The Case Bill Veto Message

President tells Congress bill is utterly different from his requested temporary legislation. Says it would not prevent or shorten strikes and urges a joint committee to investigate entire field of labor relations. Analyzes measure section by section, and concludes that no one can be forced to work for private employers. Renews request for his emergency legislation.

President Harry S. Truman on June 11 submitted to Congress a lengthy message, in which he gave notice of his veto of the Case Labor Relations Bill. This had remained unsigned on his desk for nine days. In his message the President explained his reasons for the veto, taking up the measure section by section. He again recommended the passage of a temporary measure which would outlaw strikes in government operated industries and which would permit him to draft workers in these industries if required. After hearing the message the House of Representatives, within 30 minutes, by voting 255 against 135 to override the veto, failed to produce the required majority by the slender margin of five votes.

President Truman

The complete text of the President's message as reported by the Associated Press follows:

To the House of Representatives:

I am returning herewith, without my approval, H.R. 4908, entitled "An Act to Provide Additional Facilities for the Mediation of Labor Disputes, and for other purposes."

The outstanding domestic problem confronting this country today is the maintenance and increase of production. We must have production, or the effects of ruinous inflation will be felt by everyone of our citizens. Strikes and lockouts are the greatest handicaps to attaining vital production.

Inasmuch as the solution of our present-day labor problems constitutes the key to production, this present bill must be judged in the light of whether it will assist in reducing labor strife in the nation.

I have given careful study to the bill. I have not considered it from the standpoint of whether it favors or harms labor, or whether it favors or harms management. I have considered it from the standpoint of whether or not it benefits the public, which includes both management and labor.

In the determination of the question whether or not the great majority of our citizens will be benefited by this bill, the question presented is whether it will help to stop strikes and work stoppages and prevent other practices which adversely affect our economy.

I have reached the conclusion that it will not.

I have tried, as the representative of all the people of our nation, to approach this problem objectively, free from the emotional strains of the times and free from every consideration except the welfare of our nation and of the world which is so dependent upon our recovery to a full peacetime economy.

This bill was undoubtedly passed by the members of the Congress in the sincere belief that it would remedy certain existing conditions which cause labor strife and produce domestic turmoil. I cannot agree with the Congress with reference to the results that would be achieved by it.

Not What He Requested

I trust that there will be no confusion in the minds of the members of the Congress or in the minds of the public between this bill and my request on May 25 for emergency legislation.

At that time I requested temporary legislation to be effective only for a period of six months after the termination of hostilities and applicable only to those few industries which had been taken over by the Government and in which the President by proclamation declared that an emergency had arisen which affected the entire economy of the country.

It was limited to strikes against the Government. It did not apply

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The Corporation in the Tax System

By E. GORDON KEITH*

Division of Tax Research, U. S. Treasury

Treasury expert points out importance of corporation taxes in tax system and desirability of having equitable taxes to avoid deterrents to consumption and investment. Lists criticisms of corporation taxes as (1) they discourage risky investment; (2) they distort business judgment; (3) they deprive industry of needed funds; and (4) they impose double taxation. Contends criticism may hold in principle, but not in practice, and, after reviewing proposed changes, concludes there is likely to be a closer coordination of corporation and individual income taxes, and more drastic changes will depend on revenue needs, since present corporation taxes yield large returns.

I. Introduction

The level of Federal corporation income tax rates has of late become a matter of considerable concern, not only to businessmen who have an obvious interest in the percentage of profits remaining to them after taxes, but also to many business and Government economists who have an interest in the overall effects which the taxation of corporate earnings at high rates may have on levels of production and employment in the postwar years. It is generally recognized today that the ease with which we shall be able to balance post-reconversion budgets depends on our ability to maintain a much higher level of production and employment than that attained in any previous peacetime period. But high level production and employment depend in turn on high level consumption and investment both of which are directly affected by the way in which tax burdens are distributed. Accordingly, in designing the postwar tax structure consideration must be given not only to such matters as its equity and fiscal adequacy, but also to its impact on consumer spending and private investment. A tax system which bears too heavily on consumption, or which discourages investment, will

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*An address by Mr. Keith before the National Tax Association, Chicago, Ill., June 5, 1946.

Nielsen and Tinsley With Stewart, Scanlon

SAN FRANCISCO, CALIF. — Stewart, Scanlon & Co., Mills Building, members of the San Francisco Stock Exchange, announce that Charles C. Nielsen and Paul M. Tinsley have joined their staff. Mr. Nielsen was previously in the export-import business. Mr. Tinsley has been engaged in commercial banking.

Abraham Rosen Opens

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS. — Abraham Rosen has opened offices at 24 Federal Street to engage in the securities business. In the past he was connected with Jackson & Co., J. S. Bache & Co., and Frederick C. Adams & Co.

Pan-American Export Class A Stock Offered

Koellner & Gunther, Inc., Newark, N. J., are offering as a speculation 110,000 shares of class A common stock, par value $1 per share, of the Pan-American Export Corp. at $2.65 per share.

The proceeds of this offering are to be used for expansion of the corporation's business in other countries and for working capital.

Hold OPA Responsible for the Steady Flow of Many Scarce Commodities to Foreign Lands

Informed sources on Wall Street believe OPA price ceilings forcing movement of many items badly needed at home to South America and elsewhere. Retail merchants feel there is only a "trickle" of goods leaving country and discount importance of current reports, but admit foreign pressure for American goods is strong and likely to remain persistent for some time. Building contractors report shipments of lumber out of New York.

Men on Wall Street who keep a sharp eye on the export trade believe that OPA price ceilings are responsible for the steady flow of many scarce commodities from our shores to foreign lands, particularly the Latin-American countries, where the absence of price restrictions permit higher market prices.

These sources say, for instance, that American-made men's white shirts and women's nylon stockings can be found in abundance in Mexico; that 1946 model American automobiles are available in Chile, Venezuela and elsewhere, and that the construction of several large luxury hotels, requiring American steel and other building supplies, has either started or is being planned at various Latin-American sites for the near future.

American retailers are inclined to discount the effect of OPA-stimulated foreign trade in scarce commodities on the domestic supply of such goods, since they understand the movement of various products across American borders can be said to be hardly more than just a "trickle."

Contractors, however, will vouch more readily for the steady character of such foreign business as is being done, even though they admit they do not know the extent to which it runs in either value or tonnage. They report, for example, that it has come to their attention that heavy shipments of lumber — very much needed at home at this time for the construction of G. I. homes—have been made regularly from New York for some considerable period.

It is common knowledge among the informed on Wall Street that the Latin-American market especially has been seemingly bountifully supplied with American goods for many years, that is, even during the war, when the counters of American stores — like the proverbial shelves of Old Mother Hubbard—were bare.

Just how some of these goods reached the Latin - American countries during the war period is not entirely clear — even yet. There is a feeling that corrupt officials must have combined with black marketeers to have placed lend-lease goods up for public sale, such were the quantities of goods in evidence.

(The conviction is strong among Wall Street men who understand the Balkan situation that the same thing may now happen with American wheat to be shipped to that part of the world. Corruption is believed to be as rife among the officials now as before the war, particularly in the smaller communities, and it is feared that black market operations will flourish as soon as American wheat arrives there in any quantity.)

Wall Street is aware that many Americans do not know the foreign situation well enough to realize the extent to which American goods sent to foreign lands

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NSTA Notes

NASHVILLE SECURITY TRADERS ASSOCIATION

Carr Payne

Thomas Graham, President of the National Security Traders Association, announces that the Nashville Security Traders Association was organized on May 14th and has become affiliated with the National Security Traders Association. The following officers were elected: President: Carr Payne, Cumberland Securities Corp. Vice-President: Matthew B. Pilcher III, Mid-South Securities Co. Secretary and Treasurer: Herbert Pettey, Equitable Securities Corp. National Committeemen: Frank Burkholder, Equitable Securities Corp. and Frank Wilson, Jack M. Bass Co.

PITTSBURGH SECURITIES TRADERS ASSOCIATION

The organization of the Pittsburgh Securities Traders Association on May 15th and its affiliation with the National Security Traders Association, has been announced by Thomas Graham, President of the NSTA. The following officers were elected: President: Charles N. Fisher, Singer, Deane & Scribner. Vice-President: George S. Lestrange, Moore, Leonard & Lynch. Treasurer: George C. Bodell, Young & Company, Secretary: Earl E. Sweitzer, E. E. Sweitzer & Co., Inc.

New York Team Wins Inter-City Golf Tournament At 20th Annual Outing of Baltimore Bond Club

Washington, Philadelphia and Baltimore also represented by teams in the competition. W. Carroll Mead of new firm of Mead, Miller & Co., winner of Stein Bros. & Boyce trophy in individual contest. Record attendance of more than 300 at outing.

The Bond Club of Baltimore held its 20th annual field day at the Elkridge Club last Friday with more than 300 members and guests in attendance. The program included two golf tournaments, informal tennis play and the traditional "Stock Exchange" in the afternoon and a dinner in the evening.

New York won the inter-city golf match in which Washington, Philadelphia and Baltimore also participated. Members of the winning team were Herbert S. Hall of Morgan, Stanley & Co., Joseph A. W. Iglehart of W. E. Hutton & Co., and Mason B. Starringer of Graham, Parsons & Co. W. Carroll Mead of the new Baltimore firm of Mead, Miller & Co., won the Stein Bros. & Boyce Trophy with a score of 69 in the individual tournament in which 50 men competed.

LeRoy A. Wilbur of Stein Bros. & Boyce was Chairman of the Committee in charge of arrangements. Joseph W. J. Cooper of W. E. Hutton & Co. was in charge of golf. Other members of the committee included Edward J. Armstrong and Frank King, both of Stein Bros. & Boyce and E. Guy Gray of the Mercantile Trust Co.

Dabbs Sullivan Has Formed Own Inv. Co.

LITTLE ROCK, ARK.—Dabbs Sullivan has formed Dabbs Sullivan Company with offices in the Boyle Building, to act as underwriters, distributors and dealers in Arkansas municipal bonds. Mr. Sullivan was formerly a partner in Walton, Sullivan & Co.

Illinois Brevities

Trading in grain futures on the Chicago Board of Trade was halted for two hours last week as a result of a Federal restraining order brought on by the complaint of Robert W. Buckley, who sought to enjoin the board from putting into effect new trading regulations, which, he said, would cause members to suffer "irreparable damage" and "confiscation of property."

The order was later dissolved by Federal Judge Elwyn R. Shaw and the following day the board announced suspension of Mr. Buckley and his son, Charles W. Buckley 2nd, doing business as Buckley & Co., on the grounds that the company had failed to meet margin requirements.

Mr. Buckley's attorney, however, stated that Buckley & Co. was suspended because it refused to abide by the "arbitrary and illegal" action of the directors of the exchange and not because of any inability or unwillingness to meet their commitments.

The court action grew out of the Board of Trade ruling, ordering that trading in old grain futures contracts be resumed under new ceilings announced by the Government May 8 and effective May 13. Defaulting shorts in the expired May contracts would be penalized to the extent of the new ceiling prices.

* * *

A report that a group representing the nation's railroads had asked Standard Steel Spring Co. to take over the Pullman Co. when and if they obtained title in a pending suit was officially denied by Fred G. Gurley, President, Santa Fe Railway, and member of the committee which acted for the railroad purchasing group. "None of us had heard of such an offer before the newspaper statement appeared and we have no knowledge whatever of it," he said in a formal statement.

Standard Steel Spring was one of three unsuccessful bidders for the Pullman Co. in the Government's antitrust suit against Pullman, Inc., which was ordered to dispose of either its sleeping car or its manufacturing business.

* * *

The Chicago Corporation further increased its investments in gas and oil operating properties with the purchase of a substantial interest in Loffland Brothers Co., Tulsa, Okla., rated as the largest oil well drilling and contracting firm in the world.

According to reports, the consideration involved is approximately $11,000,000.

The Loffland properties include a considerable volume of crude oil production from 31 wells, largely in the southwest. Loffland has 108 rotary drilling rigs in operation in some 16 states and in South America and Cuba.

* * *

The two-cent fare increase now in effect on Chicago Rapid Transit Co. lines will increase revenues about $2,600,000 in the next 12 months, despite the anticipated loss of about 15,000,000 riders, Harley A. Johnson, General Manager, testified before the Illinois Commerce Commission. An additional penny is now also being charged by the elevated lines for transfers where requested.

There were 47,402 fewer passengers riding the lines the first Monday the rate increase went into effect, Mr. Johnson said, but revenues, nevertheless, showed an increase of 14%. The comparisons were made with the corresponding day of the week in 1945.

The City Council is expected to oppose the fare boost.

* * *

Federal Judge Igoe is expected to rule this week on final confirmation of the plan to sell the Chicago Surface Lines to the publicly owned Chicago Transit Authority.

Objections to confirmation of the plan were voiced by William R. Morgan, attorney for holders of Chicago Railways Co., Series B bonds, and James A. Sprowl, representing junior stockholders of the Chicago City Railways Co.

Mr. Morgan pointed out that the Chicago Transit Authority had not begun selling bonds to finance the proposed purchase and asked if the delay was due to the hope that street car fares might be raised. If these fares are increased before the bonds are sold, he said, the value of the surface lines' property will be increased to such an extent that the B bondholders may be able to benefit from the sale.

Even if fares are raised, the junior security holders will be frozen out, Werner Schroeder, attorney representing the Chicago Transit Authority, said. He explained that delay in selling the bonds was a result of an engineering survey being made of the properties.

Chicago Stock Exch. Standing Committees

CHICAGO, ILL.—At the annual organization meeting of the Board of Governors of the Chicago Stock Exchange, Ralph W. Davis, Paul H. Davis & Co., Chairman of the Board, appointed the following standing committees to serve for the ensuing year, which were confirmed by the Board:

Executive: George E. Barnes, Chairman, Wayne Hummer & Co.; Walter J. Buhler, Vice-Chairman; William A. Fuller, Wm. A. Fuller & Co.; Harry M. Payne, Webster, Marsh & Co.; Barrett Wendell, Lee Higginson Corp.

Admissions: Robert A. Gardner, Chairman; Patrick F. Buckley, Vice-Chairman, Harris, Upham & Co.; John R. Burdick, Jr.; William A. Fuller; Francis F. Patton, A. G. Becker & Co., Inc.

Finance: Reuben Thorson, Chairman, Paine, Webber, Jackson & Curtis; Edwin T. Wood, Vice-Chairman; George E. Barnes; Frederick J. Stannard; Frederick R. Tuerk, Crittenden & Co.

Floor Procedure: John J. Griffin, Chairman; Hugh H. Wilson, Vice-Chairman; George E. Booth, Lamsen Bros. & Co.; Joseph P. Brown; Walter J. Buhler, Irving E. Meyerhoff, Irving E. Meyerhoff & Co.; Edwin T. Wood.

Judiciary: Alfred W. Mansfield, Chairman, Thomson & McKinnon; Frederick J. Stannard, Vice-Chairman; Robert W. Baird, Wisconsin Co.; John W. Billings; D. Dean McCormick, Kebbon, McCormick & Co.

New Business and Public Relations: Homer P. Hargrave, Chairman, Merrill Lynch, Pierce, Fenner & Beane; Sidney L. Castle, Vice-Chairman, Carter H. Harrison & Co.; Gilbert M. Clayton; Chancellor Dougall, Barrett Wendell.

Stock List: Harry C. Daniels, Chairman, Apgar, Daniels & Co.; John J. Griffin, Vice-Chairman; Harry M. Payne; Charles R. Perrigo, Hornblower & Weeks; Richard W. Simmons, Lee Higginson Corp.

Mr. Davis also announced the reappointment of three of the present Advisors: Carl A. Birdsall, Sheldon Clark and Charles Y. Freeman. E. William Ohman, President of the Stock Brokers' Associates of Chicago, was appointed the fourth advisor, to succeed Mr. Bentley G. McCloud, who served in an advisory capacity to the Board for five years.

James E. Day, who succeeded Kenneth L. Smith, as President of the Exchange upon his retirement May 1, 1946, was reelected. F. Joseph Butler, who joined the staff of the Exchange as a Vice-President on May 15, 1946, and Raymond M. Day were reappointed Vice-Presidents; Carl E. Ogren was reappointed Secretary; Walter R. Hawes, Treasurer; and Marter E. Nelson, Treasurer Emeritus. George J. Bergman, who has been with the Exchange since 1930, was appointed to the office of Assistant Secretary. This office has been vacant since December, 1942.

Mr. Jess Halsted, of Scott, MacLeish & Falk, was reappointed Counsel.

New Chicago Exch Member

Mr. Louis R. Peyla, President and Treasurer of the Illinois Securities Co., Joliet, Illinois, was elected to membership in the Chicago Stock Exchange by the Board of Governors.

With the election of Mr. Peyla to membership, Illinois Securities Co. becomes the 34th member corporation of the Exchange.

Real Estate Securities

Lefcourt-Manhattan

Following on the heels of the redemption of the Lefcourt State Building bonds in November 1945 is the announcement that the entire issue of Lefcourt Manhattan Building first mortgage 5% bonds has been called for payment on June 14th, two years prior to the maturity date.

The bonds had constituted a first mortgage lien against land owned in fee located on the north east corner of Broadway and Thirty-ninth Street, New York, N. Y., together with the 23-story business building erected thereon, and were an obligation of the 1412 Broadway Corporation, the present owner of the property and a wholly-owned subsidiary of the Lefcourt Realty Corporation.

Originally issued in 1926 in the par amount of $3,200,000, the bonds had been reduced by serial retirements to $2,877,500 at the time of reorganization in 1934. Subsequent to the reorganization an additional $865,000, par value of bonds were retired through the operation of an obligatory sinking fund. Therefore at the present time, $2,011,600 in bonds remain outstanding and will be redeemed on June 14th, 1946.

With interest rates still on the decline, well-secured first mortgage bond issues yielding as much as 5% are becoming rarities, being replaced by less costly institutional loans.

Stanley Heller Co. Now NYSE Members

Stanley Heller & Co. became members of the New York Stock Exchange, effective June 10th, according to an announcement by Stanley Heller, senior partner of the firm. The announcement added that the firm will occupy enlarged quarters at its present address, 30 Pine Street.

Stanley Heller

The firm has been a member of the New York Curb Exchange since 1927, and is also a member of the National Association of Security Dealers.

They will now do their own clearing as members of the Stock Clearing Corporation and the New York Curb Exchange Clearing Corporation.

T. Mellon and Sons Formed in Pittsburgh

PITTSBURGH, PA.—Announcement is made of the formation of T. Mellon and Sons with offices at 525 William Penn Place, for the purpose of rendering service in connection with investments in which the Mellon family is interested.

Officers of the new organization are Richard K. Mellon, President; Alan M. Scaife, Arthur B. Van Buskirk, Adolph W. Schmidt and George W. Wyckoff, Vice-Presidents; E. B. Clarke, Treasurer; P. J. Hyland, Secretary, and Joseph D. Hughes, General Counsel. Paul Mellon, W. L. Mellon, H. A. Phillips and Donald D. Shepard are members of the Board of Governors.

Hueling Davis With Ranson-Davidson Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — Hueling Davis, Jr. has become associated with The Ranson-Davidson Company, Inc., 135 South La Salle Street. Mr. Davis has recently been serving in the U. S. Army. Prior thereto he was manager of the Southern Municipal Bond Trading Department for B. J. Van Ingen & Co., Inc. of New York.

Sarah Metz With Securities Engraving

Securities Engraving Corporation, engravers and printers of securities, 67-69 Park Place, New York City, announce that Miss Sarah Metz has become associated with their sales department.

Philip Smith Rejoins Alison Company Staff

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH.—Philip H. Smith has rejoined Alison & Company, Buhl Building. Mr. Smith in the past was with Baker, Weeks & Harden and prior thereto was manager of the trading department for Alison & Company.

Now Aronson, Hall & Co.

The firm name of Bernard Aronson & Co., 11 Wall Street, New York City, members of the New York Stock Exchange, was changed to Aronson, Hall & Co. as of June 1st.

Dealer-Broker Investment Recommendations and Literature

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

Canada 1946—Copies of the official handbook of present conditions and recent progress are being distributed with the compliments of Wood, Gundy & Co., Inc. 14 Wall Street, New York 5, N. Y.

Common Sense Investing — An historical outline of market action—Investors Syndicate, Roanoke Building, Minneapolis 2, Minn. — request for the booklet should be addressed attention of Mr. Lane.

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.

Ideas for Dealers — June containing articles on **West Coast Retail Stores, American President Lines, Ltd., Preferred Rates,** and **Water Company Stocks** — Kaiser & Co., Russ Building, San Francisco 4, Calif.

Railroad Investments — Memoranda on two issues with attractive yield in the current issue of **Railroad and Other Quotations** issued by B. W. Pizzini & Co., Inc., 25 Broad Street, New York 4, N. Y.

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.

American Insulator Corp of Delaware — Statistical study — Peter Barken, 32 Broadway, New York 4, N. Y.

American Phenolic — Memorandum — Buckley Brothers, 1420 Walnut Street, Philadelphia 2, Pa. Also available are memoranda on **Reda Pump Company** and **Standard Stoker Company.**

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

Arbitrage Letters on Denver & Rio Grande Western R. R. and St. Louis & San Francisco Railway Co. — Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

Arkansas Missouri Power Corporation — Analysis of a growth situation — G. A. Saxton & Co., Inc., 70 Pine Street, New York 5, N. Y.

Bullock's, Inc. — Analytical study for dealers only — Maxwell, Marshall & Co., 647 South Spring Street, Los Angeles 14, Calif.

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.**

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

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.

General Tire & Rubber Company — Detailed study of business and outlook — H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

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.

Great American Industries; Alabama Mills, Inc.; Douglas Shoe; General Tin; Upson Co.; Mohawk Rubber; Aspinook Corp.; Purolator; Lanova; American Window Glass.

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

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Investment Companies — 1946 edition—study of opportunities in investment trust shares — Arthur Wiesenberger — $10.00 per copy —Arthur Wiesenberger & Co., 61 Broadway, New York 6, N. Y.

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.**

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

Magor Car Corporation—Study of sound railway equipment issue —send for circular 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.**

National City Bank of New York — Special analytical memorandum — Walston, Hoffman & Goodwin, 265 Montgomery Street, San Francisco 4, Calif.
Also available are special analyses of **Pacific Public Service Company, Soundview Pulp Company** and **Westinghouse Electric Corporation.**

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.

Purolator Products, Inc. — Analysis — J. F. Reilly & Co., 40 Exchange Place, New York 5, N. Y.
Also available is the June issue of **Highlights of Wall Street** discussing several interesting situations.

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.

St. Louis Public Service "A" — Detailed memorandum — First Securties Company of Chicago, 134 South La Salle Street, Chicago 3, Ill.
Also available is a memorandum on **Standard Milling Co.**

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.

Sharp & Dohme, Inc. — Detailed analysis of the company and its products—Seasongood & Haas, 63 Wall Street, New York 5, N. Y.

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

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

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

United Aircraft Corporation — Special analysis — John H. Lewis & Co., 14 Wall Street, New York 5, N. Y.

United States Government Obligations — 1946 edition — Bond Department, The Northern Trust Company, Chicago 90, Ill.

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.**

Charles Sanders in Austin

AUSTIN, TEX. — Charles P. Sanders will engage in the securities business from offices at 1003 Red River Street.

Fred Ulrich Now With Peters, Writer Firm

(Special to THE FINANCIAL CHRONICLE)

DENVER, COLO.—Fred C. Ulrich has become associated with Peters, Writer & Christensen, Inc., U. S. National Bank Building. Mr. Ulrich for the past twenty-six years has been with Bosworth, Chanute, Loughridge & Company, in the municipal department.

New Issue

$29,100,000

City of Philadelphia, Pennsylvania

4%, 1¼%, 1½% and 1¾% Serial Bonds

Dated July 1, 1946 — *Due January 1, as shown below*

Principal and semi-annual interest (January 1 and July 1) payable at the office of The Philadelphia National Bank, Fiscal Agent for the City of Philadelphia. Coupon bonds in denominations of $1,000 and $10,000, registerable as to principal only and exchangeable for fully registered bonds. Coupon and registered bonds interchangeable.

Interest Exempt from Federal Income Taxes under Existing Statutes and Decisions

Legal Investments, in our opinion, for Savings Banks and Trust Funds in Pennsylvania and New York

These Bonds, in the opinion of counsel, constitute valid and legally binding general obligations of the City of Philadelphia, and the City is obligated to levy ad valorem taxes upon the taxable property therein, without limitation as to rate or amount, sufficient to pay the principal of said bonds and the interest and State tax (if any) thereon.

AMOUNTS, MATURITIES AND PRICES
(Accrued interest to be added)

Amount	Due	Coupon Rate	Price to Yield	Amount	Due	Coupon Rate	Price to Yield	Amount	Due	Coupon Rate	Yield or Price
$170,000	1947	4%	.30%	$900,000	1964	1¼%	1.45%	$360,000	1980	1½%	1.70%
940,000	1948	4	.50	910,000	1965	1¼	1.45	360,000	1981	1½	1.70
940,000	1949	4	.60	920,000	1966	1½	1.50	370,000	1982	1½	1.70
960,000	1950	4	.70	920,000	1967	1½	1.50	3[illegible]0,000	1983	1½	1.70
960,000	1951	4	.80	730,000	1968	1½	1.50	390,000	1984	1¾	1.75
960,000	1952	4	.90	730,000	1969	1½	1.50	390,000	1985	1¾	1.75
970,000	1953	4	1.00	750,000	1970	1½	1.55	390,000	1986	1¾	1.75
970,000	1954	1¼	1.05	750,000	1971	1½	1.55	410,000	1987	1¾	1.75
970,000	1955	1¼	1.10	750,000	1972	1½	1.55	130,000	1988	1¾	1.75
980,000	1956	1¼	1.15	320,000	1973	1½	1.60	130,000	1989	1¾	99
870,000	1957	1¼	1.20	320,000	1974	1½	1.60	140,000	1990	1¾	99
880,000	1958	1¼	1.25	330,000	1975	1½	1.60	140,000	1991	1¾	99
890,000	1959	1¼	1.30	330,000	1976	1½	1.65	150,000	1992	1¾	99
890,000	1960	1¼	1.35	340,000	1977	1½	1.65	150,000	1993	1¾	99
890,000	1961	1¼	1.35	350,000	1978	1½	1.65	150,000	1994	1¾	99
900,000	1962	1¼	1.40	360,000	1979	1½	1.65	150,000	1995	1¾	99
900,000	1963	1¼	1.40					160,000	1996	1¾	99

The above Bonds are offered when, as and if issued and received by us and subject to the approval of legality by Messrs. Townsend, Elliott & Munson, Attorneys, Philadelphia, Pennsylvania.

The National City Bank of New York — Halsey, Stuart & Co. Inc. — Lehman Brothers — Blyth & Co., Inc.

The First Boston Corporation — The Northern Trust Company — Bank of America N.T. & S.A. — The First National Bank of Portland (Ore.) — Blair & Co., Inc.

Phelps, Fenn & Co. — Stone & Webster Securities Corporation — Goldman, Sachs & Co. — Glore, Forgan & Co. — Salomon Bros. & Hutzler

Estabrook & Co. — R. W. Pressprich & Co. — Dick & Merle-Smith — E. H. Rollins & Sons Incorporated — Hemphill, Noyes & Co.

Kean, Taylor & Co. — Paine, Webber, Jackson & Curtis — B. J. Van Ingen & Co. Inc. — L. F. Rothschild & Co. — Equitable Securities Corporation

Mercantile-Commerce Bank and Trust Company — Chas. E. Weigold & Co. Incorporated — Stranahan, Harris & Co. Incorporated — Eastman, Dillon & Co.

Braun, Bosworth & Co. Incorporated — Harris, Hall & Company (Incorporated) — Stroud & Company Incorporated — Eldredge & Co. Incorporated — W. E. Hutton & Co. — Weeden & Co., Inc.

First of Michigan Corporation — Spencer Trask & Co. — Hornblower & Weeks — Hallgarten & Co. — Roosevelt & Cross, Inc. — Francis I. duPont & Co.

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Singer, Deane & Scribner — Newburger & Hano — Phillips, Schmertz & Robinson

June 12, 1946.

Outlook for Trade With Italy

By ACHILLE BOSSI*

Director, American Chamber of Commerce for Italy in Milan

Italian industrialist points out opportunities for American exports to Italy under postwar conditions. Says Italy needs transportation, communication, and building materials as well as staple products such as cotton, coal and petroleum. Contends Italy will be able to repay in time through its own exports, through tourist expenditures and through artistic services. Holds Italy can be made a subsidiary center of American industries and already some American organizations have established factories in Northern Italy. Says it is urgent American manufacturers act promptly in the present situation.

I wish to thank the Board of Directors and the Foreign Trade Committee of your Association for their kind invitation and for the opportunity they have given me to examine and discuss with you the general prospects of trade between our two countries. To many business men this discussion may look premature at this moment when the negotiations for a peace treaty between Italy and the Allies are still so far from reaching a conclusion, when the economic and political horizon all over the world is so clouded. Yet, I feel that those very conditions make it important in every way that the trade relations between Italy and the United States be resumed and developed without further delay.

Achille Bossi

If the governments which are friendly cannot yet sign a peace, the business men of Italy and America can certainly work for peace between the two nations by exchanging their products and by working together in the rebuilding of that part of Europe.

If economic distress tends to raise in the world rancor and suspicion and to encourage people toward desperate courses the resumption of trade becomes even more urgent to eliminate those centers of social and political infection.

Developing trade between Italy and the United States means those working for their stability and security in Europe, and this is of vital interest also for America.

Italy As a Market

Few countries at this time appear to me as interesting as Italy as a market for American production. There you have a country between the Alps and the sea, just in the center of the Mediterranean, with an excellent climate, thickly populated and where generations have been working for centuries cultivating the soil, building towns and cities and developing all the arts.

In that small strip of land you have a population of 45 million

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*An address by Mr. Bossi before the Commerce and Industry Association of New York, New York City, June 6, 1946.

Turkish Lend-Lease Settlement Agreement

Document signed May 25 provides for payment by Turkey of $4.2 millions for machinery, locomotives, etc. Amounts due for other materials, such as war supplies canceled but U. S. reserves right to reclaim all such materials not consumed, lost or destroyed.

On May 25, 1946, Edwin C. Wilson, United States Ambassador to Turkey, exchanged notes in Ankara with Hasan Saka, Turkish Minister of Foreign Affairs, making effective as of that date the Lend-Lease Settlement Agreement which had been signed on May 7, 1946.

The final text of the Settlement Agreement is as follows:

AGREEMENT ON LEND-LEASE AND CLAIMS BETWEEN THE GOVERNMENTS OF THE UNITED STATES OF AMERICA AND OF THE REPUBLIC OF TURKEY

The Government of the United States of America and the Government of the Republic of Turkey,

Animated by the desire to arrive at a final settlement of lend-lease and of financial claims of each government against the other arising out of World War II,

Considering the benefits which they have already received by the defeat of the common enemy, and affirming their intention to seek no further benefits as consideration for lend-lease or for the settlement of claims or other obligations arising out of the war, except as specifically provided in the present Agreement,

Declaring that this settlement is complete and final,

Reaffirming, pursuant to the general obligations assumed by them in Article VII of the Agreement of February 23, 1945 on the

(Continued on page 3248)

France's New Regulations Governing Securities Ownership

By EDMOND BALDY

Directeur General de la Caisse Centrale de Depots et de Virements de Titres, Paris

General Manager of French Clearing System explains new rules pertaining to ownership and transfer of securities. Explains how these regulations, instituted during war, must be complied with by American holders, before Oct. 31 next. Former anonymity of owners will now be eliminated.

PARIS, FRANCE—The 1941 regulations promulgated in France with respect to the handling of securities in bearer form are not, by reason of war circumstances, well understood outside of France.

The procedures adopted will interest American technicians as they present an entirely different method for the handling of securities and they are of interest to American holders of French bearer securities since a decree of March 26, 1946, gives them the choice of either having these securities registered or deposited with the caisse, and that before Oct. 31, 1946.

Edmond Baldy

I. Reasons for New Rules

The measures in question were adopted for technical and practical reasons, as well as the necessity for physical and economic controls.

The distriubtion of securities in France is characterized by the extremely large number of holders of small blocks of low par securities. Quotation of securities is complicated by the fact that trading at times is done in single units. The French investor, by reason of tradition and to aviod governmental interference, has consistently preferred to physically retain his securities despite tax advantages offered to holders of securities in registered form. Routine operations such as trading, exercise of subscription rights, checking of deliveries, physical deliveries, encashment of dividends and interest coupons, all involve a tremendous amount of work. With the costs of such mechanics constantly increasing, as well as the resultant dangers of losses, thefts, or conversion, all furnish a very strong incentive toward the finding of a more satisfactory system.

Strong consideration was furnished during the occupation period, especially after the reopening of the Exchange in 1941, to the perfection of a device to protect French economy against

(Continued on page 3234)

Current Economic Thinking in France

By CHARLES RIST*

Director of Institut Scientifique de Recherches Economique et Sociales in Paris. Former Sub-Governor of Bank of France.

Noted economist maintains France's wartime administrative controls, including "communist" distribution, while hateful to majority of Frenchmen, appealed to proponents of permanent government intervention. Reports strong fad for Keynes' theories, which he terms paradoxical in view of France's peak prices, production and employment. Declares most useful economic research should now be occupied, from international viewpoint, with (1) comparative national price movements, (2) income distribution, (3) flow of international trade and balance of payments, (4) proposed methods for achieving full employment, and (5) regulation of savings.

It was inevitable that the crisis of 1930 and then the German occupation beginning in 1940 should leave profound marks on economic thinking and research methods in France.

The first consequence of the occupation was a general system of regimentation. For the upkeep of its army and the disposition of agricultural production the occupying power needed a system of control and distribution. In agriculture such a system was provided by the Ministry of Food Supplies, and in industry by the so-called "Organization Committees." It was the task of the Ministry of Food Supplies to collect from the farmers and distribute among consumers such essential products as grain, potatoes, meat and bread. The Organization Committees had to subdivide the remaining stocks of raw materials, textiles, ferrous and nonferrous metals, and to allocate them to the respective industries, many of which were condemned to work for Germany.

Charles Rist

This double system — the administrative distribution of products supplemented by a system of price fixing—obviously must have seemed hateful to the majority of Frenchmen, who saw in it nothing but an expression of enemy power. On the other hand, it was not without charm for those who had long been inclined to consider over-all government intervention in economic matters as the system of the future.

Wartime Regimentation Was Attractive to Some

At the same time, the French refugees, particularly the London group around General de Gaulle, were impressed by the system of general control and management of production that functioned so well in England. Upon their return to France they not only did not revolt against the controls established by the enemy and by

(Continued on page 3234)

*An address by Prof. Rist before National Bureau of Economic Research, New York, June 6, 1946.

Progress and Planning Under Housing Act

By WILSON W. WYATT*
National Housing Expediter

Emphasizing building materials shortages is chief bottleneck in home building, Mr. Wyatt discloses first use of $400 millions authorized under Veterans Emergency Housing Act is to stimulate production. Reports assistance received by OPA, CPA and other government agencies and workings of priorities system. Says chief trouble lies in faulty distribution system which National Housing Agency is seeking to correct. Recommends long range planning as proposed in Wagner-Ellender-Taft Bill, which, he says, is designed to aid private enterprise to do bulk of job.

The shortage of building materials is the number one bottleneck in housing, and building materials will continue to be in short supply for the next two years despite substantial increases in production.


Wilson W. Wyatt

We made a big step forward this week when we started submitting specific premium payments plans, retroactive to June 1, to representatives of three building materials industries. The three industries are softwood plywood, structural clay products and gypsum paper liner.

This is the first use of the $400,000,000 authorized under the recently passed Veterans Emergency Housing Act to stimulate increases in critical building materials. These payments will be made for production over the above quotas based on recent production figures.

We expect these payments to cause a 25% increase in plywood output for the next three months. The boost in paper liner shipments in June should result in more gypsum board and laths by July. The brick payments will cause old plants to be reopened, old kilns to be patched up and put back into service, and will permit plants to work longer hours. By July and August the increased production from these moves should be felt all over the country.

Similar plans are underway for other industries. In general, we are moving first in the materials fields where the shortages are the most critical or in which premium payments can be put into effect most quickly.

In addition to premium payments, many other steps have been taken by Government agencies to speed up production of building materials. Here are a few of them:

The OPA has granted nearly 100 price increases affecting lumber and other building supplies since the first of the year, and price ceilings are not now a major obstacle to production.

The Wage Stabilization Board has approved many necessary wage increases where low pay was causing a manpower shortage affecting materials producers.

The USES has recruited labor, CPA has granted priorities for equipment needed by materials producers and assisted them to get scarce materials.

These agencies are working together. For example, the Wage Stabilization Board recently approved an additional wage increase for the southern group of foundries to get more cast iron soil pipe and at the same time the OPA approved an increase in the ceiling price of this pipe.

Take lumber as another example. During April, OPA granted price increases for millwork and flooring and for such major lumbers as Douglas fir, cypress, western red cedar and hemlock. In May price adjustments were made on northern softwood, northeastern softwood, south central area hardwood softwood moulding and stock stair parts.

$15,000,000 were provided out of the money authorized by the Veterans Emergency Housing Act to build access roads to out-of-the-way Government timber stands, a step that is expected to add at least 100 million board feet to this year's lumber production and 500 to 600 million to next year's.

The U. S. Forest Service has agreed to the overcutting of timber beyond normal yield in certain localities of the South and West for an emergency period as was done during the war. It is estimated that this will add 150 to 200 million board feet a year for 1946 and 1947.

The Forest Service will give preference to housing and reconversion needs in deciding tie bids in the sale of lumber from national forests. Price ceilings result in almost all offerings receiving tie bids.

Surplus salvage lumber from army and navy camps is due to get into normal channels within the next 90 days, under arrangements worked out with War Assets Administration and other agencies.

Steps such as these have already resulted in important increases in production. Other steps will be taken as needs arise. But none of these can result in overnight miracles. It takes time to get lumber from a forest to a building site.

Take millwork. Say we start out with Ponderosa pine logged on the West Coast. Normally it takes about two weeks to get the log to a sawmill. Sawmills facili-

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*An address by Mr. Wyatt before the Buffalo Chamber of Commerce, Buffalo, N. Y., June 5, 1946.

Reports Downward Trend in British Int. Rates

British Information Services says declining rates continue and that local authorities are putting out issues under 2½%. Says new British 2½% Savings Bonds are going well.

In the recent issue of "Economic Record," published by British Information Services, it is stated that the downward drive of interest rates goes, though perhaps in a less specular form than in earlier months. The Chancellor announced on May 30 that from June 1 loans to Local Authorities from the Local Loans Fund, which are mainly for housing, will be advanced at 1½% for less than five years, 2% for 5-15 years, and 2½% for more than 15 years. The old rate (operative since August 1945) varied between 2% and 3⅛%. Mr. Dalton said that lending by the Treasury at these rates would not involve any subsidy, since these were rates at which the Government could borrow and cover the costs. This presumably implies that the Treasury includes in its overall picture a very large proportion of Treasury Bills and Treasury Deposit Receipts. To the extent that this involves borrowing short and lending long the Government must be on guard, says the "Times," against "a hoary malpractice."

Not only are housing loans getting cheaper for Local Authorities. The Derwent Valley Authority is redeeming £1,250,000 of its 5% stock on Sept. 1 and offering holders conversion into a 2½% stock 1963-6 to be issued at 98%. These terms are more favorable to the borrowers than any similar issue in recent months, and are taken to indicate the new level which Local Authorities will aim at.

The new "tap" issue—2½% Savings Bonds (ER18:3)—is going well, £94,000,000 having been subscribed in the first seven days. A good deal, of course, is money realized from the sale of existing securities, and it still remains to be seen how far the new loan is successful in tapping new savings. In this connection, there is some concern at the fact that National Savings Certificates were cashed in May to a larger extent than they were bought, and that net "small savings" in general are not as large as perhaps they should be. There are signs, however, that the Treasury is not alarmed, and has the situation well in hand.

Interest Rates and Capital Formation

By HAROLD G. MOULTON*
President, Brookings Institution

Dr. Moulton holds interest rate is of negligible importance in determining volume of current lending, and interest cost does not count in calculations of business men. Lays down stages of capital formation as (1) money saving, (2) investment, and (3) final capital formation, and holds these may be independent variables. Wants an overhauling of economic theory.

Interest Rates

As an application of the general theory of value, it was long ago stated that an increase in the rate of interest, other things equal, would result in a curtailment of business loans; and vice versa. This theory came to be regarded as of great practical significance because it was believed by many to furnish the key for the stabilization of business activity. In periods of rapid business expansion, an increase in the Central Bank discount rate would, through the influence exerted upon the rates charged by member banks, check the volume of borrowing; and similarly in a period of recession the lowering of the discount rate would stimulate a resumption of borrowing operations and attending expansion of business. In fact, it came to be believed that prior to the first World War central banking institutions had demonstrated their capacity, through manipulation of the discount rate, to exert a profound influence upon business conditions.

Harold G. Moulton

My studies of credit analysis, both from the standpoint of the lending bank and the borrowing corporation, long ago led me to the conclusion that the interest rate was a matter of negligible volume of current lending. As a cost factor interest was usually insignificant in comparison with wage and other costs—especially when one took into account the reduction in unit costs that ordinarily accompanied an expanding scale of output and a relatively full use of capacity. So far as short-term loans were concerned, the interest cost simply did not count in the calculations of business men. At the most, rising interest rates were regarding as a warning sign that troubles might lie ahead. On the down side, falling interest rates neither checked the contraction of business nor warned that better days were ahead.

This theory, moreover, finds no statistical verification in our financial and business experience. The theory had apparently seemed so obviously correct to classically-minded scholars that it was unnecessary to examine the historical record. In this connection, I recall a conversation which I had in London in 1924 with Keynes, who was at that time absolutely certain that the business cycle could readily be levelled out by a proper Central Bank discount policy. I challenged the underlying validity of his assumption and pointed to the

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*A portion of an address by Dr. Moulton before the 25th Anniversary Meeting of the National Bureau of Economic Research, New York City, June 6, 1946.

Wall Street Soft Ball League Scores Reported

Only two games were played last week in the Wall Street Softball League, both of them in the "Longs" Division, with two teams climbing out of the cellar, Harris, Upham & Co., by defeating DeCoppett & Doremus, 7 to 5, and Orvis Bros., by winning from Merrill Lynch, Pierce, Fenner & Beane, 8 to 6.

LEAGUE STANDINGS
Saturday, June 1

"Shorts" Division	Won	Lost	Pct.
N. Y. Curb Exchange	2	0	1.000
F. V. Foster	2	0	1.000
Carlisle & Jacquelin	1	1	.500
C. M. Loeb, Rhoades	1	1	.500
N. Y. S. E. Bond Brokers	0	2	.000
Goldman, Sachs	0	2	.000
"Longs" Division			
Hirsch & Co.	2	0	1.000
Security Traders of N. Y.	1	0	1.000
DeCoppett & Doremus	2	1	.667
Orvis Bros.	1	1	.500
Harris Upham	1	2	.333
Merrill Lynch	0	3	.000

Perry Now With Raymond

BOSTON, MASS.—Sylvester C. Perry has become associated with Raymond & Co., 148 State Street. Mr. Perry was formerly with Ralph P. Carr & Co.

Outlook for Different Industries

By ROGER W. BABSON

Summarizing immediate outlook of various industries Mr. Babson looks for boom in automobile stocks, continued growth in agricultural equipment, machine tools and chemicals. Says air transport stocks are selling at highest of any group and trend of bank stocks will depend on future of interest rates. Holds building stocks are high.

Once every six months (June and December) I prepare a brief summary of leading industries and here follows my outlook for the second half of 1946.

Roger W. Babson

Automobile Stocks: The automobile industry should have a boom for a few years; but is is very vulnerable to labor troubles and to bombing. There may be no reason for now selling automobile stocks; but it looks as if the high prices have discounted the immediate outlook.

Aircraft Manufacturing Stocks: These stocks are selling largely on their liquidation value. From this point of view, some of them may be a good speculation; but the industry as a whole is uncertain.

Air Transport Stocks: This is a growing industry and will do a tremendous business for some years to come; but the rates are governed by federal authorities. Moreover, the airlines neither own their terminals nor the air through which they travel. Today—based on both book value and earnings—they are selling the highest of any group.

Agricultural Equipment Stocks: This is a fundamental industry and the better-grade stocks have both real security and a fair promise of continued dividends for conservative investors.

Amusement Stocks: The motion picture industry and similar groups enjoy great prosperity and dividends should continue liberal for another year or two.

Bank Stocks: In view of the tremendous deposits, a small increase in interest rates on the banks' investments and loans should help earnings. What the future interest rates are to be is anyone's guess.

Beverage Stocks: I know nothing about liquor stocks. The outlook for the soft drink stocks should be good after the sugar supply has become normal, but prices of the stocks may already anticipate this.

Building Stocks: Unless there is a buyers' strike; the building industry is headed for a remarkable boom. On the other hand, building stocks are high. I had rather buy well-located real estate.

Chemical Stocks: Although they now look high, with small yields, they are still attractive. The chemical industry will benefit from some wonderful discoveries now in the laboratory stage. Also the industry has a very small labor expense and its basic raw materials are relatively low priced.

Clothing Stocks: These appear to have a good future—especially manufacturers of men's clothing, shirts, shoes, etc. As to the textile group, the rayon manufacturers continue to be the most favored.

Container Stocks: These suffered no conversion troubles and will continue to do a good business; but the stocks appear fairly well-priced in view of recent earnings.

Electrical Equipment Stocks: This industry as a whole should do a wonderful business, but it is beset by labor troubles and intense competition.

Food Stocks: The food industries, such as baking, dairy products, corn refining, meat packing, are all rearing to go ahead and waiting only for a green light at Washington.

Machinery Stocks: Although there are exceptions, the machine tool industry will be best for some time by a tremendous second-hand market. Its stock prices, however, are not over priced.

Merchandize Stocks: Sales and earnings will probably hit new peaks this year. I prefer, however, the chain stores, with their assets distributed broadly throughout the country, rather than the department stores with their assets concentrated in a few large cities subject to bombing.

Mining Stocks: There should be a continuous increase in the demand for non-ferrous metals in the months ahead. Mining stocks are also in the "bombing-proof" group.

Office Equipment Stocks: The office equipment companies have been suffering from the demands of reconversion; but the better-grade stocks should continue to be attractive to conservative investors.

Britain's Gold Reserve

By PAUL EINZIG

Dr. Einzig, commenting on the official secrecy regarding the British gold and foreign exchange reserve, calls attention to rumors of its dwindling amount and of possible devaluation of sterling. Holds, despite pressures for publication of figures, secrecy will be maintained, and that there is no likelihood of immediate devaluation of sterling within the 10% permitted under Bretton Woods Agreement.

LONDON, ENG.—There are signs of a revival of agitation in favor of the publication of the amount of Britain's gold and foreign exchange reserve. The only figures published since the suspension of the gold standard in 1931 were contained in the material submitted by Lord Keynes to the United State Government during the loan negotiations, and published after the conclusion of the agreement. According to these figures, the gold reserve was about £450,000,000 in October 1945. This amount included dollar balances, but American sterling balances, which are freely convertible into dollars, were deducted from it. The excess of the value of the American securities deposited with the Reconstruction Finance Corporation over the outstanding amount of the dollar loan which they secure was not included. This excess must have increased quite considerably since the conclusion of the loan, owing to the rise in Wall Street.

Paul Einzig

British supporters of the loan in an effort to secure its ratification by Parliament, claimed in December last to understand from official quarters that unless the loan is obtained, Britain would be left without dollars in seven or eight weeks. Official quarters while reluctant to commit themselves even in private conversation to such definite forecast, allowed it to be understood that the reserve was dwindling rapidly. Mr. Dalton himself, in his speech in the House of Commons during the ratification debate, said that the weekly returns giving the figures of our dollar reserves made a very depressing reading. Yet month after month passed, and in spite of the delay in the ratification of the loan by Congress, the Treasury does not seem to have run short of dollars.

In April it was stated in British official quarters in Washintgon that the credits granted for the purchase of Lend-Lease goods "in the pipeline" became exhausted, and henceforth Britain had to encroach on her gold reserve. This appeared to have implied that at that time the gold reserve must have stood within reasonable distance from its figure of October, 1945. In well-informed quarters this is indeed believed to be the case. No official information is available, and the Treasury, while sending monthly information to the United States Treasury, is not prepared to publish any fresh figures.

This policy of secrecy has recently become subject of some criticism. It is pointed out that while it was fully justified during the war to withhold the publication of a figure that would have helped the enemy to form an idea about Britain's economic war potential, that consideration has ceased to be valid. It is true, figures relating to the gold and foreign exchange reserve were kept confidential even in time of peace between the suspension of the gold standard and the outbreak of the war. But this again was justified on the ground that their publication would assist speculators in foreign exchange.

Now that there are no speculative fluctuations under the prevailing system of restrictions, this cause for secrecy also ceased to exist.

Nevertheless, the chances are that in spite of pressure for publicity, secrecy will be maintained. This is due to the fact that even though in existing conditions there can be no direct speculation or flight of capital, the anticipation of a devaluation of sterling that might arise through a sharp fall in the gold reserve would nevertheless produce unfavourable consequences. Foreign importers would abstain from buying British goods, in the hope of being able to buy cheaper after the devaluation.

At the present moment the publication of the reserve would doubtless be beneficial from this point of view. For the unexpectedly large size of the gold reserve would go a long way towards disposing of the absurd devaluation rumours that have recently come to circulate in the City. There is not the least likelihood of a devaluation within the 10% limit permitted under the Bretton Woods Plan during the next few years. Britain is now able to export to the limit of her physical capacity, and a devaluation of sterling would simply mean giving away part of the foreign exchange proceeds of her exports. Moreover, a devaluation would lead to a further rise of British prices. These considerations are well known, and the only reason why in spite of them the devaluation rumours are not dismissed outright is that it is widely believed that the Treasury is nearing the end of its dollar resources. Disclosure of the real state of affairs would put this right. On the other hand, on some future occasion publicity might be harmful. Hence the desire to maintain secrecy.

Don Craft of Collin, Norton Visits N. Y.

Don M. Craft, partner of Collin, Norton & Co., 508 Madison Avenue, Toledo, Ohio, has been visiting in New York City. Mr. Craft drove to New York by auto with his wife, stopping at Lynchburg, Va. to pick up his son who was attending Virginia Episcopal School. En route to New York, Mr. Craft stopped off in Washington, D. C., Baltimore and Philadelphia. He left Wednesday for Buffalo and expects to be back at his desk in Toledo on Friday.

Controlling Inflation in Britain

By NORMAN CRUMP

Financial Editor, London "Sunday Times"

British economist, recounting inflationary tendencies in England, points out "the plain fact is that the nation must produce before it can consume" and work, not spending, is still the need. Says British Government senses inflationary dangers and is attempting to offset it through a new savings bond issue. Holds this may not be effective, and best safeguard is an increased supply of goods. Sees Anglo-American loan as deflationary for Britain, and concludes, for time being, inflation is being kept under control in England.

During the past few weeks there has been a certain amount of talk in Britain about the possibility of inflation. A certain amount of evidence has been adduced, such as the rise in the note circulation from about £500 millions in pre-war days to about £1,340 millions today; with a parallel increase in bank deposits from £2,250 to £4,860 millions. Prices are still rising here and there. For example, prices of utility clothing have recently been increased. There are also rumors of forthcoming increases in agricultural prices and railway charges, and if these rumors are correct, the result will have a big effect upon the national economy.

Norman Crump

It is, however, necessary to view the position and outlook in their proper perspective. First, there is the effect of the general system of price control. Under a free economic system, prices of individual goods and services are free to move every day, and in point of fact they do so. If the price of a particular grade of cotton rises by five points one day, relapses by two points the following week, and then rises by eight points a little later, no one takes much notice. But if all cotton prices are controlled, what happens is that they do not move at all for perhaps six months, and then are lifted by 50 or 100 points in a single move. So too with utility clothing and everything else under control. The final result may be the same in each case, whether the net change in the ag-

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An Expressive, Vibrant Democracy

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

Newly nominated Chief Justice tells of Americans' quest for Freedom, Security and Prosperity, and urges a new synthesis of particular problems so we can develop a more expressive and vibrant democracy. Sees need for more interest in welfare of whole people, and says although there may be difficult problems and much incomplete work ahead, new generation has a better foundation on which to build, as well as an unmatched production machine, a stable economy, and a more honest effort and cooperation among nations

None of us wants to lose any of those personal liberties we won in 1776. We never want to be afraid to speak or listen, to read or write what we please. We never want to be afraid to worship as we see fit. We do not want to be told where to work or how to work. We do not want to be told where or how to live. We want to govern ourselves. We do not want to impinge that right for others. We want to choose our leaders. This is what we mean when we say we want freedom.

Secretary Vinson

We want to do worthwhile work, and we want to enjoy doing it. We want a decent return for our work so that we can take care of ourselves and those who are dear to us. We want to provide wholesome and ample food, a real home, nice clothes, and good health for all members of our family. We want to have some money left for those things that provide zest and variety to life, such as books, records, concerts, sporting events and other amusements. We want to be able to support religious and charitable efforts. We want to be able to send our children to college. We do not want to be in a position where we are afraid of the consequences if we lose our job. We do not want to feel that we will burden others when we grow old. This is what we mean when we say we want security.

We do not want to live in an unstable world. We do not want to see power politics, with nations jockeying for position to force their will upon others. We do not want to see the use of economic devices whereby one group attempts to benefit at the expense of another. We hope that it will never again be necessary for our children to bleed and die in order to preserve our way of life. We want our country to remain strong to discourage international gangsterism and to protect us if we are again attacked. Even more important, we want to have such cooperation among the nations that no nation will choose, or even wish, to attack another. That is what we mean when we say we want peace.

On this early summer day of 1946, what is the most critical problem to solve in our effort to attain these things we want of life? Perchance a glance at the big problems other graduates have looked forward to will give us the answer.

*An address by Secretary Vinson before the Graduating Class of the University of Kentucky, Lexington, Ky., June 7, 1946.

In this backward glance, I do not propose to go back to prehistoric times, or to the Golden Age of Greece, or to the Roman Decline, or to the Renaissance, or even to the day our fathers founded us this nation. Rather, I propose to limit myself to what I have seen, and during the last 30 years I hope that I have had some understanding of what I have seen. By a happy coincidence, that is a good place to begin, for we can call that time about the beginning of my generation, and you are about to start the next generation.

Previous Situation

The graduate of 30 years ago, in 1916, faced a situation wherein the peace of all nations was being destroyed. He heard much about a World War or a European War, depending upon the speaker's point of view. There was much agitation as to whether or not that war concerned us Americans. Time went by and we found that the war did concern us, and we won.

The graduate of 25 years ago, in 1921, faced a situation wherein his security was being destroyed. He was living in the depression that followed in the wake of World War I. There was much discussion of what caused, and what would solve, that collapse.

The graduate of 20 years ago, in 1926, was probably led to believe that he faced no grave problems. We thought that we were in a period of normalcy, for our insecure foundations were not yet apparent. The graduate in June 1926 probably listened to nothing more painful than an exhortation to live the good life. Five years later, the situation was quite different.

The graduate of 15 years ago, in 1931, again faced a situation wherein his security was being destroyed, and the foundations were so wrenched this time that even his freedom was threatened. His tantamount question was whether he could find any sort of a job. There were all the additional problems that accompanied a collapse in industry and agriculture. We were in a terrible depression, and again we heard much about causes and cures, or the inevitability not only of history but also of the economic cycle.

The graduate of 10 years ago found us solving many of our problems and he found his security being rapidly restored. He was faced with a lively discussion of the merits or demerits of the New Deal. He was assured that he would have a job if he did his work well; but reminded that competition was lively.

The graduate of five years ago faced problems that again threatened the peace of all peoples. In June 1941, as 25 years before, Americans were debating whether the war concerned us, and terms such as "isolationist" or "warmonger" were being bandied about. He heard the charge that democracy was soft, inefficient, and decadent.

The graduate of today finds that war has come and gone, and he now wonders whether this is the breathing spell before another war, or whether this is the beginning of enduring peace. He faces the problems of building the kind of peaceful, prosperous world we want.

The Quest for Freedom, Security and Prosperity

This brief recapitulation of the history of my generation impresses me with at least three points:

First, how constant must be our vigilance and effort to preserve even the very fundamentals of life: freedom, peace, and security? In all except one of these five-year periods we recognized a grave threat to these basic values. In the other there was the threat, but the majority of us did not recognize it. The simple fact that our quest for the fundamentals of freedom, peace and security is under an almost constant threat, is a fact that shows beyond doubt that we must be strong, alert, industrious, and of high purpose.

Second, that while our basic goals and wants have remained the same, most of the immediate problems in the filed of what we call current events are of very short duration. Often what has seemed like a world-shaking matter of indeterminable duration has soon left the scene and another has appeared. In perspective, most current events seem terribly transitory. From this we know that life is not static, that the scene rapidly changes; and therefore we must make our society organic, and see to it that it grows and grows.

Third, I am impressed by the truth that what we sow we reap, and soon. It appears that the growing season between cause and effect is much shorter than ordinarily we are led to believe. And this truth is even applicable to our most important conditions, prosperity and depression, peace and war. We often begin to pay for our shortcomings in short order. Even the current generation soon feels its mistakes, or benefits from its wise decisions. This means that we are not even assured of immediate gain if we attempt to mortgage the future. This means that we can soon enjoy the good of our constructive deeds.

Does History Repeat Itself?

Some people in viewing our history of the past 30 years, which includes two depressions and two world wars, would say that it just goes to show that history repeats itself, and that whatever is to be the course of our nation, will be. I do not agree. History repeats itself, to the extent that it does, only because man, with his limitations, acts and thinks in such manner that he repeats his mistakes. Our political, social, cultural, and economic life is determined by what we say, and think, and do. We control our course. We, for example, failed to come out of the worst depression this country ever had, beginning in the fall of 1929, as long as we did nothing or did the wrong thing. We began to come out of that depression when, and only when, we began to take positive constructive steps to meet the causes and to alleviate the effects.

We won the recent war because of what we did. We outproduced, out-thought, out-lasted and outfought the enemy. That was certainly a program of positive action. We all know that victory was not inevitable, that we could not sit back and let it come. We won because of what we did, because we did all of the job, and because we did it well. And we shall now have stability or instability in our country and in the world because of what we believe and do, or because we fail to think and act. Even our most important conditions, war and peace, prosperity and depression, are the result of what mankind does.

That our decisions, our choices, are important is further exemplified by a basic choice we made at the outset of our national history. We chose a system of government and way of life that is sound. It is true that my generation has been engulfed by two wars and two depressions, living under the democratic process. It is important to remember, however, that many played a part in the total result, and it is more important to remember that under our governmental system and our way of life, we solved the problems and won the battles.

On occasion we have applied our great system in the wrong fashion, or we have come up with the wrong answers, and have led ourselves into catastrophies. The system itself has proved to be sound. No system can do the job by itself. Men must give it life; men must give it substance; men must use their judgment. We would not wish it otherwise.

I believe that a large part of the answer to why our judgment is often wrong or the best decision is not made under our democratic system, lies in the fact that this is the age of specialization. In all fields of endeavor — agricultural, industrial, occupational, professional—we have specialized. This means that many of our citizens become informed in only a relatively narrow field. This means that many of our citizens are interested in only a few specific problems. This means that many of our citizens are heard only on particular questions, or in fact, they may be so engrossed in their own special line of endeavor that they are not heard from at all.

The Synthesis of Particular Problems

I feel that the time has come when this trend must be balanced by many people who make a conscious effort to synthesize our particular problems and special interests. I do not question the value of specialization or the progress that has been made as a result of it. We have divided our work and for the most part each has done what he best could do. While each becomes dependent upon others, it results in a higher material standard of living. I claim only that it is high time to balance this specialization by a conscious effort to be aware of, and informed on, the subjects that are important to us all, though they are not a part of our own vocation.

There is a great need for people who can see the whole of our problems. There is a great need for people who have as their sole major goal the welfare of our people.

It is obvious that such people are needed most in those positions wherein broad policies are determined and executed. But there is a need for these people who are well-informed, and who have a broad view of our common welfare, through all of the echelons of our society.

Must Develop a More Expressive Vibrant Democracy

We have given much prestige and remuneration to a successful career where one becomes an expert in a specialized field. In the future, I believe that our people will find and make places as well for those who can integrate our problems and combine the elements of our society into a whole picture. Moreover, these two goals are not necessarily mutually exclusive. A person can develop a special line of endeavor and at the same time maintain a civic attitude which allows him to view society's problems in an objective fashion, and devote some time to their study. While a democracy of 140 million people cannot operate in exactly the same form as it did when our communities were first established upon the Atlantic Seaboard, we must recreate more of the atmosphere, more of the give-and-take, more of the discussion, and more of the learning that was found in the old Town Hall meetings. If we develop a more expressive, vibrant democracy, we shall all benefit. The unsolved problems, or the wrongly solved problems, in particular fields may sooner or later have a detrimental influence in every sector of our economy and in every geographical area of our country. Many problems arising out of the relationship of the citizen to his government, or the relationship between citizens, are a concern to all of us, and therefore we are duty-bound to know something about the matter and to express our opinions. The higher the percentage of our people actively interested in these problems, the better our government and our economy will work.

I am glad that you graduates are coming to help us, for you who are graduating today have had the kind of training that qualifies one to take his place among those who can integrate the diversified interests of our society. The beautiful thing about a university or college campus is that it is an environment that exposes one to many fields of interest and is, when all is said and done, basically an experience in learning to live and to live a life that is worthwhile as well as enjoyable. It is not a particularly happy thought, but it is possible that never again will you have as good an opportunity to live the whole of life so completely and fruitfully as you had while you were upon the campus. You have just lived in one of the best environments that can be found anywhere in the world.

Training to Think

You have had, moreover, an especially good training in the most important quality that any man can have — the ability to think. Experience and knowledge are helpful and necessary, but they are of little value if one has not trained his mind to work, and work well. Our colleges and universities are the great laboratories of our nation in training our people to think. If all of us could or would do as much thinking as is done upon our campuses, I believe that our problems would be more quickly and easily solved.

By learning to think, we mean the ability to marshal the facts in a given situation, to discard the irrelevant, to assess the real values of the pertinent, to draw the logical conclusion, and to understand the relationship of that problem and its solution with other subjects. When one has learned to do this, he has learned a great thing. He has developed mental power. With mental power, much can be done — without it, little. Mental power is a great asset. It is a currency acceptable anywhere. It is mental power in the possession of people with an honesty of purpose that make for progress in all fields, in any form of activity which mankind pursues.

Our colleges and universities provide an ideal atmosphere for training not only to think but also to think in objective fashion. Objective thinking is the best kind of thinking. In fact it is the only kind of thinking that is true and valid. Objective thinking is thinking through a problem on, and only on, its merits. It means the laying aside of our personal prejudices and personal interests.

In this day when we so often see special pleaders at work, when we so often hear references about the "right connections," it is refreshing to know that there is still a conscious effort in many places to help people to learn to think on the merits, to think in an objective fashion.

You graduates have had the best training that our society affords in all three of these aspects. You have learned to look at, and to live, life as a whole. You have learned to think. And finally, you have learned to think objectively, considering and considering only the merits, until the valid conclusion is reached.

Difficult Problems Ahead

You will have a chance to use these qualities, for there are difficult problems ahead both at home and abroad. We must carry forward the cooperation among the nations that has begun. The United Nations must continue to get together and to work together on their many political, social, and economic problems. We have made much measurable progress. Institutions to deal with specific aspects have been, and are being, established. They are just starting to live. They must grow and grow.

At home there is much work ahead in building the expanding, sound economy that we desire. The headlines shout problems every day. Many of these are not all-important and many are transitory, and still others are not problems when all of the facts are known. Nonetheless there is much work ahead, enough for all of us.

While there are difficult problems ahead, we have met and solved tough ones before. Your training that has prepared you to think, to level on a problem, and to see the problem in relationship to the fundamental values of life, stands you in good stead to help us to carry on toward the greatest goal mankind has set: enduring peace and prosperity.

In spite of the incompleted work which falls upon your shoulders as you begin your careers, I modestly submit that our generation is giving you a better foundation upon which to build than we received. We have a better chance to solve our problems, for we have learned from experience. Perchance the biggest thing we have learned is that we must go forth to meet our problems. We have learned that inaction can be as costly as erroneous action. We have learned what we should have long known: that this nation, big and strong as it is, cannot live in isolation. There are some reverberations of the old cries that we should hide our heads from international problems, but I believe that we have thoroughly learned that it is tragic to try to "duck the issue." What we do not do can affect our wellbeing every bit as much as what we do.

We have a production machine unmatched in our history. Already, since the end of the war, our production of civilian goods reached a peak higher than ever before in our history.

We have a stable economy. While we have some evidences of inflation, our economic values have been distorted nowhere near as much as they were during any previous major war or the period immediately following.

We have more honest effort and cooperation among the nations than we have ever had. Institutions have been established, and are functioning, to solve international economic, social, and political problems. And while I do not discount the work ahead, it may prove that breaking down the inertia and making the start was our biggest hurdle.

Americans have never been pessimistic and should not be now. Even though there is much hard work ahead, even though many of our problems will be difficult and some will seem at first insurmountable, even though you will often feel that not many are helping to bear the yoke, in the end we shall, as a united people, keep our feet on the ground, take sound, constructive steps, and journey forward on the road of peace and prosperity. And so we can have faith that the natural optimism of us Americans has more justification today than ever before in our history.

First Boston Opens Washington Office

WASHINGTON, D. C.—The First Boston Corporation is opening an office in Washington at 15th and G Streets, N. W. effective June 17th. Lucius F. Hallett will be in charge of the new branch and will be assisted by Edward S. Croft, Jr.

Proposed opening of the office was previously reported in the Financial "Chronicle" of May 16.

Controlling Inflation in Britain

(Continued from page 3213)

gregate of a large number of small movements or a single big movement. But the single big movement has a much greater psychological effect.

Another psychological factor is the influence of the end of World War II. It is only natural that when victory is won, people should think that they are entitled to a more normal and comfortable life. It is not easy to get them to see that goods have to be made before they can be bought, and that the war inevitably left the nation with an extreme and widespread shortage of goods, which cannot be overcome at once. Things of course are already beginning to get better. One goes into a shop, hoping against hope that one can buy what one wants, only to find to one's surprise that it really is on sale. But these are still only occasional pieces of good fortune. The plain fact is that the nation must produce before it can consume, and that today work, and not spending is still the need.

Meanwhile more money is passing into the hands of the public, for the simple reason that Government expenditures of all kinds is running in excess of receipts from taxation, subscriptions to Government Loans and other incomings. This, however, is a long-term view, for recently Britain's Chancellor of the Exchequer imposed a sudden check upon the outpouring of money. Possibly desiring to put a gentle brake upon the recent rise in Stock Exchange prices, he announced a new tap issue of 18-year 2½% Savings Bonds. This is not so generous to the investor as the previous tap issue of 3% Savings Bonds which closed down last December, but it was a little more generous than the market had expected. Also he is making it several weeks in advance of the dates when certain outstanding Government loans fall due for repayment.

Even if the Chancellor's intention is to limit the amount of this new Savings Bond issue to the sums of money which he requires for debt repayments in the late summer and autumn, the result will be that until that debt is repaid, he will be taking money from the public. This may well have a temporary influence upon the amount of money seeking investment, and so may restrain markets. On the other hand it may not have much effect upon the desire to spend money upon goods and services. The reason is that "spenders" and "investors" are not always identical. Also many people who both "spend" and "invest" have a habit of segregating in their own minds money earmarked for either purpose.

Government Sees Danger

Still the Chancellor's action may have a psychological effect. At least it shows that the Government have the danger of inflation in mind, and are determined not to let it become a reality. Meanwhile Britain's National Savings Campaign remains as an invaluble bulwark, and the wartime system of rationing and price control continues to keep a hold upon a wide range of essential commodities.

The only certain safeguard, however, is an increased supply of goods available at home. This means first of all an expansion in production. Without entering at this stage into the complex question of wages and earnings, it is a truism to say that wage increases can only be of real value if they are accompanied by an equivalent expansion in production. Otherwise they lead to higher costs, higher prices, and all the familiar evils of inflation. Or alternatively, they must be offset by more efficient production, and so by a reduction in the number of people employed in a given industry. This last may not be a bad thing today when there is a general shortage of man-power.

Britain's Trade Balance

There is also the question of Britain's trade balance. Here again as a matter of economic theory, an export surplus financed by bank credit is inflationary, while an import surplus financed by loans from overseas is deflationary. The former means fewer goods and more money at home; while the latter means more goods and less money. There is not the space to go into this last question. Suffice it to say that if the Anglo-American loan goes through, its fruits will tend to have a deflationary effect in Britain, just as I understand the fears of my American friends who expect it to accentuate inflation in the United States.

My conclusion is that for the time being inflation in Britain is kept well under control. Looking a bit further ahead, it all depends upon the growth in the supply of goods, the way in which the Government conducts its financial affairs, and the nation's attitude towards wages and earnings.

New Officers for Gordon Meeks & Co.

MEMPHIS, TENN. — Gordon Meeks & Co., Sterick Building, is now doing business as a corporation. Officers are G. Gordon Meeks, President; Edward F. Goldsmith, Vice-President; James N. Reddoch, and Charles C. Crane. All were with the predecessor firm, of which Mr. Meeks was sole proprietor.

Production vs. Monetary Controls As Inflation Curbs

(Continued from page 3199)

through rediscounts and short term governments.

Mr. Sproul's Statement

It would require too much space to attempt to quote from the many public pronouncements which recently have been made. We shall, therefore, confine our quotations to excerpts from a statement made on May 24 by Mr. Sproul, President of the Federal Reserve Bank of New York, before the California Bankers Association, because his remarks are illustrative of the general tenor of other discussions and because Mr. Sproul represents one of the highest Federal Reserve Bank authorities to make a public statement within the immediate past. According to newspaper reports Mr. Sproul stated, among other things:

"If we are to discharge our responsibility for promoting economic stability and for supporting the measures taken by other agencies to curb inflationary tendencies, we must combat a further decline in interest rates and must curb further credit expansion."

He stated further that the Federal Reserve System had recently moved in that direction by "taking in the welcome mat in the form of the preferential rediscount rate on advances collateralized by Government securities maturing within one year which encouraged you (bankers) to use Federal Reserve credit during the war financing period."

"But," he added, "the door is still open. We have yet to determine if and how we can close it without bringing undue pressure on the government security market."

Mr. Sproul stated: "I think many of you will agree that a generally higher level of interest rates on U. S. securities than is now being paid by the Government would not be desirable, having in mind the size of public debt and the annual cost of its service, although you would undoubtedly add that if the choice is between some increase in cost of servicing the debt and the infinitely greater cost of inflation, you would choose the former.

"It is within this area that we must devise a policy, using our present powers to free ourselves from the straitjacket of the 'pattern of rates', and the loss of credit control which it involves, or else we might have to seek new and perhaps novel powers to attain the same objectives.

"With wisdom and restraint on the part of commercial bankers, we may be able to preserve the present general level of interest rates without endangering the whole anti-inflation program by an uncontrolled expansion of credit."

Mr. Sproul indicated that he believed that system credit control is necessary, with the remark, I should like to think that voluntary action by the banks would meet the situation, but I am afraid that is a reed we cannot lean upon too heavily."

This writer, after reading current discussions as to how to control inflation by monetary means, confesses to a feeling of futility similar to that experienced in a nightmare where one struggles to run away from impending danger, only to find that, although he takes a great many steps, no progress is made, no matter how much effort is expended. It seems much effort is expended. It seems to us that there is a quality of unreality common to most recent proposals seeking to control inflation via monetary measures at a time when our whole economic pattern is being threatened by industrial strife, constantly mounting wage and material costs and the present acute lack of production.

An Impossible Proposition

Are not bankers talking about an impossible proposition when they propose to control inflation through stopping further monetization of the debt and curbing credit expansion during a period such as the present? If these articulate bankers succeed in selling to the public the idea that something can be done of major importance through such means, and inflation develops to a greater degree than at the present (and, make no mistake, we are in a major inflationary move at the present time), will not these same bankers come in for a great deal of unfortunate criticism for having accomplished so little after having talked so much? Would it not be better instead of leading the public (and themselves) to believe that some major accomplishment can be effected through further financial controls to state frankly and bluntly that nothing of importance can be accomplished by these means and to throw the responsibility where it principally belongs, *on the lack of production*, thereby bringing a more realistic picture of the present causes of inflation to the public? The current lack of goods has been caused by war accumulated shortages and the failure of industry to get into production since the war. This is the chief source of inflation now.

As to the monetary side of the picture, everyone knows that bank deposits have been expanded to an unprecedented degree through the deficit financing of the war, in which a substantial amount of the government debt was placed with the commercial banks. It is also generally recognized that there is inherent in such a condition a dangerous element of inflation. This is an inevitable result due to the size of the job of financing the war.

We do not agree with those who claim, after the job has been done, that the Treasury Department could have pursued *as successfully* any course substantially different from the one which it did follow. Expenditures for the war were so great that it is extremely doubtful that any substantially higher percentage of expenses could have been financed through tax receipts or that larger amounts of government bonds could have been sold to non-bank investors.

Would it have made any great difference in the overall picture if excess profits taxes had been at the rate of 100%? How much higher could individual tax rates have been pushed without definitely slowing down the efficiency of the war effort?

Let us assume that banks owned no bonds at all and that an amount equal to bank holdings was owned by individuals as savings bonds, in addition to those already owned. With this tremendous reservoir of purchasing power and so few goods to go around, would inflationary pressures by any less than they are now?

The Effect of Full Production

The lone factor against inflation which has not yet been witnessed is *full production* working against the enormous purchasing power inherent in bank deposits owned by individuals and corporations, together with the wide ownership of government issues which are approximately the equivalent of cash.

Our industrial machine—tools, management and labor — accomplished during the war period an output of goods prodigious by comparison with any previous period. Even this record production was not entirely free from slowdowns occasioned by strikes and maldistribution of supplies. Will not full production from American industry quickly smother inflation with an avalanche of goods if given the chance? Up to the present, it has not been given that chance.

As the war came to an end, great difficulties were envisioned in the transition from war to peace-time production. Government statisticians estimated some 6 or 7 million people would be unemployed within six months after the termination of hostilities, due to reconversion. This forecast was wrong.

The remedy proposed by the Government to take care of the expected unemployment was not in itself the correct solution for the anticipated condition, even if the estimate as to the number to be unemployed had been correct. The Government proposed that wage rates be substantially increased in order to preserve the take-home pay as nearly equal to the war rates as possible but for fewer hours of work, i.e., less production. This was an invitation to labor leaders to strike, which was done in a succession of major strikes involving, first the automotive industry; second, steel; third, coal, and fourth, transportation, with innumerable minor strikes spaced in between.

In spite of thes difficulties, industrial production rose until April, when it was abruptly shut off by the coal strike which finally was stopped through Government seizure but which certainly would have brought the entire country to a state of paralysis if it had continued a few weeks longer.

John D. Small, Civilian Production Administrator, stated on May 30th that he estimates that major work stoppages caused chiefly by the soft coal strike have cost the country $2,000,000,000 and a setback in production of durable goods, including automobiles, of at least three months.

The President and his advisors, in stopping the soft coal strike, have agreed to terms which Government officials themselves predict will result in a boost in the cost of production by about $200,000,000 a year.

In the face of such figures as applied to only one strike, how can the progress of inflation be halted through tinkering with interest rates or by raising a great outcry against further monetization of the Government debt? It is, of course, admirable for the heads of major banks, presidents of bankers associations and officers of the Federal Reserve Banks to recognize the tremendous potential which exists for inflation. Every power available in the hands of the banking authorities at the present time should be used to combat inflation. Congress may be asked to grant further powers within reason but all of this will be ineffective to remedy the accumulated shortages built up during the war and now protracted by the unsettled labor conditions. Only production can remedy this condition.

Monetary Measures Alone Not Effective

It is our belief that the Federal Reserve Banks, banker associations and individual bankers would be discharging their responsibility to assist other agencies in combating inflation if they were to recognize and make public their belief that monetary measures alone cannot be of great influence in the fight against inflationary tendencies. This would at least get the emphasis upon the right part of the picture and not lead the public to expect too much from mechanisms which have not proved their worth from the end of the first World War up to the present.

High money rates had very little effect in curing the speculative fever of 1928 and 1929, even though rediscount rates were at 6%, with further penalty rates attached, and call money at 15% or 20% on the N. Y. Stock Exchange. In the depression of 1929-1933, cheaper money rates were no incentive for business to borrow money and expand while the outlook was still uncertain.

The only instance in which money rates *apparently* had a direct and immediate effect on economic developments was in 1937. At that time, reserve requirements were raised to tighten money. This raise in reserve requirements coincided with the end of a 5-year bull market in stocks, the second longest on record. The end had been predicted by many students in the fall of 1936 and opinion generally was that the early part of 1937 represented a top area and that a decline in stock prices and a contraction of business were at hand. Tightening reserve requirements may have contributed in a small degree to the downturn of the market and the contraction of business, but it was by coincidence rather than design that the two occurred together.

With so poor a record, there is good reason to question the efficacy of mechanisms such as restrictions on credit and interest rates to materially control inflation in any appreciable degree at the present time. Credit expansion is a normal and desirable development in a period of business recovery. It is not the cost of money, but the purposes for which it is borrowed that calls for control at the present time.

As to the elimination of the preferential rediscount rate on advances secured by Government collateral due in one year or less, we feel that a great tempest has been whipped up in a teapot. The amount of credit so used by the banks at the Federal Reserve Banks never reached a billion dollars at its height, in June of 1945. At the time the preferential rediscount rate was eliminated, loans outstanding against Government collateral amounted to a little over $300,000,000, certainly not a very impressive total as measured against the Government debt of around $278 billions.

As to closing the door on the use of bank credit without bringing undue pressure on the Government security market, it can be said with certainty that restrictive credit measures are more likely to be reflected in lower prices of unpredictable extent for Government issues than in a curtailment of credit generally.

There is one point about the Government market which bears close examination. A convention in investor thought has grown up over many years that Government bonds should not sell below par. All of the war financing was founded upon this assumption.

If, inadvertently, any credit tightening should cause some of the longer bonds to break par, it could let loose a flood of liquidation. If the longer bonds broke par, it would mean to many thousands of investors that the principal of their investment was in peril because of *inflation, not credit controls.* Holders might attempt to protect themselves against further decline in the value and purchasing power of fixed income investments and the consequent liquidation might reach flood proportions. If money realized from the sale of bonds were to be transferred to real estate, stocks, commodities or goods, as a "hedge" against inflation, (a logical expectation) inflation would be aggravated, not moderated, by higher money rates.

Higher Interest Rates and Inflation Control

In our opinion, there is no clear cut choice, as indicated in the quoted material, between higher interest rates and the control of inflation. It does not follow that higher interest rates would control inflation. In fact, they might contribute very substantially to the purchase of goods at higher prices by funds released through the sale of Government securities as individuals sought to protect tehmelves against a further decline in the purchasing power of the dollar.

There is certainly no clear case which can be referred to since the formation of the Federal Reserve System in 1913 which makes an open and shut case for controlling inflationary pressures through raising interest rates.

Two Sets of Interest Rates

As to the straitjacket of the "pattern of rates", we respectfully suggest that the Federal Reserve Banks might find it desirable to use two sets of interest rates, one for commercial transactions and one for borrowings secured by Government collateral. It would not be possible, of course, to completely separate the two, but if and when rediscounts reach a sizable amount, it might be worthwhile to experiment along these lines and thereby still permit the Federal Reserve Banks to operate within the present pattern of Government rates and to have some additional control over undesirable expansion of credit without jeopardizing the Government bond market.

One method of halting monetization of the debt would be for the Treasury Department to offer prior to option date, to non-bank holders of the 2% taxable bonds, and any other issues that might be desirable, an exchange into non-eligible issues. For instance, the 2s of December 1954-52 might be offered an exchange into a bond similar to the Victory 2½s, which at present would require little or no adjustment on the exchange.

This would tend to dry up the supply of eligible bonds and would more effectively implement one of the Treasury's considerations in its debt retirement program which is to reduce bank deposits. It would also cost the Treasury less in the way of increased interest than if the proceeds of some future non-eligible issue were to be applied solely to the redemption of maturing obligations, consisting chiefly of certificates and notes.

These two suggestions would work in the direction of controlling inflation through monetary means, but in the final analysis, we believe that the Federal Reserve System and bankers generally would be serving their own interests and those of the country if they would refrain from stressing strictly monetary controls and give greater weight to the importance of production.

The need for such a course is underlined by the obviously temporary measures taken to end disputes with the coal and rail unions. A new wave of strikes is clearly indicated after the first of the year, when labor contracts which were negotiated early this year expire. They will be set off by other labor leaders attempting to bring up their bargaining power to a parity with that of John L. Lewis, who obtained for the first time, Government sanction of the principle of benefit funds. These funds are to be provided by a tax on gross production and are in addition to pay increases equal to or in excess of previously negotiated wage settlements. Labor leaders will think that they must do for their unions at least as well as Lewis has done for his union.

In addition to this, there are likely to occur inter-union squabbles and jurisdictional strikes as Lewis attempts to invade the CIO unions, and as the AFL and CIO both attempt to organize Southern workers.

Also, there will occur from time to time strikes inspired to a large degree by communistic influences, such as the Maritime Union's present threatened strike, in which wages, hours and so forth really have little to do with the announced objectives. The Communist-backed strikes have for their real objectives those things which will make American industry less effective and promote class friction. Communistic efforts to promote unrest can be expected to increase in view of deteriorating relations between Russia and the United States.

There is no question that additional major strikes would further boost wage rates and slow down production, thus contributing to inflation.

Great purchasing power to buy goods, which are in short supply already, exists in the form of bank deposits and liquid Government securities and this cannot be changed much by any action taken by the Federal Reserve Banks. The Treasury's debt retirement plans are the chief deflationary potential. Attempts by the Federal Reserve Banks to control inflation through higher interest rates carry more of a threat to the Government bond market than a promise to be effective in controlling inflation.

Greater production of goods, along with a stablization of wage rates, offer the most promising remedies for inflation. It is our opinion that bankers in particular should not even imply that they have any effective means whatsoever at their disposal which will take the place of production and more production to meet the threat of further inflation.

Government and Public Interest

(Continued from first page)

people, sustained by the people, controlled by the people—to protect and promote the public interest. All voting citizens are equally responsible for the government. The government in turn is equally responsible to all citizens.

The government operates through the sanction of laws. It may not operate in any other way. The laws are enacted by the legislative branch whose members are chosen by the people in free elections. No laws may be made conferring special favors, privileges or exemptions on any individual or any group, large or small. No administrative officer may construe an existing law to grant special concessions to groups or individuals. If no law exists which empowers the government to block the actions of a particular group of citizens which threaten the public interest, it is the instant responsibility of the legislative body to enact such a law. All laws apply equally to all citizens, and all citizens are equal before the law. No person may be deprived of life, liberty, or property without due process of law. No law may be enacted abridging freedom of worship, freedom of speech, freedom of the press, or freedom of assembly.

What the Government May Do

The government may not require a citizen to be a member of any organization as a condition of employment. No government official may join, or retain membership in, or receive any emoluments from any organization having business with the government or seeking legislation in its own interest. The government may not engage in business in competition with the citizens. On the other hand, the government is charged with the preservation of the conditions of free competition. It is charged with the prevention of any monopoly of goods or services by any individual or organization. Only the government may levy taxes on the property of the citizens.

In the areas assigned to it by law the authority of the government is absolute. The government is the custodian of public order, the protector of the rights and safety of all the people. To resist the government in the exercise of its legal authority is a criminal act. No organization of citizens may strike against the government or against the public safety.

These are some of the rules—though, of course, not all of them—by which the United States has ordered its national life. They have not been arbitrarily imposed on Americans by a power outside their control. They have been made by the people's representatives, acting with the people's assent. They can be cancelled or changed by the people's representatives, but in no other way. Until altered or repealed they are presumed to be binding.

The Recent Tragic Disturbances

It behooves all of us to think them over and to measure the recent tragic disturbances of our Nation by this yardstick. If we do so, we shall see that many of the rules have recently been more honored in the breach than in the observance. We shall have to admit that laws have been made and allowed to stand on the statute books which violate some of them. We shall have to concede that officials in high legislative and executive positions have ignored one or more of them or acted counter to them. It will be clear that powerful individuals and organizations have no intention of observing some of them and have been allowed by our servants, yours and mine, to break them with impunity. And it should be clear that every successful violation of any of them weakens the whole structure of American society.

I am persuaded that Americans in an overwhelming majority want to reestablish the rules in full force and effect. I am persuaded that in an overwhelming majority they want as representatives in State legislatures, in Congress and in the courts persons who are neither spokesmen for nor subservient to any special interest either of capital or labor or agriculture or any ism or creed; who have the intelligence to see and the courage to stand for the general interest; who have the integrity to disappoint some of their friends and to antagonize if need be, some of their constituents for the sake of the welfare of America as a whole. I am persuaded that the overwhelming majority of Americans are sick of pussyfooting by either legislative or administrative officials; that they are disgusted with a supine attitude toward industrial terrorism; that they are ashamed to the bottom of their souls that this great country should be plunged into chaos, unable to meet its moral obligations to the world unable to unleash its strength for the benefit of its own people.

I hope that every one of you belongs to this majority. If so, do you want a prescription for your own conduct? Do you need one? Do you ask yourselves, what can we do? The answers are plain and they apply to all of us. We can talk, and in this country of free speech no one should underestimate the value of talking. We can write, those of us who have had any practice in putting pen to paper. We can influence our neighbors, if we are sure of our own position. We can refuse to join any organization formed for whatever purpose which has a political program designed to secure privileges for its members which are not enjoyed by all citizens. We can stand up to the abuse of the selfish and the prejudiced, and we may expect plenty of it. We can accept being called either radicals or reactionaries, depending on which set of partisans is moved to honor us with an epithet—fortified by the comforting conviction that we are neither. Above all we can vote. And when we vote we should have but one criterion: Is the candidate likely to represent firmly and fairly the interests of all the people rather than a special interest within the body politic.

Allan Richardson Is With Vasconcells Co.

DENVER, COLO. — Allan S. Richardson has again become associated with Vasconcells, Hicks & Co., Security Building. Mr.

Allan S. Richardson

Richardson for the past three years was Commissioner of Securities for the State of Colorado. Mr. Richardson was also Secretary of the Association of Security Administrators.

Byrne, Cox and Swords With Thos. G. Campbell

Thomas G. Campbell & Co., 67 Wall St., New York City, members of the New York Stock Exchange, announce that Philip J. Byrne, Theodore J. Cox and John J. Swords have become associated with the firm. Mr. Byrne was previously with Schoellkopf, Hutton & Pomeroy; Mr. Cox with W. E. Hutton & Co.

W. L. Renn & Sons Is Formed in Norfolk

NORFOLK, VA.—W. L. Renn & Sons has been formed with offices in the Bankers Trust Building, to continue the business of Walter L. Renn. Partners are Mr. Renn, Walter Lake Renn, Jr., and Edward Hawks Renn.

Canadian Securities

By WILLIAM McKAY

Canadian controls were essential during the war and are even more important today. While inflationary influences in this country were held firmly in check the task of maintaining an orderly economy north of the border was correspondingly lightened. Now, however, with a relaxation of inflation curbs here the pressure on the Canadian system of controls constitutes an increasing menace to the economic balance of the Dominion.

The fact that Canada stands out today in an unsettled world as the last haven of stability tends only to accentuate this pressure. If Canada took steps at this time to remove the restrictions which prevent the free flow of goods and capital across her borders the hard earned war time stability would rapidly disintegrate.

With the breakdown of the protective barriers the relatively cheap Canadian agricultural produce and manufactured goods would pour out to foreign markets and in the first stages a heavy volume of foreign capital would flow in. This twofold pressure on the Canadian dollar would, in the absence of exchange restrictions, cause a violent appreciation that would temporarily drive the rate far above parity. Then denuded not only of exportable surpluses but also of domestic requirements, and in addition burdened with an unsought greatly augmented foreign debt, the Canadian economy would be ill-prepared to deal with the inevitable reaction.

Thus the Canadian authorities who today can regard with pardonable pride the success of their financial management and economic controls are not likely to jeopardize the national welfare at this exceedingly critical phase. On the contrary the stage would appear to be set for a further tightening rather than a relaxation of restrictions. The disastrous results of the premature removal of wartime controls are too evident elsewhere, and once the barriers are breached the inflationary tide is beyond control. The tightly held Canadian economy would be even more vulnerable in view of its relative size and could be overwhelmed by the pressure from without. Therefore until the external situation becomes clearer and more settled the Dominion is likely to be more determined in its endeavor to insulate the Canadian economy from external pressures, and to postpone eventual adjustments until they can be made regardless of outside influences.

During the past week the market continued in the doldrums, with prices generally a shade easier especially in the low grade section. There was a little activity in high grade provincials and internal bonds but elsewhere the turnover was negligible. Little was heard regarding the proposed Montreal refinancing which apparently will be still further postponed. In spite of some demand for internal Dominions free funds continued easy at 9½%.

With regard to future developments the market will be greatly influenced by the result of the first nibble at the Montreal refunding deal, the success of which will be dependent on the absence of any market decline in the meantime. It would appear also that any further postponement of this important operation can only be construed as an unfavorable factor.

3% Mead Corp. Bonds Offered by Drexel & Co.

A syndicate headed by Drexel & Co., and including Harriman, Ripley & Co., Inc., Glore, Forgan & Co. and G. H. Walker & Co., on June 12 offered a new issue of $12,000,000 3% first mortgage bonds due June 1, 1966, of The Mead Corp. at 103% and accrued interest from June 1, 1946.

The group also is underwriting an offering of 70,000 shares of 4¼% cumulative preferred stock, par value $100 per share, which is being made initially by the company in exchange for outstanding $6 cumulative preferred stock, series A, and $5.50 cumulative preferred stock, series B, aggregating 86,390 shares, on a share for share basis plus a cash adjustment. The exchange offers will be subject to proration.

The group also is underwriting an offering which is being made initially by the company to holders of its common shares of record June 11 to subscribe, at $53 per share, to 101,056 4% cumulative convertible second preferred shares, $50 par value, in the ratio of one share of second preferred for each seven shares of common held. The company is issuing to holders of its common shares transferable warrants evidencing such subscription rights. Each share of second preferred is convertible into two shares of common stock prior to July 1, 1956.

The exchange privilege and rights to subscribe expire June 26

The net proceeds from the sale of the bonds and any 4¼% preferred stock and 4% second preferred stock not issued in exchange or subscribed for by the stockholders are to be used to retire $8,000,000 3⅛% bonds and all of the presently outstanding preferred stock. Of the balance, $3,600,000 will be used to reimburse the company for expenditures in financing a new company called Macon Kraft Co., and the remainder for improvements to its present plants.

Anti-Labor Legislation Leads to Statism

(Continued from page 3202)

power of labor has been growing by leaps and bounds and that this power must be curbed in some way or other.

From our Federal point of view, we of course have had the Smith-Connally Act and now we have the Case Bill pending before the President for signature, and the consideration of the emergency powers recommended by the President of these United States.

Shall I venture into an analysis of these proposals? I think it is hardly necessary for me to do so as I understand analyses have already been presented to you.

The Case Bill

Now insofar as the Case Bill is concerned, I consider that of greater importance than the proposed emergency legislation recommended by the President, although both are most hostile to labor and deserve the unanimous opposition not only of organized labor but of every freedom-loving citizen, man, woman and child.

The Case Bill, if enacted into law, will become a permanent feature of our National Government. In that it differs from the emergency powers recommended by the President in that that would only grant temporary power, to terminate six months after hostilities have ceased.

In this Case Bill, all the rights that labor has gained through all of these years of struggle would be almost completely wiped out. The Norris-LaGuardia Bill would be weakened considerably. The injunctive processes would again be revived, and what is more, Sections 6 and 20 of the Clayton Act would be destroyed and the dangers that you have felt as hatters in the Danbury hatters case would again face not only you, but all of organized labor.

Therefore, I consider it the more dangerous of the two legislative proposals. Of course the emergency power desired by the President, inspired by a great emergency, no doubt, ill-conceived, badly designed, impracticable of enforcement, even if enacted would not accomplish the purpose desired.

To start with, his powers went too far, not because of labor, but because of industry, because the original proposal was not only to draft labor and to compel it to give service, but it likewise was designed to confiscate profits, and there the introducers made the fatal mistake, because when you touch profits, you touch hallowed ground, and thus the confiscation of profits was immediately removed, and consequently the features of the drafting of labor.

But there is still retained in that bill the injunctive power which is a compelling and a compulsory power on labor. In addition to its negative features, prohibiting this, prohibiting that under judicial decree, subject to punishment by contempt proceedings as well as by the criminal code, it likewise contains affirmative action wherein the individual, even should he neglect the observance of law required, could be deprived of his status as an employee under collective agreements and thus be isolated from his fellow workmen in their collective activities and their collective agreements.

Thus you will see there has been proposed for the first time in history not only negative restraints upon labor, but affirmative demands compelling the individual, as well as groups, to obey the will of the Government as expressed either by the Executive or as expressed by the judiciary.

These are grave dangers confronting us, and it behooves each and every one of us to do all within our power to prevent the enactment of these proposed forms of legislation.

Does Not Blame President

I am not blaming the President so much personally for these things. I think there are two schools of thought on that subject, one that he designedly promoted the legislation under the emergency plea, and the other that he was ill-advised and misguided. I believe in the latter theory, and I do hope that the President may soon realize that in those who have advised him on labor affairs not only in this instance but in like instances in the calling of the labor-management conference, in the executive orders issued controlling labor as well as industry, and in many other regards, he has not the advice of those conversant in labor relations and industrial affairs.

Of course I quite agree with President Dubinsky in stating that the great test as to the President's attitude toward labor will be his manifestation on the Case Bill now pending before him. Should he veto it, he will largely overcome some of the beliefs and the thinking as to his hostility to labor. On the other hand, should he sign that bill, then there can be no question as to his antipathy toward organized labor and his having joined the forces seeking to weaken and ultimately destroy the power of labor.

Opposes Totalitarianism in Organized Labor

Now, we have a group of citizens within our land and within our organizations expounding a philosophy of totalitarianism in affairs of government and likewise in the affairs of organized labor who are using this legislation and these proposals in promoting their theories and beliefs of total power in the hands of government.

Unfortunately, these proposed legislative enactments and proposed emergency powers have opened the floodgates to those who would preach communism in our ranks, and let those who have urged the Case Bill and emergency powers realize that they have given the Communists an issue in our national and economic life such as they had never before had presented to them.

After all, we have been told, we must be fair to Russia, we must be tolerant, we must permit the next period to go on, we may learn much of this total power possessed by government.

But now we have a new issue. Now it may well be said by them that we have advanced from the Little Steel formula to the Little Stalin formula, from the freezing of wages to the freezing of labor.

But on the other hand we know these advocates of a change of philosophy of government are not sincere, for if they were sincere, they would hail these developments with joy and say, "It is but the opening to the greater power of government to control and to dominate organized labor," for the emergency powers are Stalin powers in modified form and once established will ultimately develop complete control by the Government of industry, of commerce, of labor, and deprive all of us of the freedoms we have heretofore enjoyed and make of our trade union organizations a mere tool, a mere agency of the power of government.

Therefore, let not only labor, free labor here, but likewise those outside of the ranks of labor who love freedom, who enjoy free enterprise, beware of the activities they are promoting and of the developments and tendencies they are setting at work for their own undoing.

Therein lies the greater issue. Not only are we faced with that danger here, but let us understand developments in world affairs to know what is going on, especially in promoting doctrines that are likely to deprive the workers of the power we have exercised and which has given us the great opportunities we have today.

May I say something in connection with all this legislation to limit, to restrict, and to outlaw the right to strike, the right to picket, the right to boycott. Wherever the right to strike is denied, there wou will find the despotic, the tyrannical government and not a democracy. It is only where the workers are free collectively to give up their employment, where freedom prevails and where actual democracy reigns.

Supports Miners' Strike

We have heard much about strikes in the very recent past and even of the present. The miners have been subjected to great criticism because they have ceased to toil unless rewards were given to them that they felt themselves justified to.

Unfortunately, altogether too many in the ranks of organized labor joined in that criticism. I, for one, hail the strike of the miners as evidence of the freedom we enjoy as American citizens in a democracy.

I hail it as a most conclusive evidence that we here in America have a true democracy, where the wage earners may strike not only against their private employers, but as well against the public employers. For what difference does it make? If the employer be harsh as a government, why should we be then compelled to give service to it any more than to a private employer who is equally harsh? Or when a private employer is harsh and refuses to enter into agreements, and the Government presumes to operate in his stead, why then should we be compelled to give up our demands for proper, just, and fair treatment?

What did the miners strike for? For a welfare fund, for protection as to health and safety and sanitation. Surely such a demand is not outrageous. Surely such a demand is fully justified. As for these welfare funds, as a member of the War Labor Board we have time and again approved such arrangements, and the Treasury Department has likewise approved such arrangements by the approval of a deduction on the part of the employer up to 5% of payroll for welfare provisions.

And yet the hue and cry has been against the miners, the workers, but not a word of condemnation against the mine operators. Were they not too equally liable then in bringing about the stoppage of industry with the mine workers for did they not too have the power of contract as did the mine workers? Why should we then criticize but one party to a contract and not the other?

Have you seen our newspapers or our commentators on the radio find fault with the operators? Oh, no, only the workers, because they are striving to change a status quo condition into one of improvement and betterment.

Supports Musicians' Demands

And then we find this criticism of the musicians in their endeavor to secure an unemployment fund to care for those that may lose their opportunities of employment by reason of mechanical devices which come into existence.

Here again we find a strange situation. Take our composers, the ones that conceive and write the music. They secure an exclusive right by government over their creation. But we know that merely to write that music itself is of no value. It has no commercial value whatever. It depends upon others to give to it value.

And so we find the music publishers. He may assign his exclusive right in part or in whole to them on a royalty basis or otherwise, and there again the value is enhanced to some extent, but even there the value is limited, particularly in this age of mass entertainment and mass enjoyment, for without the musician, that music will be of little value either to the composer, to the music publisher, or to the record manufacturer. And yet all three may enjoy an exclusive right under the law, but the musician who really adds the value today to these compositions, to these records, by his musical talents, these men are not given a standing of equality before the law in the matter of copyright. All these others may secure royalties for their own selfish advancement, but the musicians may not for their services secure like consideration, and yet without them, these exclusive rights would not be of the value they have today.

Case Bill Veto Emphasizes Need For Immediate Labor Legislation

(Continued from page 3202)

"break even" point for business. But unions insist on keeping wage rates rigid as selling prices decline and profits turn to deficits. *Therefore, depressions come sooner and the decline is deeper.* Unemployment becomes widespread. Then, radicals say "private enterprise cannot work." Communism is advocated. But in Soviet Russia, where the aim was to share the wealth, the result was to share the poverty. Lord Balfour in his note to Chicherin stated that "Bolshevism was able to make rich men poor, but unable to make poor men rich." *If the government intervenes the unions compel the government to serve its bidding.* The railroad unions in 1941 compelled President Roosevelt to reconvene the Fact Finding Board to raise the wage rate to the unions' demand. But in 1946 they refuse to appear before it. Such a Fact Finding Board is a political device to compel the surrender of the employer to the unions. Sovereignty no longer rests in the State, but in an organized minority of the population.

The late Walter B. Cannon, distinguished physiologist and professor at Harvard, wrote a book, "The Wisdom of the Body," a study of internal equilibrium in man's physiological functions. The last chapter attempts to apply the principle of equilibrium to our economic society. The book is required reading for every public official and labor leader.

Control of growth and power is characteristic of health. The stomach, the liver, the lungs do not crowd each other out. Their growth is regulated or inhibited. Uninhibited growth occurs only in disease, as in cancer. There is no inhibition on the growth and power of the unions. They are now a social cancer unless regulated and controlled. Democracy is now sick. Resort to violence is a prerogative of the state in order to protect everybody. *But the unions resort to violence, while the government supinely watches.*

In the body all organs coordinate to function for the common good. But, in society, a small group of workers can paralyze the economic system. Society then has a fainting spell. Society is now ill. It must cure itself. Legislation is required.

What is the inflation sequence? A rise in industrial wages, then a rise in machinery prices, then a rise in farm prices to parity, then increased food costs, then new wage increases—a vicious spiral. Who foots the bill? Persons with fixed incomes—Federal and State employees, white-collar classes, teachers, ministers, nurses, disabled veterans, widows, dependents, and insurance policy-holders. *Rising wages thus start a series of disequilibria.* The inevitable end is confusion and chaos. The existing social order must inevitably be ultimately destroyed. But no new better order is proposed.

Let us look abroad. At the Swiss World's Fair at Zurich in 1939, the section on labor had many wall mottoes, showing the prudence and the judgment of Swiss labor leaders. One motto, prepared by labor, read, "We have no iron, we have no coal, we have no copper, we have no gold. Our assets are the daring and ingenuity of our business leaders and, the loyalty and discipline of our workers." But the United States does have iron and coal, copper and gold. But does it have workers who are loyal to the organization and responsible to the community? Therefore, Swiss watches made by workers enjoying a high standard of living, can be sold in America at a profit despite a high duty. But our labor unions now urge an embargo on Swiss watches. They are fiddling with the symptoms. They should deal with the causes.

The foreign workmen employed at the New York World's Fair were shocked at American labor practices. A Dutch workman, during the building of the Netherlands Pavilion reported his experiences in the "Nieuwe Rotterdamsche Courant," May 21, 1939, as follows: "I am ashamed at what I saw. I am a union member in Holland, but we have a sense of responsibility. *If the American workmen do not show more common sense and more cooperation, the union movement in America will end in complete failure.*"

Legislation enacted abroad is necessary here. A great friend of labor, Louis D. Brandeis, in 1904 and 1911, warned of the evils of unrestrained power of labor. He said: "Abuses of the trade unions have been innumerable. Individuals of slight education and of slight training, are elevated many times . . . to positions which can be filled adequately only by men possessing great minds and great characters. No wonder, then, that these leaders make mistakes; make grievous errors. The extraordinary thing is that they have not made more mistakes."

"*The history of Anglo-Saxon and of American liberty rests upon the struggle to resist wrong*—to resist it at any cost when first offered rather than to pay the penalty of ignominious surrender."

"If lawless methods are pursued by trades unions, whether it be by violence, by intimidation, or by the more peaceful infringement of legal rights, that lawlessness must be put down at once and at any cost."

"*We gain nothing by exchanging the tyranny of capital for the tyranny of labor.* Arbitrary demands must be met by determined refusals, also at any cost." (Statement before Senate Committee on Interstate Commerce, 1911 and address to Boston Typothetae, 1904.)

In two dissenting opinions in 1921, Justice Brandeis urged laws to protect the community against labor abuses. He said: "Practically every change in the law governing the relations of employer and employee must abridge, in some respect, the liberty or property of one of the parties, if liberty and property be measured by the standard of the law theretofore prevailing."

"*All rights are derived from the purposes of the society in which they exist. Above all rights rises duty to the community.* The conditions developed in industry may be such that those engaged in it can not continue their struggle without danger to the community. But it is not for judges to determine whether such conditions exist. . . . This is the function of *the legislature* which, while limiting individual and group rights of aggression and defense, *may substitute processes of justice for the more primitive method of trial by combat.*" (Dissenting opinion in Truax v. Corrigan (1921) and in Duplex Printing Co. v. Deering (1921).

The country is now in an economic crisis. Our Government is politically paralyzed at a moment when prompt and powerful action is required. Just as international political peace presupposes limitation on abuses of sovereignty by nations, so internal economic peace requires limitation on the abuse of power by organized groups. The abuse of freedom under democracy by the organized unions may end both democracy and freedom. Fascism and Communism constitute a rigid receivership for a politically bankrupt economy.

The labor lobby is trying by political pressure to organize a Congressional bloc to prevent legislation. **Let Congress not dare abdicate its function!** The public is aroused and resentful. Let the people protest! Their voice shall and must be heard by their elected officials. Or, has democracy failed after a brief experiment? Macaulay predicted it would. The Athenian and Roman Republics did.

D. A. Keeler Now With Distributors Group

D. Acheson Keeler has joined Distributors Group, Incorporated, 63 Wall Street, New York City, as wholesale representative.

Mr. Keeler, who has been in the investment securities business for many years, was associated with the American Red Cross for the past 3½ years as Field Supervisor of Ship Service for the New York and Boston Ports of Embarkation.

Distributors Group, Incorporated, whom he will represent, is the sponsor of the share of Group Securities, Inc., which are distributed by more than 500 investment dealers and brokers. With total assets of approximately $115,000,000 representing the combined investments of more than 35,000 shareholders, Group Securities, Inc. is the third largest mutual investment fund in the country.

Taylorcraft Aviation Common Stock Offered

Trester, Currie & Summers of New York, N. Y., on June 11 offered a new issue of 20,000 shares of Taylorcraft Aviation Corp. common stock, par value $1, at a price of $13 per share. The proceeds are to be used for additional working capital and other corporate purposes.

It is also announced that the directors on June 10 had recommended that a dividend of three shares of common stock be declared on each common share now held, and a special meeting of the stockholders will be held on June 17 for the purpose of voting upon this proposal.

Sperry & Co. Is Formed

SUNBURY, PA.—Pierrepont E. Sperry has formed Sperry & Co., with offices at 235 Market Street. Mr. Sperry was formerly a partner in J. H. Drass & Co. for many years.

Railroad Securities

The rail market was called upon last week to withstand another severe shock when the directors of Chicago & North Western announced that no action had been taken on the preferred dividend at their regular meeting. The omission was attributed by the management to the very sharp increase in wages and other costs in recent years without any compensating increase in freight rates. It was stated that no action with respect to the dividend would be taken until some relief was forthcoming from the Interstate Commerce Commission in the way of higher freight rates. Hearings on the proposal of the railroads to increase freight rates were completed some time ago and a decision is expected any day. The consensus is that fairly substantial increases will be granted. The best guess at this time is for an interim increase averaging perhaps 10% with extended hearings later on the question of permanent increases.

Perhaps the most significant feature of the action (or lack of action) of the North Western directors is that it marked the third of the newly reorganized roads to defer preferred dividends in the past month or so. The first was the St. Paul which made similar excuses with respect to the dividend due out of 1945 earnings and the second was the Chicago Great Western. There is greater justification in the case of North Western, however, as its dividends are on a current basis rather than representing distributions out of the preceding year's earnings as is the case with most of the reorganized roads. Certainly on the basis of its operations so far in 1946 there could be no assurance that North Western will earn much, if anything, on its preferred stock unless freight rates are increased pretty soon.

For the first four months of the current year North Western reported a net operating deficit of $434,048 compared with net operating income of more than $7,000,000 realized in the like 1945 interim. Subsequent traffic trends have been considerably more unfavorable than those of earlier months so it appears almost inevitable that comparisons for the full first half will be even worse than the experience for the four months through April.

Details as to the April operations are not yet available but those for the first quarter make very discouraging reading. Gross revenues held up quite well, being only 3.6% below the opening 1945 quarter. In the face of a drop of $1,416,000 in revenues, however, transportation costs climbed $3,579,000 above the level of the preceding year. Of less importance, because they could presumably be more readily curtailed if necessary, the road's maintenance charges, excluding amortization and deferred maintenance, were up $1,680,000 to $14,519,000. All in all, eliminating amortization and deferred maintenance there was a deficit of $267,104 before charges in the 1946 quarter in contrast to income of $7,993,853 available for charges before Federal income taxes in the 1945 period. This comparison, more nearly than reported net results, gives a true picture of the sharp deterioration in North Western's operations in the current year. One important factor is probably that traditionally North Western has about, if not actually, the highest wage cost in relation to gross revenues to be found among the major companies in the industry.

The recent dividend policies of the three reorganized carriers (North Western, St. Paul and Great Western) naturally bring up the question of the feasibility of the so-called Wheeler Bill which is designed to do away with most judicial reorganizations, turning the properties of roads now bankrupt back to the old stockholders for voluntary readjustment of the capital structure. Proponents of this type of legislation have pointed to large war earnings of the bankrupt carriers as proof that the old stockholders have a valid equity in the properties and should not have been eliminated in original reorganization plans. North Western has been held up as the most horrible example of old bondholders benefitting beyond their equitable rights at the expense of stockholders who were eliminated. This complaint can hardly hold good if the old bond holders are not even to receive dividends regularly in normal times on the preferred stocks they received for a portion of their claims.

Gay & Co. to Be Formed; NYSE Firm

Gay & Company will be formed as of June 20 with offices at 63 Wall Street, New York City, to engage in the investment business. Partners of the new firm will be William Campbell Gay, member of the New York Stock Exchange; William E. Warren, who will acquire the Stock Exchange membership of the late Charles R. Gay, general partners, and J. C. B. Gay, limited partner. Mr. Gay has been doing business as an individual floor broker. Mr. Warren was a partner in McLean, Bishop & Warren.

Sales of U. S. Savings Bonds

Vernon L. Clark, Director of Treasury's Savings Bond Division, reports sales in first five months of year totaled $3.47 billions. Redemptions show declining tendency despite strikes. New drive's aim is to offset inflationary trend.

Sales of U. S. Savings Bonds during the first five months of 1946 totaled $3,470,440,000, the Treasury reported June 5, on the eve of a nation-wide publicity campaign for savings bonds which opened on June 6 and runs through the Fourth of July.

This sale is at an annual rate of $8.3 billions, Vernon L. Clark, national director of the U. S. Savings Bonds Division, pointed out. This rate of sales exceeds predictions for 1946 made last December, he said, but in view of the present upward trend of prices while consumer goods remain scarce, it is not enough.

"This is not to be another bond drive," Mr. Clark said, "but a peak in publicity in our continuing peacetime promotion of savings bond sales. Preparations for the campaign in all media were begun four months ago, since when the need for it has increased. It is our aim to bring forcibly to public attention the wisdom of putting away every possible dollar in Savings Bonds. Unless strikes further disrupt the national economy, Americans should have at least $20 billion more income in 1946 than they can spend at legitimate prices on consumer goods and services available this year. For the good of us all, as much as possible of this surplus should be turned into non-inflationary channels, especially U. S. Savings Bonds, and particularly E. bonds."

Sales of E bonds in 1946 passed the two billion dollar mark in May, the total at month's end being $2,111,725,000. Despite strikes and disruptions of industry which might have been expected to cut sales radically and increase redemptions of E bonds, the downward trend of redemptions that began in April continued in May. May redemptions were 14% less than April's and 14.7% less than in March, the peak month. May sales of E bonds were $344,803,000; redemptions were $469,160,000 and in the five months $2,598,655,000.

Sales of all savings bonds, Series E, F and G exceeded redemptions of these series by $629,182,000 in the five months. Deducting payments of matured Series A and B bonds and redemptions of B, C and D bonds not yet matured, the net gain in the savings bond account was $468,549,000. This, however, did not increase the net public debt, which by June 15 will have been reduced more than $10,000,000,000 from its peak in February, almost wholly through retirement of short term securities held by the banking system.

May sales of all savings bonds totalled $594,343.000 against redemptions of E, F and G bonds of $523,597,000. Including maturities and redemptions of savings bonds no longer sold since May 1, 1941, the total paid out in May was $552.232,000, leaving a net gain of $42,111,000 in the savings bond account for the month.

Kenneth S. Johnson

In the "Financial Chronicle" of May 23rd it was reported that Kenneth E. Johnson would engage in the securities business in Indianapolis. Mr. Johnson's correct name is Kenneth S. Johnson. His new firm, Kenneth S. Johnson & Company, will be located in the Merchants Bank Building, Indianapolis.

Will Foreign Exchange Speculation Cease?

(Continued from first page)

Under the terms of its organization, each member nation agrees to keep the value of its money at a fixed rate with the currency of other members and to limit the spread between the bid and the asked prices in exchange transactions. It does not prohibit private foreign exchange dealings, but, in effect, it practically puts the control and regulation of these dealings under a nation's central bank (if it has one) or under the government. This virtually means government monopoly of foreign exchange transactions. The idea is not new in this age, but prior to World War I, government interference in exchange dealings was practically unknown. Except for discount and bullion operations by central banks, the foreign values of domestic currency were allowed to take their natural course and to fluctuate in accordance with prevailing conditions of the market. It was under this previous condition of affairs, that speculation in foreign exchange became a profession and a business. Most large banks engaged in it, more or less, and highly skilled specialists operated in the field. Through the mechanism of arbitrage, hedging and forward dealings, a system of transactions was developed which were little known and still less understood by the general public. It also built up an organization of international correspondent banks, and promoted international short-term credit transactions that knit the banking structure of each nation into the scheme of that of other trading nations.

The Effect of Gold-Linked Currencies

When, in the course of the last century, the important trading nations of the world established currencies based on gold, the sphere of foreign exchange speculation was limited largely to the temporary or seasonal fluctuations in prevailing exchange rates. The gold points (i.e. the normal maximum diversions up or down from the fixed values that would not induce the actual shipment of gold as a means of making payment), were the limits of fluctuations that could be expected. In actual practice the limits of these fluctuations were infrequently reached, since short-term international credit transactions that gave rise to "bankers bills of exchange," in most cases could eliminate a maximum rise or fall. Thus, gold shipments in large amounts could be avoided. Moreover, central banks, to avoid drains of gold which backed their notes, could come into the picture through manipulation of their discount rates, or through setting a slight premium on gold, thereby forestalling any movement against them through speculation. In this way an equilibrium of supply and demand of the nation's currency in terms of the currency of another nation could be maintained or restored.

Because of these conditions, the rate of profit in foreign exchange speculations, except at infrequent intervals, were relatively small compared with the large sums involved. But, when conducted by experts, the profits could be made reasonably certain. So the business was conducted, not on a widespread basis, but by individuals and institutions that had the financial resources as well as the expertness to conduct it profitably. It was not a field of enterprise that attracted outsiders or the general public. Yet, it was relatively a large business and, from an economic and financial viewpoint, an important and essential business.

Speculation in Paper Currencies

Transactions in exchange of fluctuating paper currencies becomes a fertile field for speculation, but is not the kind that ordinarily attracts to it a professional class, because it cannot be based on scientific or mathematical principles or expert foresight. Since it is of the nature of pure gambling, it lures into its fold the gullible public, and is therefore a dangerous and undesirable form of speculation. Banks and other similar institutions avoid it as a rule. But the wild and disastrous indulgence of the American people, particularly those of foreign birth, in this speculation following the first World War is an indication that it cannot be readily curbed. Moreover, it is recognized that gambling of this sort is a great hindrance to trade, and unstable currencies constitute one of the worst evils that beset the trading world. Yet, throughout the last two centuries, paper currency has been as much the rule as the exception in economic life. Because of this, exchange controls have developed and state interference in foreign exchange, with its consequent restrictions on international trade, with the systems of quotas, as well as bilateral monetary and trade agreements, have come into existence.

These evils, the International Monetary Fund is set up to combat. A currency war, whereby each nation lowers or manipulates the foreign value of its monetary unit so as to increase its exports and discourage imports, is as detrimental to world prosperity as a war of conquest. It was this situation that developed after 1931, when Great Britain, abandoning the gold standard, brought into economic conflict the great trading nations. This resulted in the emasculation of our own sound money system. It led to the restrictive schemes whereby foreign trade diminished, and marketing barriers were set up, which threatened to isolate nations, and bring about a recrudescence of intensive mercantilistic nationalism.

The Development of Forward Exchange

A phase of foreign exchange dealings which gave opportunities for speculation in the past is known as Forward Exchange. A "forward exchange" contract differs from a "spot" transaction, in that it is payable at a later date, but at the "spot" rate prevailing at the date of the transaction. It thus differs also from a time bill of exchange which is due on a certain future date, and which the holder, in exchanging it for domestic currency, must accept the prevailing exchange rate at day of payment. Thus, as the late Lord Keynes stated, "the merchant entering into a forward contract is not required to find cash any sooner than if he ran the risk on the exchange until the goods were delivered: yet he is protected from the consequences of any fluctuation in the exchanges in the meantime." Though "forward exchange" transfers a risk from one party to another, the rates charged for this sort of insurance above or below the "spot" rate is of a highly speculative nature and, of course, a field for speculation by experts and others.

The extent of forward exchange transactions has never been definitely determined, and Dr. Paul Einzig, who has written a learned and comprehensive treatise on the subject, complains of the difficulties of obtaining reliable data regarding it. He states, moreover, that it is admittedly highly complicated. Public quotations of the rates (i.e. the premium on discount in relation to the "spot" rate) have been infrequent. Yet, at times, it is considered to have been quite a business. Like trading in futures on the commodity exchanges, it shifts the risk of change in values from one group or class of individuals (i.e. merchants) to another group (i.e. speculators).

Without taking up the details involved in "forward exchange" speculation and without discussing its value as either an equalizer or a disturber of international monetary stability—(all this is already well done by Dr. Einzig)—it may be said that if the International Monetary Fund succeeds in its purposes, there will be no basis for a renewal of "forward exchange" transactions. What opportunities for speculation there may have been in the past will no longer be present in the future.

Will There Be a Black Market in Foreign Exchange?

Judging from the intents and purposes of the founders of the International Monetary Fund, exchange transactions among the member nations will be held under rigid control. This, of course, is nothing new in the recent history of most trading nations since the beginning of World War I. Throughout almost the whole of this period and up to the present, foreign exchange transactions in most countries have been restricted or severely controlled. One might say that since the Great Depression, beginning in 1929, the control has become world-wide, and foreign trade has thus been severely hampered.

The question, therefore, arises whether means might not be contrived, on the part of private individuals, as well as the nations themselves, to escape these controls, particularly when opportunities are afforded for private pecuniary gains from so doing. The enforcement of tariffs has led to smuggling; the restrictions on betting has led to secret "bookmaking," the licensing or prohibition of liquor sales has led to "speakeasys," and, as we all know, the fixing of prices has created "black markets." And it may be expected, that if restrictions on private foreign exchange transactions arise out of the operations of the International Monetary Fund which hamper speculation and profit, a black market in foreign exchange will be the outcome.

It is quite obvious that, under the provisions setting up the International Monetary Fund, occasions may arise when exporters or importers, to say nothing of banks, will be hampered in their trading transactions by the exchange restrictions imposed. This situation would develop when an "official" exchange rate is above or below the "natural" or "equilibrium" rate of exchange that should exist between two nations' currencies. Such a situation would prevent a merchant, whose nation's currency is classed as "scarce," from normally doing business (i.e. selling) with other countries. A fixed rate of exchange under the circumstances would be a handicap to private traders. What would be more natural than an effort to "jump over the traces," and effect some outside or underhand means of trading? Through secret agreements, or other subterfuge methods, means would be sought to effect exchange transactions. Machinery for the purpose could be contrived, and black markets in exchange could develop, which all the penalties and restrictions enacted by law or by decree could not prevent. Hitler, with all his cunning and cruelty, never prevented such underground movements.

Speculation in exchange, therefore, may continue in the future, but it will not be a healthy stabilizer of values as in the past. If anything, it will be a disturber of equilibrium and instigator of dishonesty. Intervention or monopoly in private exchange operations that are honestly conducted is incompatible with freedom and expansion of international trade, as it is in domestic transactions.

In conclusion, let us bear in mind that the International Monetary Fund, with all its advantages as an international clearing system and with all its high purposes in fostering multilateral trade, is also, in essence, a price fixing mechanism. Its prime purpose is to maintain international stability of domestic currencies. This function of applying rigid parities does not meet the needs of changing trade developments. It does not allow for temporary disturbances of equilibrium. With uncontrolled and fluctuating exchange rates, the legitimate speculator comes in as an effective stabilizer. His function is nullified under rigid price fixing, but his place can be taken by another group, who, with the same motives of gain, can reap illegitimate rewards underhandedly. Thus, speculation in foreign exchange transactions may disappear, but a new form of speculation may take its place that is less desirable and less beneficial in its effects.

America's Responsibility and World Security

(Continued from page 3201)

choosing hard courses of action today to aviod harder courses of action tomorrow.

You represent men who learned to accept hard discipline, to risk their lives in their country's cause and for its freedom rather than to save them at the price of slavery. These men know from experience the grueling process of toughening the mind, the spirit and the body for the strains of battle. They know the meaning of responsibility. These men, through what they have experienced and learned, can put the leaven of progress in the American loaf. They can effectively challenge wishful thinking, short-sighted selfishness and any tendency to retreat again into a fool's paradise.

It is with this conception of your strategic leadership that I venture to approach the task of exploring with you the subject "America's Responsibility and World Security."

If I may be allowed to make a personal reference from my own experience, I should like to preface my discussion of this subject by a few observations I made from my post in the United States Embassy in London from April, 1934, down to a few days before Pearl Harbor.

I went to London in April, 1934, when the real meaning of Hitlerism and its evil purposes had been pretty well exposed. From that post almost in physical touch with the Nazi machine which increased in material power with terrifying menace, I had the opportunity to watch all the signs and forecasts leading to the final eruption. It was our job in the American Embassy to watch these developments and to report on them to our Government. The Nazi purpose was a relentless one and the democratic nations in striking distance of the beast had waked up too late to do anything which could effectively stop its progress. There is no need to recapitulate the story of those tragic years. All of us there knew that those events were driving relentlessly toward a climax of catastrophe. It is well, however, to remind ourselves often of the lessons we should learn from that fateful brief period of history.

Lesson No. 1 — Weakness Invites Aggression

Time after time the Hitler gang and their satellites probed for the answer to the question "who can or will effectively oppose us?" In Manchuria in 1931 (before the Nazis reached power in Germany), Ethopia in 1935, occupation of the Rhineland in 1936, cynical intervention in Spain in 1936 where that unhappy country was used as a proving ground for new German weapons, the Austrian occupation in 1938 and the final climax at Munich in the same year. The Nazis answered the question themselves. They marched their armies, flaunted their new weapons, shouted their insolent aims of world conquest. Behind the protesting and disapproving notes and representations of the democratic states they saw only military weakness and no really effective measures to counter their growing threats. With each new criminal adventure the Nazi leaders and their satellites gained greater confidence in their ability to succeed in the next step as they contrasted their increasing physical strength with the apparently static military weakness of the democratic powers. They thought we were soft, unwilling to sacrifice a little luxury, for an adequate defense. On this miscalculation, fatal in its final results to them, they lost the war but we lost a peace that we thought had been gained 25 years before and that we might have helped to keep by being prepared and resolute.

Lesson No. 2—United We Stand, Divided We Fall

We knew it, we believed it, but we didn't apply it. Having defeated the same aggressor in 1918 by a grand alliance put together in the heat of battle, we fell apart in peace. The Nazis gambled on this disunity. Their strategy of divide and conquer was implemented by non-aggression pacts designed to keep future victims from uniting against the next attack. You will remember that wishful thinking reached a point of unreasonableness so absurd that some responsible leaders put forward the theory that the further the Axis moved, the weaker it would become. Those who had the job of winning back that far-flung territory and those who had to supply the material and pay for it learned better. Yet have we really learned that the price of security or even survival is unity of peace-loving nations against the first aggression, in fact, against even the threat of aggression?

Lesson No. 3—Peace Machinery —Governmental or Non-Governmental—without Public Confidence and Support Cannot Succeed

With all its handicaps and shortcomings the League of Nations at least provided a common table around which the member nations might have planned further their mutual defense against obvious war makers. By 1935 the League had lost its greatest potential power—the determination of peoples and their governments to resort to collective action within the framework of the League. What might have worked was abandoned for a separatism and self-sufficiency that couldn't possibly work. There was also the timidity born of inadequate military preparation which kept the nations remaining in the League from taking self-evident, united action. We must remember that it was men and the public opinion behind them that dodged dangerous questions, delayed and voted down proposed action in Geneva. It should never be forgotten that Japan, Italy and Germany had walked out of the League before the war began. Yet the nations that finally fought together couldn't mobilize the faith or will to use the machinery at hand to form a common front. It is not fair to blame the men who represented the democratic countries at the League of Nations for this weakness. The most perfect machinery cannot work without the faith and determination of the peoples to make it work. Given such determination, courageous leaders can be found by the people to express this faith and determination and with it they would at least have a fighting chance to make the imperfect machinery work.

Lesson No. 4—Areas of Agreement Must Be Expanded

There is a fourth practical lesson which I think can be added to these three, and that is this—**it is imperative to expand as far as possible the area of agreement.** We should never lose sight of the fact that the United Nations exists because nations disagreed, not because they agreed. If all nations agreed automatically on the right things, there would be no necessity for an international body to preserve peace. It is because they do not agree and that their disagreements often lead to catastrophes, not only for those immediately concerned but for the world, that 51 nations of the world, as a matter of common sense as well as idealism, have agreed to set up a world organization whose primary objective is to prevent the outbreak of war and to combat the conditions and causes which produce wars. The fact that 51 nations have agreed on the Charter and have set up a United Nations Organization does not mean that all of those nations are in agreement on many vital questions. It does mean, however, that they have agreed to set up an organization and to subordinate within the terms of the Charter their sovereign rights as individual nations to the decisions which the collective group may reach. One of the greatest tasks of the U. N. and of all its subsidiary councils and bodies is to widen as far as possible, and in every possible field which affects human relations, the area of common agreement. The wider that area becomes the smaller becomes the area of disagreement from which arise recriminations, disputes and wars.

I have had from my own personal experience the proof that essential agreement on even a small area of real importance can produce useful results where without that little area of agreement nothing could have been produced. Shortly before Pearl Harbor, I was sent from London as the U. S. Minister to Sweden where I remained throughout the war. Sweden was an island of neutrality, a sort of fortress within the fortress of German power. It was completely subject to German blockade and was organized for practically the entire period of the conflict on a war basis. Sweden was subject to great German pressures and made certain concessions when Germany was at the height of her power and Sweden physically at her mercy, which the Swedish Government felt it could not escape. As the Minister of the United States, I had to disagree with practically everything the Swedes were forced to do under the pressure of their position and the Nazi power. It was my job to try to induce the Swedes to reduce those forced aids to the very minimum. In working out various agreements and arrangements, I could always stand confidently on the common area of agreement I mentioned above, agreement on the most essential thing, namely, that the Swedish people were overwhelmingly in sympathy with the allied cause and war aims. Without that sympathy and without the sympathy and understanding of the members of the Swedish Government, we could not have been able to go very far. Although the government officially had adopted a stand of neutrality in the war, the members of the government represented and came from one of the most democratic people in the world, and that their personal sympathies were in harmony with those of the Swedish people themselves there can be no doubt. This sympathy showed itself in broad understanding of our problems. I will mention one example, for it affected vitally the happiness and even the lives of over 1,000 of our American aviators. These men, through damage to their craft after fighting over Germany, had forced landings in Sweden. Their treatment by the Swedish authorities went far beyond any of the requirements of international law or even custom. They were treated as welcome visitors and every consideration given to their physical comfort and welfare. Many lives were saved through Sweden being an asylum and all of the internees had been got out of Sweden before V-E Day. Sweden was a relatively small area as compared with the vast area of conflict. Our efforts there to expand the area of agreement in a limited sphere were matched by huge undertakings to expand the area of agreement among many peoples all over the world. In that task during the war we had the very essential common ground of common danger and common enemies. During the war, points of difference between the countries fighting together for their very existence were not magnified. They were often passed over, but there were inevitably serious differences—over the best thing to do under certain circumstances, who was to do what part of it, and when. These differences were not academic. They involved often millions of people and even the ultimate outcome of the common enterprise itself. By keeping our eyes on the essential area of agreement and the importance of expanding it by discussion and negotiation, we not only obtained our objective but we created what I think history will describe as the most encouraging record of collaboration ever made by allies. It is an immortal monument to our military leaders. This record is the most impressive thing I can think of as an answer to the faint-hearted who despair so easily when they first encounter disagreements in the pathway toward peace. Without laboring these points too far, I hope you will allow me to recapitulate these four lessons which I personally think we should have learned from recent history—(1) weakness invites agression; (2) united we stand, divided we fall; (3) peace machinery without the support and confidence of the people cannot succeed; and (4) we must make unceasing efforts to expand the area of agreement.

UN Must Learn From Past

In all our discussions of the UN I think we will be clearer in our thinking if we take pains to relate the present and the future to the past. That is why I have put forward these observations as what it seems to me we should have learned from the war and the immediately preceding war years. The first world war which we thought had been decisively fought was really lost and had to be fought out all over again largely because we failed to learn the lessons it taught.

This brings us to a consideration of America's responsibilities for maintaining peace and security.

These responsibilities may be put for convenience of reference into three classes—military, economic and moral. In each respect the responsibilities are great because this country has come out of the war with the greatest power to carry responsibility.

The fabric of social and economic life in a large part of the world has been torn asunder. It will take years to rehabilitate the war-devastated areas, reorganize transporation, rebuild roads and bridges, get the wheels of industry turning, revive trade and commerce, put agriculture back on its feet and give the peoples opportunities for full and effective employment of their energies.

We have the power and therefore the responsibility to help mightily in this work of rebuilding the world economy. We stand on the secure base of a great nation intact, with its power for production at its highest peak, with healthy and skilled people, and with democratic institutions in working order.

What we do affects everybody in the world. Indeed, what we fail to do affects every other country. Our best hope for future peace and security lies in putting our full power behind the United Nations, not only to prevent the outbreak of another war, but to build up the world conditions favorable to peace.

May I suggest three specific responsibilities which might summarize the duties of our country to the United Nations?

Our first responsibility is to be strong. Never again can we count on time to mobilize our potential force while an aggressor is held at bay by other victims of an assault. Those whose grandiose and insolent plans for world conquest have twice failed have surely learned that if we are given time we will come to see our true interests and organize our vast power to defend them. It is clear now that any future strike for world domination must start with a sudden and fatal blow against the United States. No aggressor must ever be in a position to make such a blow successfully.

We now have an organization of peace-loving nations through which our power can be joined in a united force. But some people, unfortunately, seem to discount the need of having this organized and united power. We are just now making practical plans for a military staff committee and a proper balance of national contingents that will be needed to make that committee effective. We can be sure that our contribution will be proportionate and therefore large. Yet on every hand we see evidences of a national impatience to strip ourselves to our accustomed peacetime impotence. Our military establishment is being weakened and demoralized so that our leaders confront difficulty in carrying out the commitments of our occupation policy, as well as undertaking commitments for security under the Charter of the United Nations.

Under the Security Council two complementary proccesses are planned. First, the United Nations will pool forces pledged to support the Charter against any breaker of the peace—prepared to enforce the decisions of the Council to maintain peace. Second, the Security Council is responsible for formulating plans for a "system for the regulation of armaments."

Our leaders who helped draft the Charter were convinced that these two things must move in parallel lines—building up a security system while reducing the burden of armaments by mutual agreement. It is our responsibility to back up that conception by husbanding our strength. For we cannot escape the responsibility of our strength by unilaterally dissipating it, hoping that others will follow our example.

Sacrifices Necessary

We will invite aggression and encourage war if we do not determine now to make whatever sacrifice may be necessary to hold ourselves in readiness to take our full share of military responsibility for world security.

Our second responsibility, I submit, is to be united. The Charter provides a way for keeping the nations united in peace as they were united in war. To the very end the Nazis hoped to turn disaster into triumph by splitting the United Nations. Make no mistake about it—they now hope for a third chance. The defeated, who were trained to the philosophy of aggression, proud in their boast of superiority, bitter and revengeful, must be watched. They have the natural motive for making war, and they are skilled in the strategy of "divide and conquer."

Some are surprised to find that nations once more free of the imminent threat of extermination are now less ready to accommodate each other's views of what is in the best interest of themselves and the world. Experience should have taught us to expect this, and expecting it, realize that we have to work harder to stay united in peace than to hold together in war.

Lord Bryce commented on this problem in a letter he wrote to the editor of **The English Review** in November, 1918. He wrote, "from my experience of the difference between the English, the

French, and the Italian way of looking at things, I should conjecture that the greatest difficulty would be found in getting anything agreed upon. Even American participation would fail to reconcile the fundamentally different ways of regarding these matters." Change the date and the names, and you might think you heard it last night on your radio.

But I beg you to notice that Lord Bryce did not conclude with a prediction of disaster. He apparently did not assume that the reality of the difference of viewpoint would cause the nations to rehabilitate the Frankenstein that had so recently deprived them of the luxury of even considering their differences. He thought it possible for peoples who were sensible enough to agree to save themselves from defeat by united action to agree to save themselves the trouble of another war by united action—even while differing about many other matters.

He was directing his advice to those perfectionists who insist on complete harmony and regard anything less as a prelude to hostilities. Lord Bryce continued, "better to work toward your ultimate goal by making a humble practical beginning. The immediately essential thing is to provide a machinery for averting war, and for rebuilding, if possible, the shattered structure of international law. By doing this, the nations will learn to cooperate and may draw nearer to one another in ideas."

UN Based on Differences

The United Nations Charter is based on the fact of differences. It recognizes that differences can become situations, and bad situations evolve into disputes, and disputes result in conflict. No one should be surprised, then, to find that the members of the Security Council are discussing differences, trying out various proposals for preventing them from reaching the stage of disputes and conflicts.

Please notice—we haven't got a united force yet. We haven't even finished working out a set of rules to order our discussion and our decisions. We are just getting started. But we have been very frank and persistent in discussing the problems before us.

If we have a responsibility of staying united on the one essential point of preventing war, we then must be willing to pay the price of unity. That is patience coupled with a mutual desire to try to understand differences.

It is at this point that we put into practice the principle of always expanding the area of agreement. We have a very important area of agreement in the United Nations — it is the profound conviction that civilization as we know it cannot survive another war. That ought to be quite as persuasive in keeping us united as our wartime conviction that civilization as we knew it couldn't survive an Axis victory.

This line of reasoning logically suggests the third responsibility, namely, the responsibility to stay with the United Nations.

We have something under way. We in this country have taken an honorable part in getting it started. We have pledged ourselves to work unceasing for it.

The Charter begins with a pledge: "We the peoples of the United Nations, determined to save succeeding generations from the scourge of war ... to reaffirm faith in fundamental human rights ... to establish conditions under which justice and respect for the obligations arising from treaties ... can be maintained, and to promote social progress and better standards of life in larger freedom ... have resolved to combine our efforts to accomplish these aims."

That is our pledge to our children. If we are worthy adults, worthy of the sacrifices that made such a bold attempt possible, we shall be determined to persist in this enterprise.

I am well aware that the prophets of pessimism have predicted failure. They have a colorful array of facts to display. They can baffle us with an unending recitation of difficulties and pending disasters. They can impress us with the yawning gap between principle and practice.

There isn't much to be optimistic about; only one thing—the demonstrated capacity of people to do great things together. They do it not by logic but by faith. It is only when they have lost faith in their capacity to do the difficult thing and stop trying that the pessimists have their lack of faith justified.

We in the United States have a special responsibility because we have reserve power. From this privileged people must come the faith in the possibility of overcoming all obstacles and succeeding in great purposes. If we stop believing, who else, sitting in the midst of ruined cities, facing the spectre of famine and disease, confronted by the most elemental problems of remaking life — who else can believe in peaceful progress?

You represent the soldiers who know these three things: the responsibility to be strong; the responsibility to be united; and the responsibility to stay with the enterprise. In the name of those who stayed with it until death, we must all help America measure up to its responsibilities for peace and security.

Bank and Insurance Stocks

By E. A. VAN DEUSEN

This Week — Bank Stocks

The volume of commercial loans in New York City banks, and in banks throughout the country, has increased substantially since the war ended. On Aug. 15, 1945 (V-J Day), total commercial and agricultural loans of Federal Reserve Member Banks in New York were reported at $2,186,000,000, and for the 101 Leading Cities, at $5,949,000,000.

The latest report for New York City is $2,918,000,000, an increase of $732,000,000, or 33.5%; for the 101 cities the figure is $7,482,000,000, an increase of $1,533,000,000, or 25.8%.

Industry has borrowed large funds for reconversion and expansion of inventories, and in many instances term loans of substantial proportions are also being obtained. The latter carry comparatively high interest rates and are among the most profitable of uses for a bank's loanable funds. On the other hand, loans against securities have steadily declined since V-J Day, but since such loans carry a low interest rate, their importance to earnings is only moderate. Further increase in commercial loans is looked for as strike delays are overcome and industries swing into high production.

It is perhaps significant that at a recent special meeting of the stockholders of Public National Bank & Trust Company in New York, the President, E. Chester Gersten, announced that during the second quarter of 1946 earnings have been ahead of the comparable period last year. He stated that business loans had been rising and predicted that such loans would increase further as strikes become settled and corporations get back to real production.

Mid-year statements of the banks will be examined with special interest this year, particularly for evidence of an improvement in loans and discounts over first quarter figures. Although many seem to believe that the banks' portfolios of Governments will show a decline and that deposits will be lower, there may be some surprises in store. Federal Reserve reports for New York City, for example, have shown a slow but steady rise since March 30 in holdings of Government bonds, although Treasury Certificates and notes have been declining. Clearing House deposits currently are only fractionally below totals reported for March 28 and April 4 of this year.

It may be of interest to review certain figures shown in the March 31, 1946 statements and compare them with the statements of Sept. 30, 1945, which is the first quarterly date after V-J Day. Thus, in the following tabulation, loans and discounts, Government holdings and total earning assets are compared for a group of 17 leading New York City Banks.

	Loans and Discounts			U. S. Governments			Total Earning Assets		
	9-30-1945	3-31-1946	Increase	9-30-1945	3-31-1946	Increase or Decrease	9-30-1945	3-31-1946	Increase Or Decrease
	(000,000)		%	(000,000)		%	(000,000)		%
Bk. of Manhattan	$357	$390	9.2	$514	$580	+12.8	$929	$1,030	10.9
Bank of New York	72	84	16.7	222	219	— 1.4	327	320	— 2.1
Bankers Trust	429	607	41.5	983	826	—16.0	1,497	1,521	1.6
Central Hanover	418	553	32.3	1,012	888	—12.3	1,513	1,509	— 0.3
Chase National	920	1,316	43.0	2,765	2,960	+ 7.1	4,059	4,597	13.3
Chemical B. & T.	338	462	36.7	736	605	—17.8	1,215	1,206	— 0.7
Commercial Nat'l	37	36	— 2.7	183	178	— 2.7	224	217	— 3.1
Continental B. & T.	65	69	6.2	68	75	+10.3	153	162	5.9
Corn Exchange	46	59	28.3	544	602	+10.7	622	689	10.8
First National	126	120	— 4.8	763	537	—29.6	1,005	754	—25.0
Guaranty Trust	854	898	5.2	2,007	2,061	+ 2.7	2,992	3,081	3.0
Irving Trust	228	244	7.0	762	785	+ 3.0	1,025	1,066	4.0
Manufacturers Tr.	395	527	33.4	1,299	1,421	+ 9.4	1,784	2,022	13.3
National City	1,018	1,291	26.8	2,520	2,733	+ 8.5	3,861	4,404	14.1
New York Trust	198	218	10.1	432	422	— 2.3	655	664	1.4
Public National	111	146	31.5	295	301	+ 2.0	417	461	10.6
U. S. Trust	24	37	54.2	94	90	— 4.3	133	142	6.7
Totals	$5,636	$7,057	+25.2	$15,199	$15,283	+ 0.6	$22,411	$23,845	+ 6.4

It is interesting to note that total loans and discounts of the 17 banks increased between the two dates by $1,421,000,000, or 25.2%. Two banks, however, failed to participate in this expansion, viz.: Commercial National and First National. Exceptionally high percent gains were registered by Bankers Trust, Central Hanover, Chase, Chemical, Manufacturers, National City, Public and U. S. Trust. Corn Exchange also shows a high percentage gain, but its volume of loans is quite low, representing only 6.9% of total assets, compared with an average of approximately 25% for the 17 banks. Total Government holdings of all banks were fractionally higher on March 31, 1946 than they were on Sept. 30, 1945, although eight banks out of the 17 show a reduction. Bank of Manhattan shows the highest percent gain with an increase of 12.8%, while First National shows the greatest percent loss with a drop of 29.6%.

Total earning assets of the 17 banks increased over the six-month period by $1,434,000,000, or 6.4%. Five banks, however, show a decline in earnings assets, First National reporting a drop equivalent to 25% of its Sept. 30, 1945 total. Especially good percent gains are reported by Bank of Manhattan, Chase, Corn, Manufacturers and Public.

These increases in important earning assets since V-J Day, combined with the promise of still further expansion in commercial borrowing, indicate a healthy earning condition.

NYSE Borrowings Lower in May

The New York Stock Exchange announced on June 4, that borrowings reported by member firms as of the close of business on May 31, aggregated $731,574,413, as compared with the figure of $744,769,491 on April 30. Details, as given by the Exchange, follow:

The total of money borrowed from banks, trust companies and other lenders in the United States, excluding borrowings from other members of national securities exchanges, (1) on direct obligations of or obligations guaranteed as to principal or interest by the United States Government was $329,797,882 and (2) on all other collateral $401,776,531, a grand total of $731,574,413.

The total of money borrowed, compiled on the same basis, as of the close of business April 30, 1946, was (1) on direct obligations of or obligations guaranteed as to principal or interest by the United States Government $305,911,346 (2) on all other collateral $438,858,143 with a total of $744,769,491.

Sees Loan Ins. Aiding Private Enterprise to Meet Housing Needs

The new $1,000,000,000 of loan insurance authorized to the Federal Housing Administration by the recently passed Veterans' Emergency Housing Act will enable private enterprise to meet much of the immediate housing needs of America, FHA Commissioner Raymond M. Foley told the National Association of Mutual Savings Banks in New York City on May 18.

In facing both the immediate need and the requirements of the future, Mr. Foley said, private industry should be ready to use all available Government aids, including the newly restored Title VI mortgage insurance, and should not be bound to the building methods of the past.

Private enterprise should exercise a keen sense of responsibility in producing soundly built homes for reasonable prices, he said.

Mr. Foley pointed out that of the four essentials to a housing program—land, men, materials, and money—the only one in sufficient quantity at the present moment is money. Because of this, he said, the pressures on lending institutions to go beyond the bounds of sound banking is increased, together with their responsibility.

America's Future Role In Foreign Lending

(Continued from page 3198)

in Continental Europe would have been considered, since most of their debts defaulted. But our American hemisphere debtors and the "cash and carry" payments of England and France made the picture look brighter.

After the first World War, when Europe was unable to settle her own affairs, and especially in 1923 when the Ruhr struggle threatened to bring about open war in Central Europe, not only did we dispatch Charles Dawes and his committee to Europe to put things in shape, but we sent $200 million, and later, in the form of government - favored loans, well over $6 to $7 billion. We hardly received a cent back of this principal. When a new catastrophe threatened in Europe in June 1931, the word of President Hoover stopped all war debt payments "for a year." This "year" has never ended. The payments for private debts from Central Europe also ceased to flow after a while. However, the same Austrians and Germans whom we helped and who could not pay us back, were able to finance the greatest war in history. The balance sheet of our help to Europe is thus somewhat strange if we look at it with a realistic appraisal.

World War II

During and after World War II our expenditures abroad (not counting the direct expenses for our Army), have been as follows:

U. S. Foreign Expenditures During World War II
(in billion dollars)[2]

1. Total lend lease	46	
Reverse lend-lease	7	
Net lend-lease		39
2. Other disbursements abroad		15
3. Relief up to now		4
		58

2 G. I. Bach, "War Period Foreign Transactions of the U. S. Government," Survey of Current Business, November, 1944, pp. 10-12.

In payment for our lend-lease to Great Britain, which amounts to $30 billion gross, less $4.5 billion for reverse lend-lease, a net amount of $25.5 billion, we have been promised $650 million, or about 2½% of the amount extended. If this ratio should be applied to all lend-lease, our total claim on lend-lease account would be only $1 billion.

At present the whole world is looking to us for financial help. Following is a list of the loans which are presently being considered:

Total Loans Expected from U. S.
(In billions of dollars)

	Through 1947	Through 1950
Loan to Gt. Britain	1.0-1.5	3.75
Intl. Monetary Fund	1.0	3.0
International Bank	1.0	3.0
Export-Import Bank	‡2.7	‡3.5
France	0.7	§2.0
Turkey	0.5	0.5
China	0.67	2.0
Germany	*1.4	*3.0
Italy	0.5	0.9
Austria	0.5	0.5
Russia	0.5	3.0
Netherland	—	0.2
UNRRA	2.5	2.5
	†‡12.97-1347	†‡27.85

*My personal estimate, evidently not contained in other tabulations and not counted for by Senator Barkley (see †).

†Senator Barkley emphasized in the Senate Banking and Currency Committee that during the next 12-18 months not more than $8 billion would be paid out.

‡In the grand total there may be some overlapping as some of the individual loans (or parts of them) may go through the Export-Import Bank or the International Bank. This may, however, not exceed $3-4 billion.

§The French loan of $1.37 billion includes some lend-lease payments, and also acquisition of surplus goods in one sum of $720 million. $650 million are credits given by the Export-Import Bank, and about $100 million will be given as surplus ships. Some other credits are expected to follow.

Evidently the claims on our lending power are not far from $25-28 billion. The obligations which we were willing to meet were evaluated in January, 1946 by Government authorities at $17 billion. It can safely be assumed that this is a minimum.

What Will These Billions Mean in Terms of World Trade?

In order to understand what these sums mean in terms of world trade, let us assume that the volume of normal world trade—with no gift exports, and no exports based on loans with a "waiver" clause[3] —two or three years after V-J Day, will become not considerably greater than the world trade of 1937-38.

This assumption is certainly an optimistic one, since the foreign trade of Germany, Japan, and the non-Russia countries of Eastern Europe is bound to be smaller than prior to the war. Russia's foreign trade will probably not be much greater than it was in the thirties.

World trade needs a minimum amount of international "working capital." I estimated this amount in 1936 at about $10 billion. Before World War I this capital was provided for by private banking; this was also the case during the inter-war period, but state guarantees were growing for this financing. Now, after World War II, very little is expected from private financing. We will be very conservative if we assume that to finance a world trade of perhaps $30 billions, as before the war, a world trade working capital of $7.5 billion will be needed.

Part of this amount may be provided for by Great Britain with the help of our loans. The main part, however, will have to be furnished by the Bretton Woods institutions, or openly and directly by the U. S.

In addition to the "working

3 The $3¾ billion loan to Great Britain inaugurates a new type of debt. It has a "waiver" clause saying that interest has not to be paid in years in which the British exports in prices of 1936-38 will be smaller than Great Britain's imports were in the average of these pre-war years. We call this new type of debt a "waiver loan." France's new loan has the same clause.

capital of international trade," outright loans will become necessary, and will be given by us to the tune of about $15 to $20 billion over a period of maybe five years. Outright loans of that magnitude might mean a direct increase in world trade of approximately 10% above its prewar volume. Assuming that they would have a "multplier" effect, that is that the direct consequence of the first loans would be a secondary movement in world trade, these initial loans of $20 to $25 billion might lead to an increase of world trade, in a period of from 5-7 years, of about 25% of the prewar volume.

These loans could, without hardship to our economy, be given, if they could be expected to be paid back after a reasonable time.

The Relativity of the Dollar-Millions

Of much higher impact than the payments are for us, the lenders, they will be for those countries which will be the recipients of our loans. In normal times a U. S. dollar buys in Great Britain 1½ to 2 times the volume of commodities and services it buys here. In addition, the British population consists of 48 million people, which is only about one-third of that of the U. S. If, in such a relatively small economy, $1 billion is injected, the effect for the individual would be 3 times as strong if the purchasing power were the same, as if such an amount would be added to the economy of the U. S. If the purchasing power should be 150% the stimulating effect for the economy of the United Kingdom would be as if 4½ times the same amount were injected into the economy of the U. S. This is, so to say, the "multiplier" of the dollar-millions in smaller or poorer nations.

The "multiplier" for China would, owing to incomparably lower purchasing power, be higher than that in Great Britain, and it would almost become immeasurable for the Hottentots.

What Do Such Loans and Gifts Mean to the U. S.?

We have made up our mind to continue these deliveries and payments abroad. We will have to continue relief deliveries to Europe and Asia for quite some time.

In addition, we have declared that we are interested in helping to create a much larger foreign trade than before the war, and in particular an international trade free of most of the restrictions of the thirties. This, according to the large-scale policy, as scheduled by Secretary of Commerce Henry A. Wallace, should be brought about by all available means, especially with the help of the financial strength of the U. S. The main advantages of liberal lending for the U. S. will be:

1. Easier maintenance of high, or even full, employment.

2. Protection against domestic depressions.

3. The great advantages of international division of labor, which is generally recognized but practiced to an ever diminishing degree.

4. A higher yield on capital than is available in this country, where the government can borrow at less than 2%.

5. The main counter-value for the U. S. will be the good will of all the nations increasing their standards of living by foreign trade, and increasing good will among those who constantly do business together on an expanding scale.

Objections to Lending

The following objections have been raised against these views:

1. Bernard M. Baruch has time and again warned against tying our economy too closely to the partly decadent economies of Europe. He urges that at least we should take a "national inventory" showing whether our own resources allow us to play the Santa Claus, in which amounts, for whom, and for how long.

2. Capital exporting countries, as a rule, get more back in commodities and services after a while than they export. Their balance of trade becomes passive since the payment for interest and sinking funds is made in the form of an excess of imports over exports.

Such an excess of imports over exports seems practically impossible in our case. We have most of the raw materials at our disposal, and the means to convert them into finished goods. We are becoming more and more self-sufficient. The inevitable consequence of this state of affairs will be that the counter-value of our export surplus will buy foreign assets in a great amount, or that foreign countries will become indebted to us more and more.

3. This will even be more so since our merchant marine has not only become the greatest, but probably the most efficient in the world. Formerly, foreign nations, repaid us in part with their shipping service. This will no longer be the case, even if American money lenders did not stipulate, as they do, that goods bought against American loans have to be carried by American ships. At present the Export-Import Bank makes this Cromwellian "navigation act" condition.

We will acquire greater and greater claims abroad without bringing any tangible counter-value home. A part of these claims will consist of "waiver loans," a part will turn out to be involuntary gifts.

4. Experience has shown that the gifts and loans in the nineteen twenties and early thirties, which were not repaid, did not bring us greater security, but one of their ultimate results was a greater war potential of our enemies during World War II.

Issues to Be Decided Before Granting Government Loans, "Waiver Loans" and Gifts

(1) Do We Need a "National Inventory" Before Granting Loans?

I don't think such an inventory is important for this purpose. With an average national gross production of about $81 billion in 1935-1939, we had an average export of $2.8 billion, and imports of $2.4 billion. Even under such conditions it would not have been difficult to produce $2-$3 billion a year more if markets had been available abroad or at home. With a production not far from $200 billion as at present (in prewar prices well beyond $140 billion) a production of $3 or $5 billion more will not provide substantial difficulty, as soon as our domestic shortages have been overcome, which except for construction and some consumer durables, will be the case very soon.

After production has taken care of our domestic consumption, many of our exports may even be considered as especially low-cost production. If domestic consumption has to pay the fixed costs (overhead) anyway, the additional input of labor, materials and other direct cost elements for export goods will make for a typical marginal low-cost output.

It will be a question of deliberate choice of the American people, if they decide to use such additional production for their own consumption, production and investment, or for foreign investment and foreign consumption.

(2) The Employment Question

High-level employment is needed. Use of the labor force to produce export goods is desirable if it helps to acquire tangible or intangible counter-values from abroad. If not, additional production for the domestic market is equally good.

(3) Our International Responsibility

Formerly, when a famine occurred in Russia, China or India, everyone had the greatest sympathy for these poor people, but if they could not pay for help they could not receive it. It was a great step forward on our part when, after the earthquake in Japan in 1922, we sent large volumes of commodities and money to help rebuild the country.

This belief in international responsibility is not a universal one. News has just been received from Holland that part of the crop of early vegetables was destroyed because it could not be exported—that is, against payments. Also, the attitude of Russia, by the nature of circumstances, was completely different from ours, at least until quite recently. Soviet Russia had to build up her own home, starting from scratch. She is trying to wage an industrial revolution, for which England needed more than 150 years, in 25 to 30 years. Her theory is that the world will be helped by accepting the ideas of communism, but she cannot accompany the export of these ideas with substantial shipments of grain, cotton, fats or oils. So this responsibility remains almost entirely up to the Western Hemisphere to fulfill, and practically exclusively with the U. S. To what extent shall we fulfill this assumed responsibility?

(4) A New World Conscience: A Guarantee for a Minimum of Calories for Every Human Being?

We are evidently steering into a new era of world organization. Formerly every nation figured in terms of its own harvest and the imports it could pay for. Now we have taught the world, first at Hot Springs in 1943, then at Bretton Woods, and more recently in Atlantic City, and also by Herbert Hoover's "World Famine Mission," to figure in terms of world harvest.

I do not think that we should shirk this new responsibility, in principle, which almost overnight seems to have arisen out of a new conception, namely that of a world consceince, a *world responsibility for a minimum volume of calories for everyone.* However, I think we should stipuate some very clear conditions before assuming any new responsibilities.

It would be super-human if we took them over absolutely onesidedly. In addition, the danger would be very great that history might repeat itself. When America, after the last war, saw that her help did not bring in any gratitude and certainly not peace, she turned away, disgusted and disinterested. It is in the interest of all nations that this does not happen again.

Some Preconditions for American Loans and Quasi-Loans

1. For all loans, public, public-guaranteed, or private: No loans and no large credits to such nations who are present or potential war mongers against the U. S. No loans to nations who do not belong to or are backed by UN.

2. For "waiver loans" and quasi gifts or outright gifts especially:

(a) No credit and no unpaid deliveries anywhere, where we do not have the assurance that the respective nation is not increasing her military potential. This condition must be stipulated for a long period of time. We should even set standards claiming a decrease of the military potential of the respective nation.

(b) We should not make any delivery or any loan without the assurance of a fair control of what our money or help is being used for.

(c) No loan of this character should be given to nations who refuse to give us the right to defend our own security within the territory of that nation if and when an aggressor against us should arise.

(d) No gift and no waiver or other uncertain loan should be given to nations who do not make it evident that this is a real contribution to making them more self-sustaining, and developing their own economic resources for peaceful purposes.

(e) We should recive proof that our help is used in a reasonable way to improve the standard of living in the respective nation, and to remove economic causes of civil war, as well as foreign war.

3. General limitation of "waiver loans" and gifts. After a period of perhaps 18 to 24 months no such help should be given unless there is a reasonable probability that we will get our money back or that we will get counter-values of economic character, or of other tangible or intangible character.

4. The decision whether reasonable tangible or intangible counter-values are offered should be left to independent experts, and not to a political body.

Mutual Funds

Digest of Current Literature

Distributors Group—A new folder on **Aviation Shares** showing why "practically every account should include some proportion of our outstanding growth industry"; A new folder "Tobacco Stocks as Conservative Investments for Income and Long-Term Growth"; A new folder on **Building Shares**; A revised folder on **Railroad Equipment Shares**; Current Investment News bulletins on Building, Petroleum, Steel, and Tobacco. **National Securities & Research Corp.**—Current issues of this Sponsor's weekly Investment Timing service, discussing "The Danger of Pay-Roll Levies for Union Welfare" and "Heavy Industry Stocks Behind Consumers' Goods." Revised folders on **National Bond Series** and **National Income Series**; Current issues of National Notes showing growth in net assets of National Securities Series to $42,839,056 as of April 30, 1946, and comparing the performance of **Industrial Stocks Series** with the Dow-Jones Industrial Average.

Keystone Co.—A new 32-page booklet (referred to in this column on May 23) entitled "How to Plan Your Investment Program," containing "A modern approach to common problems of investing . . . establishing the objective . . . selecting the securities . . . timing the investment"; Current issues of Keynotes (1) charting national income payments to individuals which show that public purchasing power is at boom levels and (2) comparing the difficulty of selling securities at the top and buying them at the bottom, with the ease of operating an automatic Formula Plan.

Hugh W. Long and Co.—New folders on the **Metals Series** and **Building Supply Industry Series** of **New York Stocks**, outlining why these issues "may be considered good investments today"; June issue of The New York Letter giving this Sponsor's appraisal of the relative profit possibilities and relative price risk in 20 leading industry stock groups; Current bulletins on the Building Industry and on "How Stock Profits Are Made" through buying into the industries that have a favorable outlook; Revised prospectus of **New York Stocks, Inc.**, dated May 20, 1946.

Lord, Abbett—Current investment bulletins on **Affiliated Fund** showing the market action of this fund from the April 1942 low in terms of a beginning price of 18⅜ (which corresponds to the starting price of Affiliated Fund, multiplied by ten). "Just by moving a decimal," is the title of this bulletin. The second bulletin lists several of the individual stocks in the Affiliated Fund Portfolio and shows that while sales were down during the first quarter of this year, net income was up substantially because of the lower tax rates now in effect . . . The current issue of Abstracts showing total net assets of Affiliated Fund of $36,214,000 as of April 30, of which $8,000,000 consisted of borrowings. These assets were invested 92.7% in common stocks, 2.5% each in preferred stocks and bonds, and 2.3% in Government bonds and cash.

Wellington Fund—Revised, up-to-date issue of the folder "Investing for a Widow and Two Children." This folder shows that the total gain in principal and income for the eight prize-winning programs selected by Barron's $100,000 contest amounted to $45,392 on average for the six-year period. **Wellington Fund's** performance after all costs resulted in a net gain of $74,067.

Calvin Bullock—A new folder on **Nation-Wide Securities** containing a brief outline of the fund; Revised folder giving a brief description of **Dividend Shares**; Current Memoranda on Nation-Wide Securities and Dividend Shares.

W. R. Bull Management Co.—A new descriptive folder on **Republic Investors Fund** . . . **Paul H. Davis & Co.**—Revised prospectus on **Fidelity Fund** dated May 27, 1946 . . . **Broadstreet Sales Corp.**—Current issue of items showing recent market performance of **Broadstreet** and **National Investors** . . . **Selected Investment Co.**—Current issues of "These Things Seemed Important."

Mutual Fund Reports

Keystone Custodian Funds, Series B-2 and S-2—In its semi-annual report for the period ended April 30, 1946, **Keystone B-2** reports net assets of $16,952,239 as compared with $14,273,704 at the beginning of the period. Total net assets of **Keystone S-3** rose from $11,403,441 to $15,677,667 in the same period. As of April 30, all ten series of Keystone Custodian Funds had combined total assets of about $180,000,000.

National Securities Series—Annual report of **National Securities Series** for the year ended April 30, 1946, shows total net assets of all nine series amounting to $42,839,056, as compared with $23,638,455 at the beginning of the fiscal year. The largest series in in the group at the end of this period was **Income Series** with net assets of $9,988,920. Second in size was **Preferred Stock Series** with net assets of $9,458,498.

Dividends

Institutional Securities, Ltd.—A semi-annual cash distribution of 3¾ cents per share payable July 31, 1946 to Insurance Group shareholders of record June 30.

Nation-Wide Securities Company, Inc.—A quarterly dividend of 25 cents per share payable July 1, 1946, to stockholders of record June 15.

Wellington Fund—A quarterly dividend of 20 cents per share payable June 29, 1946, to stockholders of record June 19.

Union Trusteed Funds, Inc.—The following quarterly dividends payable June 20, 1946, to shareholders of record June 10:

Fund	6/20/46
Union Common Stock Fund	$ .09
Union Preferred Stock Fund	.29
Union Bond Fund A	.20
Union Bond Fund B	.22
Union Bond Fund C	.12

Second Thoughts on British White Paper on Employment Policy

(Continued from first page)

acceptance of the Keynesian doctrine. Here was a technique for preventing mass unemployment which committed no one to any particular political creed and was applicable under different forms of social and economic organization. Most economists were conscious, of course, of the sketchiness of some of the details of the policy, of the evidence, at some points, of compromise with the errors of the past and, indeed, of the fundamental inconsistences of some parts of the argument. But the important point seemed to be that the Government had finally thrown off the view, expressed in the British Treasury Paper of 1930, that employment could not be expanded by public policy.

2. I still feel that the White Paper on Employment Policy is one of the most important declarations on economic matters ever made by a British Government. But I must confess the lustre of that document and of its publication day have become somewhat dimmed. I think there are many reasons for this.

(a) The present preoccupation of my country is with an extraordinary shortage of labour, with a dearth of investment goods, with a potentially inflationary position which makes the problem of unemployment seem remote and of little urgency.

(b) The meaning of the White Paper has been misunderstood in some quarters. It is believed, for instance, in some circles that the White Paper implies that employment cannot be maintained at the full unless the State intervenes with detailed plans and programmes for regulating the activities of industries and individual businesses—an attitude for which in my opinion, the White Paper provides no support. The White Paper was concerned with controlling the economic weather, not in telling each person individually when he should put up his umbrella.

(c) In the White Paper there were some obscurities which, in the two years which have since elapsed have not been cleared up, and promises of further action and enquiry on which no subsequent report has been made to the public.

(i) Great emphasis was laid in the Paper on the danger to a policy of full employment of industrial monopoly. A promise was made that "the Government will seek power to inform themselves of the extent and effect of restrictive agreements, and of the activities of combines; and to take appropriate action to check practices which may bring advantages to sectional producing interests but work to the detriment of the country as a whole." So far as the public is aware no special measures have been taken to implement that undertaking.

(ii) The obscurities of paragraphs 74-8 of the White paper, as to how far the Government should go in deficit financing, have not been cleared up although here perhaps the statesman and the administrator may be wise in not taking hurdles until they have to be taken. It will be easier to reach final commitments on the doctrines of functional finance of Mr. Lerner and Professor Polanyi when Mr. Terborgh and Professor Hansen have got a little nearer agreement.

(iii) Further examination was promised in the White Paper of certain advanced measures for creating employment: such as greater variability in taxation levels; the regulation of hire-purchase transactions and the placing of Government orders for consumer goods. No results of this further work have been published.

3. It may be unreasonable to expect new ideas to develop and new commitments to be made with any great speed in plans which will certainly not need to be put into operation for a year or two. But, having now forsaken an office for a study, the permanent marriage of theory and practice in employment policy seems to me to present more difficulties than it did at one time and certainly success calls for further research into many dim and perplexing corners of the economic and administrative mechanism. These are the subject of my paper today.

4. Before, however, giving my catalogue of problems and of subjects on which I wish we knew more I make two general preliminary comments about them.

(a) I think it is to be assumed that British policy and technique regarding the maintenance of employment will be based on "the national income approach." It is in terms of national income that the British Administration has learnt its economics in the past few years. It is in those terms we think of our problems. It is in those terms we will solve our problems if they are to be solved. By the "national income approach," of course, I mean the procedure of making the best possible forecast for a period ahead of the national income and the various items of national expenditure—the Government being prepared to supplement private aggregate demand if aggregate expenditure threatens to be insufficient to maintain full employment. I mention this point because it is arguable, for reasons I will return to later, that in "the national income approach" we are trying to be too clever.[1] It may be that it would be safer, and in fact more truly scientific, if we simply watched the unemployment index and then tried to do the right things after the event instead of engaging in the task of creating a national balance sheet for a forthcoming period with every item in that balance sheet a matter of estimate.

(b) Most of the problems of maintenance of employment which I shall mention arise from the fact that the policy of

1 There are two, very sobering, facts to which it is worth while drawing attention. The official estimates of the probable peak of unemployment in the United States during the transition period proved to be very wide of the mark. In Great Britain, in the year prior to the end of the war in Europe, economists in official positions were evenly divided as to whether the transition period would be one of a shortage or of a surplus of labour. Half of them, that is to say, proved to be wrong.

full employment involves the danger of inflation. It is unfortunate but inevitable that the fattest fish are caught nearest to the rapids.

II. The Problem of the Target

5. The first of my problems is what level of unemployment we have in mind when we speak of full employment or of a high and stable level of unemployment. This issue has been brought sharply to a head in Great Britain by Sir William Beveridge, who, in his recent book, "Full Employment in a Free Society" claims that an average of 3% unemployment is sufficient to give the economic system sufficient elbow room within which to carry out its essential adjustments. Other writers, with whom I am in agreement,[2] believe that this is an impossibly high standard of achievement to set ourselves. They point out that, even before 1914, the average rate of unemployment was at least double the Beveridge target and much more than double it between the wars. They further point out that the conditions of the postwar world may tend to increase the minimum of frictional unemployment; the widespread extension of the Social Services may reduce incentive at least at the margin; the aging of the population may reduce mobility; the rising standard of living and improvement of individual taste may mean a greater number of minor discontinuities in the manufacture of consumer goods; the tendency for capital equipment to become more specific may multiply the short period dislocations in the labour market and so on.

6. Behind this clash of opinion as to the target lie two other considerations which are much more fundamental. The first is bound up with what is meant by an employment plan. The White Paper clearly envisaged that estimates should be made of what was likely to happen to national income and the various items of national expenditure, assuming that the Government pursued a normal financial course; that the deficiency or surplus of national expenditure should then be dealt with by specific Government intervention of one kind or another, but that, at all times, the Government action should be sufficiently tentative and its weapons sufficiently flexible to enable it to adjust its own activities if, in fact, its estimates of aggregate private expenditure proved unsound. Clearly the margin of error in conducting such a policy is not inconsiderable.[3] Sir William Beveridge, with his associate Mr. Kaldor, have a different conception of the employment plan. Having made their forecasts of private expenditures and having decided upon the appropriate level of Government expenditure they would seek to make the forecast come true by exercising controls for that purpose over the economy as a whole (I feel that if the Planners could distinguish between a rigid plan and a forecast, and more sternly resist the inevitable temptation to turn a forecast into a plan, liberty in the world would be much safer than it is at the moment.) But whatever may be said on other grounds against the Beveridge-Kaldor approach, it probably reduces the margin of error in the policy of keeping everybody in a job. So that the target we are looking for, the safe minimum distance at which we can operate from inflation, is indeterminate. It depends upon how many controls the people will tolerate, what their choice will be between degrees of freedom and points in the unemployment index.

7. The second doubt I have about the target is more technical. If we aim at too precise a target is there not a danger that the margin of error in the statistics collected for the "national income approach" may be greater than the "gap" between income and expenditure we are seeking to fill. I always felt during the war that a lot of useless, if not positively mischievous, policy decisions were made, particularly as regards labour allocations and stocks because the policy was worked out to finer limits than was justified by the accuracy of the statistics upon which that policy was based. No engineer would try to work to thousandths of an inch if his gauges recorded only to tenths of an inch: I fear the economic statistician, under pressure from the statesman, is not always so scrupulous. It is obvious that the danger of making economic "howlers" increases with violent progression as we approach the limiting position. I content myself with two illustrations. An estimate of the employable population is crucial in the national income approach. But I do not think we know a great deal about the forces which determine employable population. If wages increase more people may be tempted to work; on the other hand many workers (particularly married women) may then be inclined to drop out of employment altogether. Experience in my country suggests that taxation policy may have a marked, though not always a predictable, influence upon the number of people willing to work. Similarly with productivity, we cannot with safety accept the experience of the past as a secure basis for forecasting. Our recent experience in the coal mining and other industries suggests that increases in wage rates and high levels of taxation, or even the form of the taxation, can play queer tricks with output per head.

8. On this matter of the target, therefore, I would draw two conclusions:

(a) That we need to know more about the minimum level of unemployment. I think a detailed statistical examination of past experience of friction in the labour market, of the effects of wage changes and taxation upon the supply of labour and productivity would amply justify itself.

(b) That, in the meantime we should recognize the crudity of our measuring instruments and not set too narrow a margin to the control of expenditure. Nothing is more likely to bring the new economic doctrines into disrepute than the disillusionment that may come to the people if hopelessly optimistic views are allowed to gain ground concerning the accuracy of control guaranteed by the new methods.

III. The Identification of Structural Change

9. If a policy of full employment is to go along with a policy or a high[4] standard of living (and the two are by no means synonymous) we must take care that the measures for keeping people in jobs do not reduce the rate of technical progress or the general flexibility of the economic system by which resources flow to the points of highest return. That immediately poses a most prickly problem. How are we, in practice, to distinguish between what are usually described as "structural" changes in the system and those changes (cyclical or sporadic) from which recovery can normally be expected without any serious modification of the general economic pattern. This question cannot be avoided. For in the former case the right policy is to take the medicine boldly, get the changes carried through quickly and, in these circumstances, the maintenance of total expenditure has only a limited part to play and creates special dangers of inflation. In the second case, the maintenance of expenditure is the obvious remedy. Can we put our finger on some groups of unemployment and say these represent unemployment attributable to permanent changes in demand or in technique. Could we, for example, have foreseen in 1924 that the cotton industries of Great Britain and the United States were destined to show a permanent decline in employment in the subsequent fifteen years?

10. It seems to me vital that the economic scientist must strive to provide some objective basis for the decisions to be made in this field by the politician and the administrator. For it is precisely here that the full powers of vested interests, of easy going optimism, of political escapism will be brought to bear to justify doing nothing or doing precisely the wrong things. In an industry confronted with real structural changes the employer will be inclined to argue that if wages can be reduced a little all will be well, the wage earner that if the employer were only a little more efficient all would be well, the statesman that if both will work a little harder all will be well. And the upshot can so easily be a nonliquidating restriction scheme which puts off the evil day only at the expense of making it more evil when it arrives.

11. I suppose the crucial query here is: can a declining industry, not a monopoly, be prosperous; can an industry suffer a relative shrinkage without creating all these forms of social distress in readjustment which so frequently have turned men's minds towards worse than useless restriction schemes? I think it is safe to say that, in an economy not in full employment, the answer is no. But what is the answer to an economy enjoying a brisk general demand for labour? On this, an analogy (dangerous as analogies are) often recurs to me. A man can grow old and still remain healthy within the limits of his dwindling physical powers. Why not an industry?

12. I come, therefore, to another batch of questions on which I would like to see more informed answers. The first of these concern the future. If a policy is successfully pursued of maintaining high demand for labour would this (a) increase or decrease the frequency of structual change and (b) facilitate or render more difficult the process of readjustment to a given degree of structural change?

13. Would the general buoyancy of demand make business men readier to exploit technical improvement? Or would the reduction of cyclical risks make the risks of innovation loom larger in the mind of business man? Would we slow down the rate of technical development if the business man had rarely, if ever, to face the problems of depression? Would new industries less rapidly spring up if there were never again a pool of surplus cheap labour which, at least for a time, can be exploited? Would new ventures be less frequently risked if the employer could not rely upon some flexibility of wages to cover up any mistakes in his own calculations?

14. For any required degree of structural change, would a period of high and stable employment make labour more mobile, because of the absence of the fear of unemployment, or would it reduce mobility by creating the impression that the State can deal with unemployment without the individual exercising any initiative? Would full employment, by preventing a business or industry from meetings its problems by cutting wages (since it would then lose its labour quickly) sharpen the pruning hook of competition and thus speedup natural economic readjustment?

15. I think we might more confidently approach some of these questions if we knew more of what has happened in the past. We have had some statistical and economic analyses of the pace at which industries expand but much less has been done regarding the decline of industries. In the light of the experience of industry in the past half century can we say that competition will bring about industrial readjustment as quickly as is socially desirable? Or is it true, as is generally believed, that such changes go on far too slowly in what is usually described as "a long drawn out agony." I would like to see a detailed analysis of the pace of industrial change in Great Britain since 1890 and an examination of the causes of it. I fancy this would disturb many existing conceptions on this subject. I would like to see some comparative studies, as between countries, of industrial readjustment: for example a comparison of the history of the cotton industries in New England and Lancashire since 1900 is crying out to be done. I do not pretend that such long period studies will be easy. I recognize that they would bring the investigator sharply up against that heart breaking question: what is an industry? I am sure we would find that many industries in the nineteenth century changed in everything but name thus destroying the comparability of statistics. I agree that it will be difficult to isolate the consequences upon structural readjustment of changes in tariff policy, of restriction schemes, etc. But complex as are all such difficulties, they are less intractable than those involved in deciding, **before the event**, for the purpose of a sound full employment policy, which changes in the economic system are permanent structural changes.

IV. The Problem of Foreign Trade

16. In many ways what I have said regarding structural change applies with special force to our problems of foreign trade. But even if consideration be confined to what may be regarded as normal oscillations in our foreign commerce there are awkward obstacles to surmount in maintaining full employment. Here my doubts are mainly those which have been expressed by others. Sir William Beveridge has established[5] that during the nineteenth century export trade tended to be the initiating element in cyclical movements. E. A. G. Robinson has pointed out[6] that between the wars the variations in British employment in the export trades was probably greater than the variations in employment due to fluctuations in home investment.

17. I think it is fair to say that none of the recent British writings on the subject of full employment has faced squarely to this issue. The White Paper itself really side-stepped it. For it concerned itself with the need for a high **average** level for British exports and not with an export trade free from serious fluctuations.

18. The dilemma here has perhaps been sharpened by the return to power in Great Britain of a Labour Government. For to those who are attracted towards

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2 It is significant that unemployment in Great Britain has already reached 3% although there is an acute over-all shortage of labour.

3 Is it unreasonable to suggest that the British Government should have a public trial of its economic forecasting by publishing now its estimates of Income and Expenditure for 1947? A great deal might be learned from the failure or success of this trial. It would awake public interest and enable economists to make their contribution in the improvement of the estimates.

4 By a high standard of living I mean as high as is consistent with the native ability, the natural resources and the capital equipment of a community.

5 Full Employment in a Free Society.

6 "Economic Journal," April 1945.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Markets don't always shout or whisper, sometimes they don't say anything. Right now is one of those don't-say-anything times.

I had hoped that this week's column could be more than full of glittering generalities. A downside break-through, or an upside penetration, would have meant something in a positive sense. We saw neither. All we have had in the past week is dullness, punctuated here and there by sporadic bursts of activity. Maybe somebody can make something out of that. In fact, judging from literature I have on hand from financial services, quite a lot of people are making plenty of sense out of what is going on today. It seems that everybody has a secret method, the use of which can make anybody with just average sense, a rich man; or if not rich, then pleasantly situated.

Brokerage market letters, while not so coy, are just as positive that certain action presages higher prices. The phrase "higher prices" rolls so easily on the tongue. It's such a well-rounded mouth-filling expression. Speak about higher prices and everybody smiles benignly in your direction. Change the tune to "lower prices" and the smiles of approval change to frowns of disapproval. Everybody avoids you. You're apparently a victim of something your best friend won't tell you about.

A few weeks ago I started to warn you about a reaction. I advised that all stocks you held be sold at specific prices. I pointed out that the chances of getting the top of the move were very remote. I even said that it was likely that stocks would go a lot higher after we sold them. But despite the qualifications I advised selling. There is little point in harping on the profits which have accumulated. In fact I don't bother to keep a record. Once a stock is sold, it's sold. That's all there is to it. People have written asking for a record of trades. I suggest they save themselves the time and postage. I'm not looking for clients. And I have no intention of sitting down and going through old copies of the "Chronicle" to get up a report.

* * *

Incidentally this as good a time as any to answer mail. It fills up space and keeps me from talking about the market. Right now we are neither long or short. We have sold all the stocks we held at a profit. I can sit back and I have no intention of being pulled off that comfortable perch.

A W.D.B. of Akron writes and is all involved in an argument about terminology. He wants to know if I prefer long-term to short-term trading. He brings up subjects like "best and safest way." The writer also asks if I consider there is a place for long-term operations in the market.

* * *

First of all allow me to point out that, in my opinion, the expression "long-term" or "short-term" is a state of mind. My objection to long-term trading as such is that it brings with it a feeling of ease, a sort of they-can't-touch-me attitude. I bought it for investment. I'm interested in return, not capital gains. The short-term trader, or speculator (to use the horrid word) is primarily concerned with profits. So long as the stock shows profits so long is it held. It is when it starts to show losses that action is called for. The long-term trader would theoretically be uninterested in slight reactions. The short-termer would definitely be interested. It might be the beginning of a change in trend. The trader likes to get dividends but it is profits that are his first love. The long-termer's chief interest is dividends and safety. Profits theoretically come last. They're nice if they come. They're not all-important. So far as I'm concerned if there isn't a profit I'm not interested. This is cold-blooded, but it's Wall Street. If there is a risk there must be a profit.

* * *

I have been a long-termer (held them for years) time and again. I have no objection in being an investor. But I do object when circumstances over which I had little control, except stupidity, forced me in that position. So long as a stock acts well, so long shall it be held. If it acts badly (if you have a loss it acts badly) I want to get out. I don't believe in sitting with losses. Money is cheap but not that cheap.

* * *

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.]

Bankers Trust to Open Rockefeller Cent. Office

The Rockefeller Center office of Bankers Trust Company of New York, will open to the public on June 19th, according to announcement on June 3 by S. Sloan Colt, the bank's President. Located in the International Building, at 51st Street and Rockefeller Plaza, the new bank occupies 11,000 square feet on three floor levels and will be air-conditioned throughout. In announcing the opening, Mr. Colt said:

This is a bank marked by the complete absence of conventional marble or bronze, cages or bars. Thoroughly functional in plan, a friendly atmosphere has been obtained through the modern use of color, form and lighting. It might be characterized as public relations expressed in architecture, in the sense that this bank reflects in its outward appearance, the friendly, considerate attitude toward the public which is a principal feature of banking today.

The same point applies to the general management of floor plan and facilities. For example, tellers' cages are equipped with roll-top desks, invisible from the public area, enabling each attendant to lock his currency or other valuables simply by closing the desk, thus making it possible to do away with grills or screens. In this way, the bank has somewhat the appearance of a modern retail store, devoid of cages and grills.

Mr. Colt announced that James I. Clarke will be Vice-President in charge of the new office. Mr. Clarke has been associated with Bankers Trust since 1927 and for ten years was in charge of the bank's 57th Street and Madison Avenue office. Other officers of the new bank include L. G. Payson, Vice-President; H. A. Watkins, Assistant Vice-President; and A. K. Murray and H. C. Strait, Assistant Treasurers.

Second Thoughts on British White Paper on Employment Policy

(Continued from page 3227)

the idea of a planned economy as the only sensible way in which a community can be master of its economic destiny there is something strangely inconsistent, if not positively exasperating, in the thought that the home economy must depend upon the uncontrolled movements of world trade. And yet I suspect that the vast majority of people in Great Britain subscribe to the view that only through much greater freedom in world trade can Britain hope to attain the average level of exports necessary to prevent a decline in the standard of living.

19. There may, in fact, be a fundamental choice confronting my country. How far are we prepared to accept increased fluctuations in exports in order to increase the average level of exports? I do not know how the choice would go if it had to be made consciously. There is, as yet, no indication of any defined policy. But it may be a straw in the wind that the Parliamentary Secretary to the Board of Trade admitted, when discussing the taking over by the Government of the Liverpool Cotton Market, that some part of our invisible exports would, thereby, be sacrificed but, he continued, "remittances of this kind are essentially speculative, and therefore, are unreliable."

20. For the student of the economics of full employment, however, the task is to understand more fully the links, in the British economy, between the domestic market and the export market. I suggest there are serious gaps in our knowledge of facts and of mechanisms.

(a) I know of no adequate explanation for the fact that before the war fluctuations in British exports normally preceded movements in the trade cycle and may therefore have been an initiating cause. I think a detailed analysis is called for of British foreign trade during the nineteenth century to determine whether what Sir William Beveridge has discovered is a statistical accident or whether there is sufficient generality in its truth, when individual export commodities and markets are studied, to render it much more than a statistical accident.

(b) Postwar British export trade is likely to be very different in constitution from trade before the war. The drive for enlarged exports, associated with the inevitable decline of the older staple exports, inevitably means a greater diversification of the goods sold abroad. Will this lead to greater stability in our total export trade from year to year and will it mean that any decline in exports, because it will be more widely spread industrially and geographically, will be more easily offset by a policy of domestic expansion?

(c) Are there reasons for believing that, if increased collaboration between the nations results in a considerably expanded volume of world trade, then, given the probable constitution of that trade, fluctuations in exports would be smaller than in the past?

V. The Problem of Wage Stability

21. If a policy of full employment ever drifts into the frustration of inflation my guess would be that the immediate cause will be intemperate wage increases. Not so much, perhaps, because shortages of labour increase the bargaining power of the Unions as because, in a period of such shortages, employers are inclined to lose their heads and force wages to unduly high levels. The processes by which wages are moved up are complex but the experience during war in Great Britain suggests that one destabilizing element is this. The employer recognizes that he must retain, at all costs, his skilled key personnel; without them his other workers become valueless. Wages in this group, therefore, may rise very markedly. But if there is a strong tradition among trade unions in favour of the retention of established wage differentials between classes of workers the sharp increase in the monopoly value of key personnel tends to transmit itself to all classes.

22. The White Paper referred to the wages problem in language which I fear others will regard as a typical illustration of good old British muddling but the British would probably claim as an example of their sure intuition in practical affairs and their healthy suspicion of any too rigid application of cut and dried principles. The White Paper says "Action taken by the Government to maintain expenditure will be fruitless unless wages and prices are kept reasonably stable . . . it will be essential that employers and workers should exercise moderation in wage matters so that increased expenditure provided at the onset of a depression may go to increase the volume of employment." But "there must always be room for the adjustment of wages . . . there must be opportunity for the removal of anomalies in the rate of remuneration of different grades and categories of workers. . . . The principle of stability does mean, however, that increases in the general level of wage rates must be related to increased productivity due to increased efficiency and effort."

23. The strict economic logician is sometimes contemptuous of policy couched in such vague phrases. But in its defense I would remind you that it was in terms of ill-defined compromise that, during the war, the British performed something akin to an economic miracle in redistributing their labour swiftly and in evoking enormously increased exertions without any dislocating rise in general wage rates.

24. There were, however, special features of the war economy which will help to explain this success.

(a) In wartime comprehensive economic control of itself (particularly rationing and high taxation) weakens the demand for increased wages. People fairly rapidly get tired of saving and of acting as a post box through which their wages are sent to the Treasury. But controls of this severity cannot be continued indefinitely if incentive is to be retained.

(b) During the war the British public imposed upon themselves some practices of self-deception — such as that of watching the official cost of living index number and pretending that this measured changes in the cost of living — which surely cannot be regarded as permanent.

(c) The British Government, by subsidizing food and other articles very heavily, kept down the cost of living index number. These subsidies are clumsy and inequitable and it is already obvious that they will have to be reduced by degrees.

25. There are other good reasons for supposing that the present system of wage adjustment

will be fully tested by a policy of full employment. The White Paper, as I mentioned a few months ago, declared that "increases in the general level of wage rates must be related to increased productivity due to increased efficiency and effort." Putting this more bluntly, we may ask: Is there any way in which we could guarantee that average wage rates would not increase by more than (say) 1½% per annum, year in and year out?[7] On that I have the following comments:

(a) The wage system is, at least for the present, very rigid. For many years before the war we were drifting into the general acceptance of the idea that wages can go up but can never go down. For the past seven or eight years, with the prewar armament boom and the war itself, the number of instances where wage rates have been reduced must be very small. It may be that, in a system of full employment, this rigidity will decline, since workers may, to an increasing degree, meet wage reductions by moving to a new job and therefore be disinclined to fight wage reductions so energetically. But that change in attitude will not occur immediately. Clearly it will be more difficult to limit to 1½% per annum the upward general movement of wage rates, and yet bring about the appropriate distribution of labour, if some individual rates must go up but no rates go down than if rates can move easily in both directions.

(b) The British Government has quite firmly rejected the suggestions that have been put forward in some quarters for a "national wages policy." They prefer to leave wage fixation to the traditional process of bargaining between the two sides in each industry. But, for better or worse, the Government cannot refrain from exercising its influence to bring about an increase in wage rates in certain directions. For example, in Britain we are committed to what is elegantly described as "a healthy and well balanced agriculture" and the immediate food problems of the world reinforce the case of agricultural expansion. This policy, in effect, makes inevitable the raising of agricultural wages to bring them more into line with wages in other industries. Or, another example, the present Government has committed itself to a measure of "planning." Now, as the President of the Board of Trade said in the House of Commons on Feb. 27, 1946, "No country in the world, so far as I know, has yet succeeded in carrying through a planned economy without compulsion of labour. Our objective is to carry through a planned economy without compulsion of labour. The general idea is that we should use a number of controls, in order to guide production into the necessary channels, according to the plan we have formulated." Clearly one of these controls would be wage adjustment. In our country, therefore, we are likely to have a "hybrid" system of wage control. The Government will intervene, on occasions, to try to clear a particular labour bottleneck by using its influence to have wages raised. Over the broader field of industry the established process of collective bargaining will operate with the workers using, as one of their guiding principles, the maintenance of the traditional differentials within the wage structure. I cannot help but think that this hybrid system will exercise a powerful levering influence on the wage levels as a whole.

(c) There is a third factor which, to my minds, is likely to exercise an upward pressure in wage rates in Great Britain in the next few years. There has for some time been a public campaign for increased production per manhour in British industry. That has led to a demand for extensive capital re-equipment. No one would deny that increased efficiency at this, as indeed at all times, is much to be wished for. But the campaign has led to the assumption that increased efficiency and increase of production per manhour are the same thing, i. e., that capital costs can be ignored. There seems to be a popular chain of reasoning which, so far as I understand it, runs thus. If we can increase output per head then wages can be increased. The way to increase output per head is to re-equip industry. If wages can be increased then employers will be forced to re-equip because they will seek ways of keeping down labor costs. Therefore wage increases are positively helpful in the process of reconstruction. I think this sort of reasoning is the more likely to lead to errors in action because the British Government, for many reasons, but particularly because of the enormous National Debt, is inevitably committed to a policy of low interest rates which, whatever its advantages, deprives the rate of interest of a part of its normal function of acting as one of the most important stabilizing prices in the system.

26. In these matters I think there is scope for fact finding by the student.

(a) Whilst there has been much enquiry into the facts, and the causes, of changes in price structure there has been much less work done, at least in my country, upon the changes in the wage structure. Do the facts support the view that wage rates are less flexible than they used to be? If so what are the causes? Are these causes such as are likely to be increased or decreased by the success of a policy of full employment?

(b) I think it would be well worth while to make a detailed and comprehensive examination of the rationale of British Trade Unions in regard to wage changes. Now that we have officially accepted the policy of full employment, the British Trade Unions may well be compelled to think hard regarding their future policy. A purely objective analysis of their past procedure may be a useful starting point for their thinking.

(c) In particular, if in my country we are for a time to follow the double aims of full employment and a measure of planning, it seems vital to decide just how far, and how quickly, redistribution of labor can be brought about by wage differentials, and here an examination of the past is the only objective base from which to judge.

VI. Administrative and Political Factors in a Policy of Full Employment

27. I come finally to a question which might appear to be outside the ambit of the economist were it not for the fact, as I believe, that economic and administrative problems are now becoming so inextricably mixed that it is impossible to isolate the two subjects.

28. I am not concerned so much here with the thought that a full employment policy will demand of statesmen a high degree of courage and skill in bringing the public to understand and accept measures which, in some quarters and at some times, will be highly unpalatable. For in a "planned" economy (even in an economy which is "planned" only to maintain full employment) where freedom of speech still remains we can be certain that the Government will be blamed for everything which goes wrong. On each occasion when times are very good and incipient inflation threatens, the precautionary actions by the Government are bound to throw out of work some people. Those who suffer will find it odd that Government should do this when all seems to be well. But I assume that statesmen will be paragons in courage[8] and in power of exposition.

29. I further assume that these statesmen will be provided with the best possible economic advisers who have access to full economic information. Let me be even more reckless and assume that these advisers will in fact always be in a position to give the right advice; i. e., they will always know what point in the trade cycle we have reached and what addition to national expenditure will be required in the forthcoming year to maintain employment at the full.

30. Given all this, however, there still remains a more subtle difficulty, essentially a task of administration which has to be overcome. It is the procedure by which an economic adviser can transmit to his political chief that peculiar combination of experience and intuition which constitutes a sound economic forecast and transmit this delicate fabric of forecast to his Minister in such a way that the Minister can defend it with his colleagues, with Parliament and with the public.

31. I am convinced that I am not making a mountain out of a molehill here. Business men have to make forecasts of this kind and perhaps they rely too much on intuition and too little on knowledge. But for the business man it is sufficient to make the right guesses and to act with speed. He need not, on top of that, be fluent enough to explain why he reaches a particular decision or to spend time in justifying his decision. The fundamental administrative problem of a full employment policy is how best these essentially business decisions can be made by a bureaucratic organization where reasons must be clearly set forth for each step, where the intangible balancing of pro and con (which can so easily go on within one head) has now to go on when several heads are working together and where these heads, if they happen to conflict, can waste the precious days when actions is called for. Now I am not saying that all this cannot be done. I am the type of optimist who declares that so much is bound up with a successful employment policy that it has got to be done. But I do not think that it is the most delicate and elusive task of administrative integration that any organization has yet been called upon to perform.

32. It might at first sight appear that the economist or the economic statistician engaged in a university or a nongovernmental research organization can have little to contribute to the solution of this problem. I do not agree. It seems to me that, apart from the building up of a specific body of knowledge of the past which may throw light on current questions and thus limit the area of doubt, he has an important part to play in the development of concepts which reduce the complexity of the thinking required on certain subjects, which enable discussions to go on in a simpler form and, therefore, in themselves dissolve the kind of administrative difficulties I have mentioned above. Let me give two illustrations. The appearance of the concept of the net reproduction rate has contributed enormously to an understanding of the complex factors which determine the future size of the population and has, therefore, made it more likely that countries can arrive at population policies which command general respect and cooperation. My second illustration is drawn actually from the field we are discussing today. I think in both our countries the absorption into general thinking of the idea of national income and the growing range and reliability of the available statistics of income have already had a number of important results. First the public understanding of the economic system as a whole has been deepened and a relatively simple device provided by which the individual can set the national interest against his own private interest and thus increase the possibility of wise public decisions in economic matters. Second it has made things easier for the statesman. Advice can be given to him in simpler terms. He can put forward to the public his policy in language more easily comprehended. He can, at need, justify a policy, which admittedly may have some minor drawbacks, in terms of a definable and accepted concept of the general interest.

This is all to the good. But we are not at the end of the benefits which the ingenuity of the economic statistician can confer on us in devising simpler measures of essentially complex phenomena and thus opening up the way for that informed public participation in major economic decisions which the appalling intricacy of the subject has up to now forbidden.

7 Of course this 1½% could be increased if it were possible to contemplate redistribution of returns between capital and labour which did not disturb the total product of industry.

8 It is important to recognize how much we are demanding of statesmen in this respect. Take, for example, British building policy. The Government is energetically increasing the building labour force up to 1½ millions in order to overcome the "back log" in houses as quickly as possible. But when the housing demand is satisfied will the Government face up to the need for a contraction in the building industry? Will they not be tempted to choose the alternative way out of deciding that, in fact, the housing demand is not satisfied and that the community needs an even higher standard in houses, schools, town halls, etc.—anything, in fact, which will keep the building labour force busy. Wherever the Government intervenes in order to plan the size of an industry they will surely be tempted to maintain demand to justify that size. That is to say, they may interpret effective demand in terms of their own earlier decisions.

Economic Unity of Western Europe

(Continued from first page)

century farther back, let us say 1868, we find that the United Kingdom imported from Germany values amounting to £18,173,000 while her exports to Germany amounted to £22,774,000. In fact one of the notable features of the history of trade in Europe is its importance with regard to neighboring countries. Even though trade rivalries may at times have been acute, the great industrial nations of western Europe found their best customers among their neighbors.

These economic interests were indeed interfered with and sometimes broken up as a result of wars. When the disturbances were not too great, England, for example, always kept up her trade relations with neutrals and allies as far as possible and as a rule aimed to assume economic relations with former enemies as soon as the conflict was over. She utilized the opportunities offered by war to ferret out trade information concerning her enemies and even her allies, all of which would be used in a competitive way once the war was over, but she always stood ready in times of peace to establish and maintain profitable trade relations even with her keenest competitors.

Trade Effects of the War

However, the last two wars have been so devastating and injurious to all European countries, victors and vanquished alike, that the production and distribution of goods is practically nil in the defeated countries and at a very low ebb in those countries that have been on the winning side. Moreover, the hatreds engendered by the conflict make it well-nigh impossible for the allies to view their own long time interests, economic and otherwise, in an objective fashion. The program agreed upon concerning our former enemies, if we take Germany as an example, involves measures that have paralyzed the productive ability of that country in a summary fashion. If we add to this the destruction that took place toward the end of the war, it is clear that in an economic way not only Germany but practically all of western Europe is in a Slough of Despond. The carrying out of the Potsdam agreement, which apparently aims to change Germany's industrial economy into an agrarian economy, is turning out to be a boomerang for the allies.

This may be illustrated by several examples. In the economic relationship between Holland and Germany, some of the agricultural areas of Holland before the war were producing food which was being sent to Germany to be consumed, let us say, by the workers in chemical plants. In turn the Dutch farmers would receive commercial fertilizer from the chemical plants in Germany. The edict of the allies at present would apparently make farmers of the German chemists and change some of the Dutch farmers into chemists. This would go counter to economic law which demands specialization and division of labor. This law caused the chemical plants to develop where they could do best and produce at least cost. The agricultural areas of Holland are endowed as none other for the production of foodstuffs at lowest cost. Moreover, the Dutch procured a goodly part of their farm machinery from the factories of Germany.

The Dutch also have been agents for transporting some of the manufactured products of western Germany through Holland and giving these goods an exit to foreign countries via the Port of Rotterdam. The earnings of the Dutch experts as transportation agents brought them German credits for the importation of more goods from Germany while the production of these goods was in turn a specialty of the German economy. With the "cow pasture economy" (as it is now often called) that has apparently been decreed for Germany, the earnings of the Dutch as transport agents for manufactured goods would be out, and the Dutch farmers would have to take care of their needs for commercial fertilizer in some other way. If some of them became chemists, the cost of the fertilizer produced by them would for an indefinite future time be enormously increased. Only after years would the Dutch be able to supply themselves with chemical fertilizers at a reasonable cost and take over the manufacture of farm machinery and implements which before the war were produced in Germany. A business man sees at once in these dislocations an enormous waste. Only after many decades and at tremendous cost could the whole set-up be changed to eliminate Germany as a manufacturing nation. The violation of economic laws involved in the process would perpetuate the untoward conditions of the attempted shift.

Other edicts forbid the manufacture of various types of machinery, including locomotives. It has been demonstrated that the ban on production of locomotives has caused considerable suffering in France. The French transportation system needs repairs and replacements and shipping of coal from western Germany to France for heating and manufacturing purposes is being seriously hampered. Only a few instances have been cited. They could be multiplied many times over. In the death sentences that have been pronounced on some industries in Germany, there seems to be the assumption that a sharp distinction can be made between an agricultural and an industrial state. Economic historians do not agree with this and it would seem to run counter even to common sense.

Allies' Program Again British Interests

This whole program goes against the best interests of England and the rest of Europe as well as of the United States, which in the final analysis will feel the repercussions also. Who will say when the serious after effects of these dislocations will begin to impinge on our own economy? For the present we are content to charge most of our difficulties to the war proper and not to its aftermath. On the other hand the London "Economist" has recently referred to the restrictions that have been placed on the German economy as "a plan for dislocation and impoverishment." Some disinterested observers believe that the only reason the English go along with this program is because some of their industrialists, who have been competitors of German industrialists, hope to get rid of some of their erstwhile German competitors for good. But the interests of these individuals can be fostered in this respect only at the expense of the English nation as a whole. England needs economic productivity in western Europe so that she has prosperous neighbors to trade with. If she consents to the economic destruction of any western European country, she does so to be the detriment of her own economic future.

No Pleading for Germany

If anyone should perchance interpret this article as "special pleading" for Germany, he will have missed the point at issue. I am merely advocating economic sanity for my own country as well as for England. However just the economic suppression of Germany may seem to many, it is a delusion to suppose that this would bring prosperity, security, and peace to other nations. All history refutes such a supposition.

Mr. Winston Churchill himself referred to this question recently in Holland. While visiting there as the guest of Queen Wilhelmina, he accepted an invitation to address an association of Dutch editors in the Royal Palace in Amsterdam. He is reported to have expressed grave anxiety concerning the future of Germany and is said to have intimated that the allies seem to have no explicit policy in dealing with Germany. He is also quoted as having added: "I would wish to see the Germans earning their own living as soon as possible. We should be foolish to handle our own affairs in such a way as to prevent them from earning a living and then take the bread out of our own mouths to feed them."

The former Prime Minister willingly assumes the obligation of feeding the distressed people of Europe, including Germany. Most of us would say that this is appropriate and all to the good. But for some reason he apparently did not wish to tell the editors of the much more drastic consequences to the whole English economy if one of the main producing nations of western Europe, such as Germany, is reduced to economic impotence. England always finds herself on the horns of a dilemma after winning a European balance of power war.

Informational Requirements for Full Employment

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ture, but a charcoal sketch throwing the essential into prominence.

But just because the policy maker will in the end form his judgment with a relatively few clear cut facts in his mind, the organization of the essential research presents very real difficulties. The more the policy maker is inclined to think in terms of a few outstanding facts only, the greater is the danger that he will observe results only and not causes and apply policies that, because they do not go to the root of the matter, prove extravagant of effort and meager in result. He may be induced for instance to check an impending depression by vast additions to the national debt when all that was really necessary was to revive demand in capital goods industries; he may restrict imports and production when all that was necessary was to institute an international system to facilitate the temporary carrying of larger stocks of raw materials. What is essential therefore is so to organize the research as to allow its results to be simple, while preventing the policy maker from becoming simplicist.

The Need for Adequate National Statistics

How can this be done? Obviously behind any form of economic research must lie an adequate organization of national economic and financial statistics. This need is indeed so obvious that I will not enlarge on it. But there are just two remarks about official statistics that I should like to make. The view used to be widely held that statistics were simply a byproduct of administration and should be confined to those subjects for which there was a compelling and immediate need; that logical gaps did not matter; that the administrator (and not the economist) did matter. Surveying the results from the relatively elevated altitude of mountainous Switzerland, that view seemed to me lacking in vision and foresight. It implied no provision for the future, no thought of the interrelationship of economic occurrences. I still think I was right and that the official statistician must consider the working of the whole economic system and what parts of that system he must measure to understand its working.

But, and this is my second point, there is a danger today that too much will be asked of poor and underdeveloped administrations. It is much better that such administrations should devote the limited resources they have at their disposal to producing accurate statistics on the really essential phenomena, then that they should fill a thick tome with a measure only of the imagination of their statisticians. I remember that one government not so very many years ago produced on external request a complete census of a string of villages without sending out a single questionnaire or having any inquiries made on the spot. I doubt whether some of the replies furnished more recently to the request—also external—for estimates of national income were much less imaginative or much less dangerous for the policy maker. No, the policy maker requires a record of facts not of fiction—a record to which he can himself turn to check a contention, but which will be mainly used by the research worker on whom he necessarily relies.

Forms of the Research

This research must take many forms. I would put first on my national list work such as that done by the National Bureau of Economic Research devoted mainly to examining with scientific care one section after another of the whole fabric of the economic structure or one group of tendencies after another in the aggregate of forces that contribute to economic change—secular or cyclical. The first type of study is important because economic stability can never be achieved by a structure which is itself inherently unstable. One of the gravest dangers that I foresee in the execution of full employment policies in the future is that statemen may believe that if only the momentum can be maintained at a high enough pitch, balance can be maintained forever. This is the type of view that is dear to the hearts of the enthusiastic young economists who prefer logic chopping to facts or the abstract mathematical reasoner who prefers symbols to human beings. It might be true if there were no boulders on the path. But there are boulders and the structure must be ready to meet them. The policy maker must not be allowed to become a speed hog. If he does, sooner or later a national disaster will occur, and, if the nation in question is an important one, this will be followed by international disaster. No, it is of the utmost importance that bodies like the National Bureau of Economic Research should examine and re-examine the whole economic structure, check and test it not only with a view to understanding its mechanism, but with a view to detecting the weak spots. Work of this sort is, I think, better done by a private agency than by the government, because no government, however scientifically minded, can be relied on to persist in this constant overhauling day by day and year by year. Sooner or later it will be subjected to pressure to economize, and long-term research of this sort, which may for quite considerable periods result in no single, striking discovery obviously influencing policy, will be peculiarly vulnerable to attack. It will be vulnerable too, if results are obtained which imply some radical change in policy from which some powerful political group fears it may suffer. A private agency presents other still more important advantages. It affords as it were a workshop to which economists can turn for help when some piece of research demands more elaborate inquiry or analysis than can be carried out by a single individual working alone. The whole body of economists benefits from this facility and the collective work of the agency benefits from the constant inflow of new minds and contact with fresh points of view.

Governments Require More Elaborate Research Machinery

At the same time there can be no doubt that nearly all governments if they are to make themselves responsible for full employment will require a much more elaborate machinery for examining the national economic structure than they have possessed in the past. Such examination frequently postulates mandatory powers which the government alone possesses; it will certainly necessitate also the employment of many more competent and experienced economists by governments than has been customary in peacetime in the past. We may expect indeed a steady expansion of the scope of government research; but the policy maker would certainly suffer if this led to any restriction of private research. The private worker should be constantly exploring new fields, testing new and old theories, demonstrating the effects, good and bad, of government policies. He should be a trail maker and scientific critic.

The Concerns of the Policy Maker

I have been discussing up to now the study of the economic structure and the changes to which it is subject. But the policy maker is particularly concerned with secular and above all with cyclical movements in economic activity. The nature of such movements requires to be constantly examined in order to ascertain the points at which the free flow of production is liable to be interrupted, at which demand becomes replete or threatens to wane, at which a transfer of resources to other activities is likely to be required. How should such business cycle analysis be organized—by governments or by private agencies?

It is fashionable today to think in global terms, in terms of the national income and the major classes of participants in that income, recipients of wages, interest, dividends, etc., or in terms of the national product and the main contributors to that product—agriculture, mining, manufacturing, banking, etc. Economic activity is thus depicted as flows of values expressed in terms of money from the major classes of producers to the major classes of consumers. Into this vascular system the greater part of economic phenomena can be fitted.

The provision of such data if possible in the form of monthly returns is no doubt of great convenience to the policy maker. It permits him to obtain at a glance an overall picture of the broad changes that are taking place in economic activity. But there is also danger in relying exclusively on this form of presentation; for it is liable to divert his attention from cause to effect and to tempt him to overcome causes of waning activity not by an attack on the causes themselves but simply by floating off the economic bark in a flood of money. What is required in business cycle policy is first to remove all obstructions to the ready adaptation of resources to meet changes in demand or to respond to technological changes in production and secondly to find a temporary alternative for a demand that has receded but may be expected with confidence to revive later. The national income analysis if relied on exclusively may lead to the second expedient always taking precedence over the first. It is useful but it may be dangerous and it is not enough.

Something more is wanted, namely a current analysis of the whole business cycle situation industry by industry. There can I think be no doubt that the government can produce national income figures more easily than any private agency. It can and should no doubt also produce regular data about the activity of different branches of industry as the United States government does in the "Survey of Current Business." It is I think much more doubtful whether it should be looked to as the best or unique agency for the thoughtful, scientific business analysis that I have in mind. Imagine for instance that business activity in some country is being impeded because the lumber interests or a trade union are making building unprofitable, because the government is keeping stocks of some important raw material off the market under pressure from the agriculturists, because the government is paying transport workers wages out of line with the general cost structure; because the foreign exchange has been stabilized at too high a rate. In all these cases the government research worker might find himself embarrassed or muzzeld. But the policy maker must be made aware of the facts and made aware not in a haphazard fashion, but through some agency that is adequately equipped to carry on independent and scientific work. There is in my opinion the strongest possible case for reviving the business cycle institutes that have suffered from the war and of starting such institutes in certain countries in which they were previously lacking.

The reputation of private business cycle research has suffered I think unduly from the fact that in one or two cases those responsible for its conduct have believed in their personal gift of prophecy. Meteorological offices are characterized by the same faith and are still publicly tolerated. Maybe rain is more predictable than man. But is it necessary to be prophetic in order to be pertinent? What is wanted in business cycle analysis is to watch the points of growth and the points of obstruction, to indicate that advance or revival is being impeded because of one fact or another. It is surely unnecessary to go on from this to foretell that granted certain measures are taken an advance of x% in national income will be registered or granted nothing is done the stock exchange will rise or fall. The work should be designed for policy makers not for punters on the stock exchange—even though it may be easier for the research worker to become a punter than a policy maker.

The Statistical Requirements

What is required therefore of each nation as I see it is first the provision by the government of statistics adequate to afford an accurate picture of the contribution of different classes of industry and trade to aggregate production, secondly the provision also by the government of data as complete as is compatible with accuracy showing the changes in activity, data which should include but not be confined to current estimates of national income; thirdly private research into economic structure and the changes it undergoes and finally in most industrial countries at any rate private business cycle research which should cover also secular movements.

The International Needs

The international needs are I think a little different. There is the same need for the collection and presentation of data intended to afford a picture of the economic structure, of the constituent parts of the economic world and their relative importance, the relative contribution of one country or another to world production or world trade, the ratio that the trade of the world or some part of it constitutes of production, the relative importance in trade of food or raw materials or manufactured goods. This general picture—this instantaneous photograph—of the world and its parts is of particular importance, first because no government has so clear a picture of the world as it has of the area it controls and secondly because it is the starting point for the second essential piece of work, the analysis of those long term tendencies which can only be traced by the examination of world data.

Business cycle policies, full employment policies, must be formulated in the light of the trend of demographic change, of the comparative rate of growth in agriculture, industry and trade and in each of the various subdivisions that make up this aggregate. Outside Russia, which as I have already remarked, is rather a land mass than a country, no government can formulate an agricultural policy or a commercial policy, no mining or great industrial enterprise can make its plans for the future without a knowledge of the world picture and the world trends. If long term policy runs counter to long term trends, cyclical policy will almost certainly break down.

The League of Nations endeavored to present this picture and trace these trends during the 25 years of its existence. It furnished in addition through its "Bulletin of Statistics" a nucleus of the essential statistics reflecting the variations in world economic activity. But during most of these 25 years the theory of cyclical fluctuations was in its infancy and not until they and the League itself were reaching their end did governments assume responsibility for maintaining a high and stable level of employment. More will be required therefore of the United Nations services than the League attempted. These services must in the first instance collate, coordinate and combine insofar as currency conditions permit such combination the national income statistics which many governments will certainly prepare to guide their policies and measure their success. The annual figures, which must of course be supplemented by those of world trade, will give an indication of the relative importance of different countries to world economy. Both the annual and the monthly figures will give the simplest picture of changes in prosperity and of changes in the relative importance of investment and consumer industries in different parts of the world. They will be as useful, indeed as essential to those responsible for coordinating national full employment policies as the figures for each country are for each country's statesmen and leaders of industry.

The Interdependence of Nations

But depressions and booms spread across the face of the globe through the chanels of trade. When the foreign demand of any country slackens owing to a slackening of its general activity, business in other countries will suffer, and the balance of trade and balance of payments of these countries will be adversely affected. A constant watch will have therefore to be kept on these changes in balances and in the direction of trade, for they are as it were the signposts pointing to world prosperity or world disaster. It is no doubt partly for this reason that it is proposed to set up a special Balance of Payments Subcommission under the United Nations Economic and Social Council. But national income figures can only give a picture of the changes in large aggregates of demand and supply, and balance of payments figures can only measure the strains to which the economy of certain countries is in fact being subjected. Neither the one nor the other are adequate for an analysis of causes. Were the new international services to limit themselves to a statistical presentation of these classes of facts, there would be a grave danger that the international policy makers might be tempted to confine their recommendations to proposals in favor of restrictive trade or production policies. It is indeed the causes and not simply their effects that matter and the most important work which the United Nations services will have to perform will be the search for causes.

Proposed Organ of Business Cycle Research

This will imply in the first instance the establishment of an organ of business cycle research similar to the national institutions to which I have already referred. It will imply an examination of the shifts in demand not for consumers' or investment goods only, not by the public or the government only, not for foreign or domestic goods only but the shifts affecting individual commodities and individual industries. It will imply similarly an examination of the factors impeding the transfer of resources to meet these shifts or to meet changes in the technique of production.

International work of this class and of this scope will obviously demand the closest cooperation with the governmental research bureaus and the national research institutes. I have suggested that the national research institutes should preferably be private and should supplement national official work. Should there also be a private international business cycle research institute? I think the arguments I have put forward in favour of private national institutes are valid in the international field. But such an agency to be successful should emanate from the national bodies. It should refect the best thought in these bodies; it should be a quasi-cooperative institution and should offer an opportunity to national research workers to spend a year or two studying the problems on which they are engaged at home in their international setting. It should therefore in addition to its permanent staff be refreshed by a constant flow of workers from national centers.

All this is important I think and such an international institute as I have in mind might prove of great value to the international policy makers. But some years must pass before it can be realized. The national organs must be themselves firmly established before they can give themselves an international crown. The policy makers cannot wait for this; they must have at their immediate disposal a research bureau equipped with the most competent possible staff. The organization of such a bureau is indeed in my opinion one of the most urgent problems with which the Economic and Social Council will have to deal.

Government Policies Must Be Scrutinized

But more than this is wanted. Changes in economic activity in any country may result from changes in demand or its rate of growth, changes in production or methods of production or from changes in policy. No responsible international economic commission can study intelligently the statistical manifestations of changes in activity unless it is fully and constantly informed about the policies that governments are pursuing. One of the important tasks therefore which will fall to the United Nations secretariat is that of furnishing the Economic and Social Council and its various Commissions with information about the influence of policy, whether of governments or credit institutions, upon the course of economic events.

With all this information at his disposal the policy maker will have to make those rough guesses about the actual economic situation, its major causes and possible remedies when remedy is required, which is the most we can hope for in human affairs. But the validity of his guesses will be determined in part by the accuracy of the figures with which he is furnished. He will always be faced by the difficulty arising from the lack of comparability in international statistics. This lack of comparability may be due either to the fact that phenomena bearing the same name in two different countries are not identical or to the fact that the systems of statistical measurement differ. The first cause of incomparability can never be wholly overcome. The second may be gradually eliminated. I would add therefore as my final item in this list of requirements the continuation of the work begun by the League for the promotion of greater comparability in international statistics.

In preparing this list of requirements I have been conscious at once of how much is demanded which at present is lacking and of how much I have omitted. Indeed in spite of all the work which has been undertaken by the National Bureau of Economic Research and other similar bodies, in spite of the recent improvement in the scientific equipment of governments, no government is really adequately equipped to implement any promise it may have made to maintain a high and stable level of employment. And in the international field governments have lost the greater part of what little equipment they had and will be forced both to build up a new machinery and train new machine minders. This is a serious situation when we remember that great wars tend sooner or later to generate great depressions. The United Nations have an almost overwhelming organizational task to perform at the outset of their career. The most optimistic internationalist can scarcely expect them to furnish anything like the adequate services for some years to come. This fact makes the organization of private collective research in all the more important countries of the world a matter of very genuine urgency; it constitutes a challenge to all economists to make what contribution they can to economic and hence to social stability.

Money in Circulation

The Treasury Department in Washington has issued its customary monthly statement showing the amount of money in circulation after deducting the money held in the U. S. Treasury and by Federal Reserve Banks and agents. The figures this time are those of April 30, 1946, and show that the money in circulation at that date (including of course, that held in bank vaults of member banks of the Federal Reserve System) was $27,884,748,980, as against $27,878,621,746 on April 30, 1946, and $26,189,396,939 on April 30, 1945, and compares with $5,698,214,612 on Oct. 31, 1920. Just before the outbreak of the first World War, that is, on June 30, 1914, the total was $3,459,434,174.

"Our Reporter on Governments"

By JOHN T. CHIPPENDALE, JR.

The government securities markets continue to display firmness with price fluctuations confined to narrow limits. . . . This indicates progress in adjusting its position to the changed conditions in the money markets. . . . Although volume has not been large, there has been switching and trading in sufficient amount to make the market fairly active. . . . The period from June 3 through June 8, when the last of the Victory Loan purchases became long-term holdings for tax purposes, passed without any appreciable effect on prices. . . . This was in sharp contrast to the approach of May 15, when individual purchases in the Drive became six months holdings. . . . With the nearing of that date the market turned definitely on the defensive, with price declines in some instances amounting to ⅜ of a point. . . .

While there has been improvement in the technical position of the market since the middle of May, and loans for carrying government securities have been extended, it seems as though the relatively good behavior of the market itself, after May 15, has helped greatly to dispel the fears of many investors and traders. . . . Improved psychological conditions no doubt were very instrumental in enabling the market to pass through this recent period without any important developments. . . .

POTENTIAL SELLERS

Although the government bond market is still feeling its way, and at times showing tendencies to higher prices, it is not likely that there will be immediate displays of strength such as have been evidenced in the past. . . . While some of the potential sellers of bonds have been enabled to hold these obligations because of loan extensions, it is not believed that they have taken these securities out of the market permanently. . . . At higher prices many of these holders will most likely be sellers. . . . Thus the digestion of these securities may have to take place with advancing prices. . . .

On the other hand it is indicated that some institutional buyers have come to the conclusion that, above certain prices, they are not immediately interested in acquiring government obligations. . . . This has resulted in purchases of short-term obligations by certain non-bank investors, pending the time when they believe there will be a better buying opportunity. . . .

RECENT PRICE ENHANCEMENT

Whether there will be more advantageous times to buy these securities is a matter for the future to decide. . . . Nevertheless, those that look for higher prices and those that see lower prices are still holding to their opinions, and this certainly should make for good trading markets. . . . The market made its recent lows on May 13, when the 2½s due Dec. 15, 1967/72 closed at 102.21 bid; the 2¼s due Dec. 15, 1959/62 at 101.20 bid, and the 2¼s due 1956/59 at 104.20 bid. . . . The 2½s due Sept. 15, 1967/72 closed at 106.19 bid; the 2½s due 1956/58 at 107.20 bid, and the 2s due Dec. 15, 1952/54 at 103.8 bid. . . .

The recovery since these lows were made has been gradual and on rather light volume, but none-the-less enough to warrant some attention. . . .

The 2½s due Dec. 15, 1967/72 at 103.28 bid; the 2¼s due 1959/62 at 102.24 bid, and the 2¼s due 1956/59 at 105.7 bid were more than one-half to a point above the closing prices reached on May 13. . . . The 2½s due Sept. 15, 1967/72 at 107.7 bid; the 2½s due 1956/58 at 108.5 bid, and the 2s due Dec. 15, 1952/54 at 103.24 bid, likewise were at least ½ of a point better than the final bid prices registered the 13th of May. . . .

SELLING PRESSURE EASED

Since the time when these lows were made, near the middle of last month, there has been considerable improvement in market conditions. . . . Some of the bonds that were overhanging the market have found permanent homes. . . . Others have been withdrawn due to loan extensions, which means that there is not the same need for immediate liquidation as seemed to be a foregone conclusion at that time. . . . Trading in ineligible bonds by the commercial banks for customers has helped the market action of these securities. . . .

Federal Reserve Board Chairman Eccles has indicated that there will be no new issues of ineligible obligations until there is greater control over the buyers of bank eligible issues. . . . This would require new banking legislation, which is not likely to be passed during 1946. . . .

FLOATING SUPPLY LARGE

On the other hand the floating supply of bonds held by so-called speculators is still large and while temporarily withdrawn from the market, will have to be eventually absorbed by investors. . . . Institutional investors realize that they are the principal buyers of these securities and they want to acquire them at as favorable prices as possible, which means that they have not yet shown a tendency to accelerate their purchases with advancing prices. . . . Commercial banks continue to lose deposits, securities and reserves so that their ability to purchase government obligations is being curtailed. . . . Also many of the non-bank investors are not interested in buying the restricted obligations unless they can first sell the bank eligible securities and then use the proceeds to purchase the ineligible issues. . . .

SCALE BUYING RECOMMENDED

These forces that are at work in the money markets will bear careful watching and it will be interesting to see whether the changes that have taken place since the recent lows were made on May 13 will be stronger on the up side or on the down side. . . . The direction in which the market will eventually go, will be determined not by those who want to make all of their purchases at the lows (which are known only in retrospect) but by those investors who believe that the securities that they are purchasing are being obtained at prices that give them a satisfactory income. . . .

In order to do this, buying must be done on a scale basis and when the market is in a buying range. . . . Since the market is still in that buying area, scale buying is being advised. . . . A good trading market such as we have had and which should continue, affords watchful followers of the government securities markets an excellent opportunity to acquire securities at favorable prices. . . .

The Corporation in the Tax System

(Continued from page 3205)

make more difficult the attainment of our employment and production goals. In view of the limited amount of tax relief that appears to be possible if we are to balance a postwar budget of the general magnitude of $25 billion, it is important that the changes made in the present tax structure should be those which will help minimize the tax deterrents to consumption and investment.

These are, then, the basic economic considerations which will determine the role of the corporation in the postwar tax structure. In addition there are important political and social considerations which cannot be altogether ignored. The corporation, as one of the leading institutions of our society, has long been endowed in the public mind with both individuality and taxpaying ability. If, as some say, the corporation is nothing but a legal fiction and hence is incapable of bearing taxes, the fact remains that until the public is convinced that this is so no substantial shift of taxes from the corporation to the individual taxpayer is to be expected. In planning for the future, we cannot altogether forget the past. It may, therefore, be helpful to recall briefly how the corporation came to assume its present important role as a source of Federal revenue.

II. History of Corporation Tax

Except for a brief period during the Civil War, corporations were not taxed by the Federal Government until 1909 when a 1% excise tax was imposed on corporate profits. This tax, however, yielded only $118 million and accounted for less than 5% of total Federal receipts during the four years it was in effect. Moreover, neither the excise tax nor the corporation income tax which replaced it in 1913, after the adoption of the 16th Amendment, were thought of as taxes on corporate enterprise as such. Both were looked upon as taxes on individual stockholders collected at the source, and in 1913 this relationship was made explicit by the exemption of dividends received from the 1% normal tax on individuals. Unlike the British income tax, on which it was presumably modeled, however, the 1913 Act did not require the inclusion of the tax so collected-at-the-source in the surtax net income of the individual taxpayer. But for this oversight—or deliberate omission—it is possible that the corporation tax would have remained a withholding tax as it did in England, and we should not have had a corporation tax problem today.

The financial requirements of the First World War soon brought the corporation very much to the fore as a source of Federal revenue. By 1918, a 12½% corporation income tax rate and high rates of taxes under both the war profits and the excess-profits taxes had raised corporate tax liabilities to over $3 billion, nearly 80% of which was attributable to the profits taxes. The war profits tax applied only to 1918 profits, but the excess-profits tax at somewhat reduced rates was continued through 1921. The repeal of the excess-profits tax was accompanied by an increase in the corporation income tax from 10%, to which it had been lowered in 1919, to 12½%. Meanwhile, the normal tax on individuals had been reduced to 8%. Thus, we entered the decade of the twenties firmly committed to the taxation of corporate enterprise, although a partial offset was given stockholders in the form of dividend credit for purposes of the individual normal tax.

Although an effort was made in 1936 to repeal the corporation income tax and to replace it with a tax on undistributed profits alone, this attempt to eliminate the corporate income tax, after receiving the support of the House, was defeated in the Senate. An undistributed profits tax was ultimately enacted but the corporation tax was retained. Indeed, its status as an *ad rem* tax was further strengthened by the repeal of the dividend credit for individual stockholders.

The part played by corporation taxes in financing the Second World War is too fresh in our memories to require much discussion here. As in 1918, supranormal earnings were subject to an excess-profits tax which ultimately left corporations with as little as 15½ cents out of each dollar of such earnings. At the same time, so-called normal earnings were subject to rates which reached a peak of 40% in 1942. Receipts from direct taxes on corporations rose correspondingly from $1.1 billion, or 20% of total Internal Revenue receipts for the fiscal year ending June 30, 1940, to $16 billion or 36% of total receipts for fiscal 1945. The taxation of corporate profits at the rates in effect from 1942 through 1945, although appropriate under wartime conditions, was clearly inappropriate for reconversion and post-reconversion years. Less than two months after V-J Day, Congress began work on the Revenue Bill of 1945, and by early November it had repealed the wartime excess-profits tax (as well as the capital stock and declared-value-excess profits taxes) and reduced the corporation income tax rate from 40 to 38%.

As a result of this 1945 legislation, corporations as such have been relieved of all Federal taxes except the corporation income tax, but this one tax remains at a top rate exactly twice that of 1939. Moreover, it is a tax which in the President's January Budget Message was estimated to yield $8 billion for fiscal 1947. This figure does not, of course, represent the amount of revenue that would be lost to the Federal Government if we had no corporation tax, since any reduction in corporation taxes tends to increase the income and, therefore, the taxes of the individual stockholders. But even if we were able to allocate and tax all corporate profits to the shareholders, whether or not they were distributed, we should have to count on losing at least $1 billion in the bargain. This is roughly the minimum worth of the corporation tax to us today.

III. Criticism of Corporation Tax

Despite its importance as a source of Federal revenue over the past thirty years, the corporation tax has frequently been under attack. During the somewhat stormy passage of the 1909 Act through the two Houses of Congress it was contended that the tax, even at a 1% rate, would encourage unsound debt financing, would force firms to disincorporate and would require the use of inquisitorial methods in its collection. Later, as rates rose and the corporation tax became more than a mere collection-at-source mechanism, the complaint against the double taxation of dividend income began to be heard.

Meanwhile, those who favored the tax found it difficult to put forward convincing arguments in its behalf. Both in 1909, when corporate profits were singled out for special taxation, and in 1921 when the corporate rate was raised from 10% to 12½%, the need for revenue and the ease with which it could be collected from corporate enterprise appear to have been the dominant considerations behind the action of Congress. Again, in 1936, it was largely from fear of too sharp a decline in revenue that the Senate opposed the elimination of the corporation income tax. Reference was also made to the advantages of the corporate over the partnership form of doing business, but the reply to this argument usually was that the advantages of being a corporation were in no sense a special privilege, since they were open to all persons similarly situated on the same terms, and that in any case, it was the States rather than the Federal Government that offer these advantages.

During the late thirties, the corporation tax did receive support from some professional economists who reaffirmed the view that corporations, especially large ones, enjoy special privileges and special services which are attributable to the Federal as well as to the State Governments and for which they should pay. These writers also advanced the argument that the corporation income tax is a tax, not on the stockholders, but on a complex organization "comprised of a variety of interested groups," an organization which has a taxpaying ability distinct from the taxpaying ability of its stockholders. The reply usually made to these arguments was that although they might support a tax on some corporations, they did not support the imposition of the corporation income tax then applicable to all corporations.

Recently, the corporation tax has been subjected to a heavy barrage of criticism by various groups which have undertaken to formulate and present detailed plans for the postwar tax structure. Few of these tax planners undertake to defend a high rate corporation income tax on grounds other than sheer fiscal necessity—in other words, they think cuts could first be more appropriately made elsewhere. On the other hand, some of them hold that the retention of this tax at anything like present rates would be "extremely and peculiarly damaging to employment." The tax is said to take "vital and enormous funds out of the stream of business operations just where they are most likely to be used and where they can most effectively be used to increase production, create more jobs, pay out a greater total of wages, or reduce the prices of goods manufactured." It is asserted, moreover, that the tax affects the willingness of management to plan aggressively for the future and to engage in new and venturesome business activity, and that it distorts business judgment as to what is economically sound in terms of expenditure, pricing and capital transactions.

These are serious charges which, in view of the somewhat limited theoretical support which the tax commands, should give us pause. On the other hand, we have seen that no matter how hard the corporation tax is to defend in principle, it has proved even harder to dispense with in practice. If this has been true in the past when budget requirements were relatively low, it is likely to be even more true today when we are confronted with the need for financing unprecedented peacetime expenditures. Moreover, under present circumstances, precipitate action would seem unwise. Unfortunately, there is, perhaps, no tax about the incidence and effects of which we know less. We are not certain to what extent the repeal or substantial reduction of the corporation income tax would lower prices, raise wages, or increase dividends. We do not know, therefore, what effects such action would have on levels of consumption, saving and investment. And in the absence of such knowledge we are unable to weigh accurately the advantages and disadvantages of a reduction in the corporation income tax against the advantages and disadvantages of other possible revisions in the tax structure. These considerations must be borne in mind in considering what can or might be done to meet the charges currently being made against this tax.

The principal arguments against the tax are, as we have seen, that it (1) discourages risky investment, (2) distorts business judgment (3) deprives industry of needed funds and (4) imposes an inequitable form of double taxation. The measures which have been proposed to meet some or all of these arguments may be classified into three groups (1) those which would better coordinate the corporation and the individual income taxes (2) those which would limit the scope of the corporation tax in terms of the number of corporations to which it would apply, and (3) those which would improve the structure of the tax itself. Some postwar tax plans concentrate on measures falling into only one of the above groups, but most of them propose the enactment of measures falling under two or more of these headings. Let us consider briefly what has been proposed and what these proposals would accomplish.

IV. Proposals for Coordination of Corporation and Individual Income Taxes

First, let us consider the proposals for the integration or coordination of individual and corporate income taxes which, in their most extreme form, would have us give up the idea of taxing corporations as such and continue the income tax as a tax on individuals alone. Although it might appear that all that would have to be done under these proposals would be to repeal the corporation income tax, the integration of the two income taxes is not as simple as that. Repeal of the corporation income tax would not automatically bring undistributed corporate profits within the compass of the individual income tax. Hence, unless further measures were taken, corporate savings would go completely untaxed and the opportunities for widespread tax avoidance would be increased.

The inequities inherent in this situation have been recognized, and a number of methods of meeting them have been suggested. Ideally, if the corporation is nothing more than a legal fiction, the objective should be the taxation at the appropriate individual income tax rates of the entire income of the corporation at the time it is earned. Of the three methods discussed below only one, the partnership method, attains that goal, although the other two approach it. Under this method, no tax would be imposed on the corporation, but stockholders wold be required to include in their incomes the undistributed, as well as the distributed earnings of the corporation. Total corporate profits would, therefore, be currently liable to income tax at rates appropriate to the income and exemption status of the individual shareholders. The only profits with respect to which no tax would be paid would be those paid or allocable to exempt individuals or institutional recipients. The partnership approach would, therefore, accomplish the complete integration of corporation and individual income taxes. By eliminating the corporation tax, it would meet all of the above mentioned charges against this tax.

There are, however, two major difficulties with this approach, especially in its application to the quasi-public corporation with widely distributed stock ownership. First, there is the matter of treating a small stockholder of General Motors or of American Telephone and Telegraph stock as though he were a partner (which he clearly is not). Can or should such a stockholder be taxed on income which he has not received, which he cannot force out of the corporation, and which may not even be reflected in the price of his stock? Furthermore, would it be possible to administer a law which made it necessary for the Bureau of Internal Revenue to follow each dollar of corporate profits through to the individual stockholder to make sure that it was correctly reported on his return? Until satisfactory answers can be found to these questions, the partnership method cannot be regarded as a practical general approach to the corporation tax problem.

The second method, which might be called the capital gains method, would not directly tax undistributed earnings, either to the corporation or to the individual stockholder. Instead, such earnings would be taxed indirectly at the time they were realized by the stockholders in the form of capital gains. The occasion of the tax might be the sale, gift or bequest of corporate stock, or the mere declaration by the stockholder of a gain (with an appropriate adjustment of its basis) at any time it suited his convenience. Such gains would, however, be taxed at rates applicable to ordinary income rather than at the lower rates currently applicable to capital gains.

Although this method also would meet the charges against the corporation tax cited above by the simple device of removing the tax, it would not achieve the goal of full integration since the tax on the undistributed portion of corporate income could be indefinitely postponed during the life of the stockholder. Even if voluntary declarations of gains were to become the rule, there would almost certainly be considerable tax postponement, since years of high undistributed corporate profits would be likely to coincide with those of high individual incomes. Moreover, there are the troublesome questions of (1) the extent to which undistributed earnings are, in fact, reflected in the market prices of the stock, and (2) the equity of excluding corporate, but not individual savings from the income tax base. Finally, the adoption of the capital gains approach to income tax integration would seem to require some advance provision for the averaging of individual income if the problem of bunched income is to be avoided. At the present time, therefore, the capital gains approach seems to be more intriguing than promising.

A third method of coordinating corporate and individual income taxes would be to tax **distributed** corporate profits only in the hands of individual stockholders, but to continue to tax **undistributed** profits in the hands of the corporation. This result could be accomplished in either one of two ways. Under the so-called withholding tax approach, the corporation would be taxed on its entire income, but the tax on distributed profits would be treated as a withholding tax which the individual shareholder could credit against his own income tax liability. Under the undistributed profits tax approach, the corporation would be taxed only on its retained earnings and no credit would be given to the stockholders. Both approaches could be made to yield the same results if there were appropriate provisions for the carryback and carryforward of dividend credits under the latter one. Moreover, if all corporate profits were ultimately distributed in the form of taxable dividends, full integration could be achieved although there would be some tax postponement in the case of individuals subject to high surtaxes, and there might be some technical difficulties to overcome if corporate rates changed during the period that earnings were retained. On the other hand, to the extent that some corporate earnings were permanently retained, full integration would clearly not be possible under this method.

The critical question raised by this method is, of course, that of the rate at which undistributed profits are taxed. If the objective of the withholding or undistributed profits tax is to make certain that in no case will less tax be collected from the corporation than would have been collected from the individual had profits been freely distributed, it would, of course, be necessary to impose a tax at the highest individual surtax rate. On the other hand, if the objective is merely to discourage the retention of earnings that are not needed in the business, the rate should be fairly low. The problem is that of imposing a rate high enough to prevent tax avoidance without placing too heavy a penalty upon the reinvestment of corporate profits.

Although this third method falls short of giving us full integration of corporate and individual income taxes, it avoids the principal difficulties associated with either the capital gains or the partnership approaches. This third method would eliminate double taxation and encourage risk-taking, although to the extent that the corporation would still be subject to tax on its retained earnings, this method would not entirely free management from tax considerations or release more of the corporation's liquid funds for reinvestment. In fact, the freer distribution of earnings would be encouraged.

Either the withholding tax or the undistributed profits tax approaches could be introduced gradually. In fact, several plans have been suggested under which an *ad rem* tax on corporations would be retained at about half the present corporate rate, and would be combined with a tax of about the same rate on retained earnings. These plans would, of course, reduce but not fully eliminate the double tax on dividend income, and would contribute little to the problem of financing growing enterprises since undistributed profits would continue to be taxed at approximately the same rate as that applying to all corporate profits today. Nevertheless, such partial coordination of the corporation and individual income taxes would remove some of the present tax deterrents to investment without completely eliminating the corporation as a source of Federal revenue. Partial coordination could also be achieved under plans which would tax corporations at present rates and exempt individuals from normal tax on dividends received.

V. Proposals for limiting the scope of the corporation income tax

In addition to these proposals for the integration or coordination of the corporation and individual income taxes, it has been suggested that the impact of the corporation tax on small and new businesses might be softened (1) by giving small closely held corporations the option of being taxed as partnerships and (2) by exempting new business from the corporation tax for a period of, say, five years after their commencement. The first of these suggestions would eliminate the double taxation of corporate profits in the area where it is least defensible and would remove the existing discrimination between small closely held firms, which differ only in their form of organization. Moreover, if the partnership option were limited to closely held companies with only one class of stock, the administrative problems to which it would give rise do not appear to be insuperable. Thus, this method of limiting the scope of the corporation income tax would appear to have much to commend it although many details of the plan remain to be worked out.

The second suggestion, despite the apparent stimulus it would give to new enterprises, is more open to criticism. In the first place, it would eliminate not only double taxation but all taxation on the retained earnings of new businesses. Thus it raises very pointedly the question of tax equity. Secondly, it would not only benefit those new enterprises which were hard pressed to find the funds with which to finance their expansion, but would also encourage business undertakings of a sort which promised a quick return. Promoters and speculators would find it profitable to start such businesses, enjoy five years of tax exemption on their accumulated profits, and then sell out mulated profits, and then sell out, taking their profits in the form of capital gains. Moreover, it is doubtful whether this plan would give much help to the really new enterprises which customarily have to go through a long incubation period before they emerge as profitable ventures. The proposed exemption would of course, not help the corporation which loses money during its first five years of its life. But perhaps the most serious objection to this plan lies in the difficulty of defining a new business. Must it be a new corporation, have a new management, produce a new product? In other words, what would be the test of newness?

VI. Proposals for improving the structure of the corporation tax

We come now to the last group of measures which have been proposed to meet current criticism of the corporation tax—namely, those which would improve the present structure of the tax. Time permits only a brief reference to two of the more important proposals, loss offsets and accelerated depreciation. The principle of loss-offsets is already recognized in the present law, but the suggestion has been made, that instead of the present two-year carryback and carryforward of losses, a single carryforward of, say, five or six years should be enacted. Such a provision would go far towards removing the possibility that concerns with fluctuating earnings might be taxed on capital as well as income. Moreover, since it would place the Government in the position of sharing in potential losses as well as in potential gains, longer carryforwards of losses would substantially reduce the present-law discrimination against risk-taking and so partially meet the complaint that the corporation tax discourages risky investment.

Accelerated depreciation might also help in minimizing the impact of the corporation tax on investment. By making possible a more rapid recovery of capital invested in new plant and equipment, accelerated depreciation would reduce the riskiness of the investment and so encourage capital outlays that would not otherwise be made. There is, however, less unanimity among businessmen and accountants concerning the desirability of changing present depreciation practice in any drastic manner. Hence, this proposal appears to be one which requires further study.

VII. Conclusion

In conclusion, despite the increasing dependence of the Federal Government over the past 38 years upon corporate enterprise as a source of revenue, corporation tax rates have probably reached their peak levels with further changes likely to reduce rather than increase the revenue from this source. For the foreseeable future the de-emphasis of corporation taxes appears likely to take the form of partial coordination of the corporation and individual income taxes, possibly with some narrowing of the scope of the former tax and almost certainly with improvements in its structure. Whether the complete integration of these taxes can or should be ultimately effected will depend in part on future revenue needs and in part on the conclusions ultimately reached after further study of both the incidence of the corporation tax and of its effects upon employment and production.

Current Economic Thinking in France

(Continued from page 3210)

the Petain government, but they took it upon themselves to reinforce that system. They never considered the great difference between England and France. Three-quarters of England's food supplies used to be imported through the large seaports, and her agriculture has long played merely a secondary role. France, on the contrary, had been cut off from abroad for five years and her foodstuffs are supplied by a large peasant class, scattered over a great number of individual farm units.

In any case, this administrative system had a certain attraction for many people who are convinced that, if managed better, it could function even in peacetime.

Planning in International Trade

Everyone knew that after the war, import controls would still be necessary for some time to come. Here again there was a concept that fitted in well with an idea popular in prewar France, namely, that a country ought to direct its foreign trade along certain lines rather than leave its development to individual initiative.

"War Communism" Elusive

Another observation should be added. The wartime distribution system, with its creation of what seems like equality of consumers, rich and poor, has appealed to many. The ration book system places rich and poor on the same level. There are equal quantities of bread, meat, vegetables for everybody, even equal quantities of coal or wood. This has justly been called "war communism." In practice this communism is more often illusion than reality. Since in France the rations were insufficient for the needs of a family, everyone tried to obtain additional supplies through personal relations with farmers and land owners. Inasmuch as in France the bonds between the agricultural and industrial population have remained extremely close, this equality among consumers exists more in theory than in fact. Nevertheless, this equality ideal seems to many people to have become practicable, no longer utopian.

All these circumstances combined have created a favorable attitude towards planning, not just as a means to cope with exceptional situations, but as a system that can function under normal conditions.

Government Planning Proclivities Have Increased Research Projects

As a result of these tendencies research centers have been established in almost all of our government agencies. There was a sudden need for economic information, even in the most unexpected places, for example the Ministry of War or Navy, and an unusual number of calculating and tabulating machines has been bought by these different ministries. Unfortunately, the persons who used them were generally inexperienced and the sources of information were less adequate than before the war. It was impossible to undertake any research project of a general nature. Only material necessary for everyday needs was explored. As the one exception in this respect I wish to mention Mr. Sauvy's Institut de Conjoncture which has published two or three most interesting studies made according to truly scientific methods. In any case, the need for source material for economic research is widespread, and this is an encouraging symptom.

Keynes a Paradoxical Fad

Two other currents of thinking are worth mentioning. One relates to the name of the late Lord Keynes whose ideas are now arousing great interest among the young French economists. To me this fad presents something of a paradox. Lord Keynes' theories were formed under the influence of an economic crisis, of a period of general overproduction, rapidly declining prices, and widespread unemployment. At present there is no unemployment, prices are at a peak, and production has been reduced 50%. On the other hand, the remedies Lord Keynes suggested are mainly of a monetary and financial nature. In my opinion it is quite possible that in one or two years it may again be necessary to apply some of them, but, at least for the time being, the main fascination for his French followers lies in his strong interventionist attitude and the emphasis he put on the role of national banks and treasuries in economic planning. Also, Lord Keynes was always in favor of creating purchasing power in one form or another, and of course, this is tempting to the many who find this method of financing most attractive for countries that are in financial difficulties.

Nationalization Experiments in France and England

Finally, a last and important trend of ideas pertains to the experiments in nationalization today in France and in England. They can be considered from two viewpoints:

(a) Many people, particularly members of certain political parties, are interested in them from a desire to see the general public benefit from the profits hitherto collected by the stockholders and executives of these industries.

(b) Another viewpoint is based on the hope for improved output in centralized industries and on the general feeling that the economic prosperity of a country depends upon the perfection of its basic equipment; for example, electricity, railroads, and credit. On has to let the whole country share in these benefits, and to find the money to make equipment adequate to fulfill modern needs at their highest level. Economic research occasioned by such conversion would be more national than international, and more technological than economic.

Future Economic Research

Now, as far as I am concerned, the most useful economic research during the next years will be centered around quite different fields. Immediately after this war, just as after the preceding war, national economies, almost unconsciously, were determined by international economic phenomena. It seems to me that the most useful results of research will come from the study of these phenomena and from comparisons among the different countries.

(1) In this respect international price movements will play an essential part. What will their direction be? Will it be towards prosperity or depression? Undoubtedly, the resumption of production in all countries and the reduction of freight rates will sooner or later lead to a more or less rapid decline in the general movement of prices. A comparative study of this movement of prices and their trends in the different countries seems indispensable, not only from a scientific but also from a practical point of view. The present confusion in the monetary systems of the principal countries makes this comparison difficult. I believe that in setting up economic research projects, nothing would be more useful than putting the results of research in one country at the disposal of scientists in other countries, and to find scientifically sound methods of comparison. I know well that in this organization of ideas the Bank of International Settlements and the economic service of the League of Nations have been and still are rendering outstanding services. But I believe that right now it is of major concern to find a common base that would allow a comparison of price movements in different countries. Among these prices, those of raw materials and manufactured products will obviously play a major part.

If it were possible to have periodic meetings — say every six months—of a few economists or statisticians in charge of studying these movements in each country and to compare the results obtained by each, there would be an effective means of preventing some of the serious mistakes which were unintentionally made immediately after World War I.

(2) I believe it would be no less important for each country to start projects similar to those which were carried out so successfully by the National Bureau of Economic Research concerning the formation and distribution of incomes. The war gave rise to spectacular changes in income distribution. It would be most interesting to know how this income distribution will adjust itself to peacetime conditions during the next ten years, and how it will differ in industrial, agricultural, and mixed economies. Real conclusions from such studies must be based upon comparisons with other countries. We are all aware of the difficulties of such comparisons. But I believe that even at this time it is not impossible to make an attempt in this direction.

(3) If the world enjoys a period of relatively stable peace, nothing would be more important in my opinion than an anlysis of the fundamental elements of international commerce and the way in which the flow of trade and the balance of payments are reestablished after World War II. In this respect the work done by the League of Nations during the last 15 years has been of great service. But if statistics could be worked out on the basis of identical classifications, and made comparable for all countries, such work would show much more thoroughly than has so far been possible the mechanism that adjusts production in the different countries through international trade. Probably no other problem has aroused so much dissension and misunderstanding in the last 15 years. Whether it is a question of relative prices in different countries or the mechanisms by which the respective balances of payments adjust themselves, opinions differ widely, and there is no solid basis of observation that would allow their scientific verification.

During the coming years I intend to prepare a chart book, at least for the French foreign trade, which will be a convenient means of solving at least part of the problem.

Employment Data

(4) Finally, there is a fourth subject of greatest importance. At present many governments are proclaiming a policy of "full employment." Governments are blamed for the failure of such "full employment" to materialize after World War I. It is apparently recognized as a well established economic truth that we are now in possession of effective means to prevent a new crisis of employment such as was experienced by the major countries after 1930, and particularly by the United States after 1920.

The concept of "full employment" is very old. In France the February revolution of 1848 proclaimed "the right to work." In Germany it was National Socialism which recently declared that the idea of "the right to work" had its very origin in that doctrine. "The right to work" is merely a slightly modified formula for "full employment."

I personally have the strongest doubts about this concept. It is not that I do not wish to see "full employment" realized, or that I am an advocate of the pure "laissez faire" policy in matters of unemployment. My attitude is scientific and I am very skeptical about the methods suggested to achieve "full employment." I think economists ought to re-examine the causes that led to universal unemployment after 1930, as well as the validity of the remedies by which it is believed we can escape it, should there be another period of prolonged price depression such as occurred in the 1930's.

Regulation of Savings

It has been said that the regulation of savings particularly might help to prevent threatening social dangers. Until now there has been no international study of this problem, which is not at all identical with that of cycles, examined with such lucidity by the commission so brilliantly guided by Mr. Haberler. Here again I believe that the exchange of ideas by economists from different countries in a small committee would prove extremely useful, and I take the liberty of suggesting such a commission for the study of that question as an item of major importance.

The National Bureau of Economic Research, in achieving its great results, did not examine everyday topics, but based its studies on the permanent problems underlying the economic life of the world today. I believe this should be the guiding principle for future investigations by economic research centers. I consider it essential that the study of these problems be not restricted by a purely national point of view. We must look for their solution in international comparisons, though we cannot ignore the difficulties implied by such comparisons. As far as I am able to do so, I shall quite certainly direct economic research in my country towards this end.

France's New Regulations Governing Securities Ownership

(Continued from page 3210)

seemingly regular or obviously irregular acquisition of securities by the occupation forces.

The French authorities were convinced that, as a consequence of the war, it would be necessary to introduce a type of economic control into French economy, and that the first step was to avoid irresponsible speculation in securities.

A second consideration was the necessity of eliminating tax evasion to a greater extent than had been accomplished by the institution of "Bordereau de Coupons" instituted in 1939.

II. The Procedure

By reason of the wide spread distribution of securities, and of various aspects of the French civil law concerning the rights and handling of property of married women, incompetents, and estates, the registered security procedure of the Anglo Saxon countries was not suitable.

The problem was to reconcile the newly recognized requirements of public interest with the maintenance of facilities for sale and transfer, and to eliminate physical handling of securities.

The new French regulations rest on the idea of applying to securities the procedure of inscription in account and of transfers already applied on a world wide scale to cash.

III. The New Clearing Institution

The institution established, "Caisse Centrale de Depots et de Virements de Titres" (C.C.D.V.T.) has as its primary purpose the receiving of deposits of securities for the accounts of brokers and banks, and the reduction through the institution of current accounts for securities of physical circulation thereof. The C. C. D. V. T. centralizes the deposit accounts for securities, keeps the accounts by depositor, and makes necessary transfers and compensating entries in these accounts. In order to accomplish its purpose it is inherent that the identity of securities by numbers would no longer be possible, and that all securities of the same company would be interchangeable; a principle that was established by the law of June 18, 1941.

[All securities of the same company, non-callable by lot, have as a matter of fact equal rights and are interchangeable. In order to broaden the field to which the new principle could be applied the calling of securities by lot has been prohibited, and the possibility of extending this provision to bonds is presently being considered.]

The C.C.D.V.T. is a joint stock company incorporated in accordance with the provisions of the law of June 18, 1941. Its stockholders are the Banque de France, the principal banks of Paris, and of the Provinces, and the Paris Brokers Association (Compagnie des Agents de Change de Paris). Its administration is controlled by the Ministry of Finance which approves its by-laws, charges, and rules, and its records are audited by the Inspection of Finances.

The C.C.D.V.T. maintains relations only with banks, financial institutions, and brokers whose accounts it has accepted. It is not individual as to the beneficial ownership of securities deposited. The beneficial owners, as in the past, continue to have a direct relation with the bank, financial institution or broker chosen by them.

Beneficial owners of all securities deposited, therefore have their account with one of the accepted institutions. It is this institution which deposits with the Caisse all securities of its clients. Orders to sell or transfer are normally given by the client to his banker, broker, or financial institution, which executes such order without making physical delivery, the transaction being completed by a transfer on the books of the C.C.D.V.T. For interest payments and dividends, as well as rights, very simple rules have been devised of which the working is quite satisfactory.

As concerns the "good form" of securities, the Caisse is responsible for determining that all securities deposits are not subject to stop orders. However, the Caisse is not bound by subsequent stop orders. The original owner keeping naturally its legal rights of trying to determine the fraudulent sales.

The using of securities deposits with the C.C.D.V.T. as collateral does not involve any special difficulty, the law providing that the loan instrument should only recite the fact that they are deposited with the Caisse. The rights and obligations of the creditor remain exactly the same, as if the securities had been reduced to physical possession.

It must be borne in mind that the owners of securities deposited with the central institution retain all rights of ownership and do not become general creditors of the depository. All rights of ownership continue in full force, being limited to a determinable percentage of the callable deposit of securities of the same issue, of the same company, held by the Caisse.

Since physical identification of particular certificates by number is abandoned, the new system is based on a principle of accounts of securities similar to cash accounts, and the C.C.D.V.T. fulfills the role of a centralized clearing institution which registers transfers of securities among its depositors by book transfers.

The Caisse, accordingly, fulfills a dual rôle:

1. that of semi-public institution, since it acts in the public interest in economic and fiscal questions,

2. that of a private corporation because of its technical role in simplifying operations in connection with securities transactions by banks and stock exchange houses.

IV. Delays and Penalties

Contrary to the methods employed in Italy, which were definitely too precipitant and sweeping in scope, the French proceeded step by step.

Bonds were ignored in the new setup, and stocks only as affording a control of the actual workings of the corporations concerned being of a more speculative nature were subjected to the following restrictions:

1. As of February 1941 all bearer shares of corporations whose securities were listed on the Exchange, all shares which were being converted from a registered to a bearer form, and all securities which were issued after March 1941, are deposited with the C.C.D.V.T. The timing of the physical deposits were subjected to the new Institutions ability to receive them, and an alternative was provided that bearer shares might be converted into registered shares. In the period since April 1942 the Caisse has included practically all listed shares of French and Colonial companies. Unlisted securities of the more important companies are gradually being added to the acceptable list. As of December 1945 there were deposited 1,702 particular issues of 1,337 companies.
2. As of February 1943 the annual transfer tax on bearer shares of accepted companies, which had not been deposited with the C.C.D.V.T., was increased.
3. As of February 1943 severe penalities are provided for non-compliance with orders of deposit, though some delays have been granted in special instances. These penalties include cancellation of sales, forbidding of sales rendered impossible any transfer of securities and denied the right of vote or of subscription, and provide for the confiscation of dividends, and eventually penal fining of the owner.

V. Elimination of Unregistered Securities

Under this type of reform it is apparent that only two types of French securities will continue to exist,

1. registered securities, and

2. securities in bearer form deposited with the Caisse.

These two types of securities will be equally taxed, and although securities deposited with the Central Depository are subject to a custody fee, the facilities and advantages offered by that organization more than offset such a fee. This is especially true in case of foreign holders, since all transactions in foreign owned registered securities involve lengthy and difficult formalities.

VI. Benefits and Drawbacks

Over and beyond the general benefits, the new system has permitted sizable savings through reduction of physical handling of securities, and has greatly expedited transfers.

The objections originally raised to the introduction of the new formula have not proven effectual insofar as despite the fear of the psychological effect on the French investor the new procedure has already become a habit insofar as stocks are concerned; the danger of conversion of securities by a dishonest dealer is in fact more apparent than real; and finally, the system provides, along with an almost foolproof check on income, no increase in the power of government to control either income or capital of the corporations whose securities are deposited.

VII. Scope of Caisse Operations

The operation of the C.C.D.V.T. is regulated by General Rules and Regulations and by a schedule of charges, both aproved by the Minister of Finance. The Caisse has three principal operations:

1. deposits
2. withdrawals
3. transfers.

Its organization has been devised in such a way that the standardization and the mechanization of work are as complete as possible, reducing together costs, delays and risks. To give an idea of the scope of the operations involved, it should be mentioned that, as of December 31, 1945, the number of security accounts opened was very close to 230,000, the daily average of the security entries has been 26,000 for 1945, varying from day to day with Stock Exchange activity, and reaching on certain days almost 50,000.

Such are the outstanding characteristics of the newly instituted system, which constitutes an interesting experiment — already justified by its initial success. The attainment of its final end will no doubt require more time. Presently the technical results appear very encouraging, and it would seem probable that the new organization will in the future permit of further progress.

Lockwood to Direct Fertilizer Assn.

Maurice H. Lockwood, of West Springfield, Mass., now Chairman of the Board of Directors of The National Fertilizer Association, will assume executive direction of the Association's activities as its President, at Washington, beginning July 1st. Mr. Lockwood, a graduate of the University of Connecticut, has been in agricultural service all his business life, first as a County Agent, then as manager of a farmers' cooperative fruit marketing association and more recently as Fertilizer Research Manager of the Eastern States Farmers' Exchange, West Springfield, Mass., with which he has been identified for twenty years.

During the war he was a member of the Fertilizer Industry Advisory Committee which worked with Government agencies in advising them with respect to the nation's fertilizer policies. Although staunchly opposed to Government intrusion in the fields of fertilizer production and distribution, he has worked closely with Federal, State, and county agencies in their research and educational activities. Mr. Lockwood, author of numerous articles on fertilizers and their use, is an authority on the plant-food situation throughout the world. In 1935 he attended the International Soils Conference at Oxford, England and has travelled in Europe and Central America. He is a member of the American Association for the Advancement of Science, the American Society of Agronomy, the American Chemical Society, and the International Soil Science Society.

Interest Rates and Capital Formation

(Continued from page 3212)

evidence afforded by the great depressions of the 90's and the 70's both in England and the United States. I referred specifically to the article by Bonamy Price showing that even a discount rate as low as 1% at the Bank of England and ½ of 1% in the market during the years 1874 and 1875 brought no expansion of loans—that, on the contrary, banking houses were going out of business for want of borrowers. But to no avail. Whatever might be the facts, the theory could not be questioned. In the light of this experience, it was a bit amusing when Keynes visited this country in the early 30's to find him informing me that he had discovered that the short-term interest rate is not an effective instrument of control. But he was now equally confident that the long-term interest rate could be counted upon.

Since fluctuations in the volume of manufacturing are of crucial importance in the business cycle problem, it would seem clear that if manipulation of the long-term interest rate is to be effective it must influence the volume of borrowing by manufacturing concerns. Under present day conditions, whatever may have been true in the past, the interest obligation is commonly a negligible factor. Many manufacturing corporations have no bonds, or even preferred stock, outstanding, and the over-all volume of such issues is rapidly declining. In my judgment, it is a reflection on a manufacturing enterprise to do its financing through the medium of fixed interest or dividend securities when greater flexibility can be achieved through the medium of common stock. In any case, it is quite possible that the day will come when there are no bonds or preferred stock outstanding, at which time the influence of the interest rate would of course be zero.

To indicate how deeply this interest rate theory has been embedded in economic literature and how tenaciously it has continued to be held, I must refer in passing to the investigation conducted by a group at Oxford University in the late 30's. A questionnaire was sent to a substantial number of business executives asking for estimates as to the degree to which the volume of their borrowings might be increased by a lowering of the discount rate of, say, from 4% to 3⅞%, to ¾, ⅝, and so on down the scale. Similarly, how much would they be reduced if the rate were increased by successive eighths from 4 to 6%? To the astonishment of all concerned—as I heard the matter reported in 1938 at the British Association for the Advancement of Science—the replies were unanimously in the view that changes in the interest rate would have no influence.

Savings and Capital Formation

The final illustration with which I shall tax your patience relates to savings and capital formation. The classical writers looked upon money savings and capital formation as identical concepts; indeed, the term "savings" was commonly used simply to connote the amount of new capital actually constructed. This conception that capital formation and money savings are identical was based on the explicit assumption that when an individual saves money he spends it for capital goods instead of for consumption goods.

Observation reveals, however, that in a complex pecuniary society the process of creating new capital usually involves three distinct stages: (1) the decision by the receivers of money income to save rather than spend such income—this I call money saving; (2) the purchase of securities with the money saved—this I call market investment; and (3) the use of the funds thus rendered available by business enterprisers who employ labor and materials in the actual construction of new capital goods—this I call capital formation. Each of these stages is influenced by particular forces or considerations, and it may fairly be said that they are independent variables.

In the first stage—the refraining from consumption or the decision to save money—the motivating forces are the desire to provide security, to enlarge future income, to build an estate, etc.; and much saving in the higher income levels results from the simple fact that beyond a certain point it is difficult to spend at all. The individuals who save money income moreover do not themselves, except in rare cases, demand or construct new plant and equipment. As a rule decisions with respect to the actual construction of new capital are made, as we shall see, by a different set of people.

In the second stage—the investing in securities—the primary consideration is the safety of the funds saved. This depends upon the prospective stability of business conditions. When the situation appears favorable, virtually all money savings made are promptly invested, either directly by the individual savers or indirectly through savings institutions. But in periods of instability the hoarding of cash both by individuals and by savings institutions is practiced on an extensive scale. Thus, in any given time period the amount of the money savings and the amount of investment may diverge sharply.

In the third stage—the employment of investment funds in constructing capital goods—the decisions are usually made by different people from those who make the savings and invest in securities. In a highly developed capitalistic society, such decisions are commonly made by business enterprisers who employ savings funds in their profit-making activities. In gauging the situation, they are not motivated by the same considerations which govern the decisions of individuals to save money. They are influenced by a combination of factors which may best be described as the general business outlook and the prospect for expansion.

Since the three stages in the roundabout process of capital formation in a pecuniary society are thus independently motivated, there never was any reason for assuming that the volume of money savings, of investment, and of capital formation would ordinarily be identical. Moreover, it has never been in accordance with the facts. Until recent historical times the great bulk of the money savings was not invested at all, but was hoarded in the form of precious metals—a practice which has continued in such countries as China and India even to the present day. In the United States prior to World War I, the volume of money savings made by the American people was ordinarily quite inadequate for the needs of American business men bent on expanding plant and equipment—the deficiency being met in part from foreign borrowings and in part from commercial bank credit expansion. After World War I, the balance between savings and capital formation was reversed. That is, the volume of current money savings greatly exceeded the volume of new capital construction. In England and other advanced countries, current savings have long been greatly in excess of the amounts demanded for domestic capital expansion. There have even been cases in which in a given year a nation had a large supply of money savings and no domestic flotations of securities for purposes of new capital formation. Nor were there foreign outlets.

The implications of the fact that money savings, market investment, and real capital formation are independent variables cannot of course here be discussed. It is enough to note that they reach to the heart of economic organization in modern society.

In these selected illustrations I have been endeavoring to make two points. The first is that economic theory must be constantly revised in the light of structural and organizational changes in a rapidly evolving economic system. Only thus can it be relevant and of service to society. By revision, I mean a thorough overhauling, even scrapping of many doctrines—not merely qualifications, refinements, or extensions of deeply rooted misconceptions.

My second point is that in economic analysis something more is required than is usually connoted by the term "inductive approach," or in the assembling and analyzing of quantitative data. The types of problem to which I have referred require for their appraisal an intimate knowledge of economic processes — a knowledge which can be gained only through continuous close observation of the practical operations of business, and of what Veblen called, but never understood, the interstitial relationships within the modern enterprise system.

Prospects for Higher Prices of Selected Stocks

(Continued from page 3200)

handsome yield on the basis of this year's probable dividend disbursements. On the other hand, there are many other issues which are capitalizing this year's earnings on a most extravagant basis. Generally speaking, in the former category are "consumer goods" equities and in the latter the "capital goods" equities. "Consumer" type equities have experienced very sizable price advances since V-J Day but in most instances are still conservatively valued in relation to currently demonstrated earning power. "Capital" type equities, while in a basic uptrend, have been sluggish and are being supported mainly by an inflationary atmosphere. In the long run it will be earning power, of course, which will determine prices.

Picture

Brief picture of price changes which have occurred since the beginning of last fall is given below:

Standard & Poor's Stock Price Index
1935-39=100

	Avg. Sept. 1945	Close 5/22/46	% Change
Agricultural Machinery	137.7	153.8	+ 11.7
Air Transportation	439.1	519.5	+ 18.3
Aircraft Manufacturing	132.9	154.2	+ 16.0
Apparel	186.9	242.7	+ 30.0
Auto	149.4	150.7	+ 0.8
Auto Accessory	153.5	161.4	+ 5.2
Auto Tires	242.9	294.1	+ 21.0
Beverages—			
Alcoholic	244.1	499.6	+104.5
Soft Drinks	139.8	161.0	+ 15.3
Building—			
Cement	152.0	199.2	+ 31.0
Roofing	138.3	174.1	+ 25.9
Other	111.4	136.9	+ 23.9
Chemicals	121.7	150.5	+ 23.7
Coal	184.1	221.1	+ 20.2
Containers	100.0	113.7	+ 13.7
Copper	99.6	144.0	+ 44.5
Cotton	202.8	252.2	+ 24.4
Drugs and Cosmetics	118.1	183.4	+ 55.4
Electrical Equipment	124.5	122.0	— 2.0
Fertilizer	190.8	277.4	+ 45.5
Finance	101.5	108.6	+ 7.0
Food—			
Baking and Milling	136.2	167.0	+ 22.7
Dairy Products	179.1	243.7	+ 36.2
Meat Packing	161.7	197.1	+ 21.9
Miscellaneous	106.1	124.3	+ 17.2
Gold Mining—			
Canada	69.9	76.0	+ 8.8
United States	93.0	90.1	— 3.1
Household Products	178.3	213.3	+ 19.7
Lead and Zinc	103.0	136.3	+ 32.3
Leather	149.7	197.4	+ 32.0
Machinery	121.5	152.8	+ 25.8
Metal Fabricating	136.2	169.1	+ 24.2
Mining and Smelting	85.9	111.6	+ 30.0
Office Equipment	117.2	159.6	+ 27.6
Paper	211.0	323.6	+ 53.5
Petroleum	124.8	165.0	+ 32.4
Printing and Publication	196.0	278.7	+ 42.4
Radio	191.8	187.8	— 2.1
Railroads	137.5	159.4	+ 16.0
Railroad Equipment	128.8	149.9	+ 16.4
Rayon and Silk	214.3	364.1	+ 23.3
Retail Trade—			
Department Stores	181.0	345.8	+ 91.0
5¢ to $1 Chain	110.1	154.1	+ 40.0
Food Chain	161.0	248.6	+ 54.5
General Chain	170.6	235.7	+ 38.2
Shipbuilding	145.1	244.7	+ 68.7
Shipping	323.9	459.7	+ 42.0
Shoes	110.3	139.6	+ 26.6
Soap and Vegetable Oil	130.0	145.1	+ 11.5
Steel	120.2	149.8	+ 24.7
Sugar	123.2	138.4	+ 12.4
Textiles	207.7	305.8	+ 57.5
Motion Pictures	167.2	342.6	+103.5
Tobacco	96.7	103.5	+ 7.0
Utilities	110.6	129.9	+ 17.4
Woolen	167.2	258.6	+ 54.7

The foregoing presents a rather concise idea as to what has happened and requires no particular elucidation. The figures simply indicate that prices have doubled in the amusement and liquor groups and have nearly doubled in the store group, whereas prices for automobile, automobile accessory, farm machinery, electrical equipment, finance, gold mining, radio and tobacco groups have shown relatively little change.

Switching

Important question facing the investor is whether an aggressive switching policy should be undertaken from those issues which have advanced substantially into those issues which have not yet participated to any appreciable degree in the rise since V-J Day. The answer to that question lies to a very great extent in what happens from here on in labor-price relationships.

Without attempting to engage in any extended discourse, suffice it to point out that the labor situation has reached and passed the crisis. It is true that the Chrysler contract can be opened on 60 days' notice, but the General Motors contract runs until May, 1947; Ford until May, 1947; Steel until Feb. 15, 1947; coal probably until April 1, 1947. A textile strike is likely for August, as is a meat packing strike but the shipping strike, which is due now, can probably be broken, if it isn't settled. Insofar as price relief is concerned, this is at last being granted by OPA in more or less headlong fashion — meaning that profit margins will be much less impaired by wage increases than was feared some months ago. Once production of durable goods industries gets under way, as it eventually will, companies engaged in the capital or durable goods industries will soon get into profitable production, and selected shares of such companies seem likely to provide the market with new and vigorous leadership.

Symptoms

It should be recognized, of course, that there are many stocks in today's market that will not participate in further general improvement in the market. Such stocks might be generally classed as representing those companies where present "sellers'" type of market will change to a "buyers'" type in the not-too-distant future. Certainly there will be a tendency for the market in some stocks to discount such events months in advance.

Already there are reports to the effect that supplies of merchandise are becoming more plentiful and that several widely used items are now available at sharply reduced prices; that circulation of second rate magazines has reached a saturation point; that new and unfamiliar name radios are going begging despite price concessions; that prices for old houses have been jacked up to a point where there are practically no buyers; that racetrack and prizefight gates have reached the millennium and so forth.

All this is symptomatic of what may be expected later, on a widening scale. It is therefore of paramount importance in measuring the prospect for any stock to judge with reasonable accuracy the size and likely duration of the present sellers' type of market.

Earmarking Short Term

The post-war industrial boom will develop much like the tides, with areas progressively reaching the high water mark.

Obviously this tidal effect will play an important part in determining market performance of leading stock groups. Stocks of "short boom" industries will reach their peaks long beofre stocks of "long boom" industries. Production capacity during the war was expanded tremendously in certain lines, such as household appliances, radios, textile and apparel, tire and rubber goods, small electrical equipment, small machine tools, just to mention a few more or less at random. This is not to say that such equities do not offer further substantial appreciation prospects but rather that such equities — and there probably are others which we have not mentioned — should be clearly earmarked as potential short-term rather than long-term holdings at this stage of the cycle. On the other hand, stocks of "long boom" industries, such as automobiles and building — to mention two of the more important ones—will most likely remain in a basic uptrend for a considerably longer period. Such industries will furnish, in all likelihood, the greatest impetus to the coming boom, and representative equities will provide the backbone of the remainder of the bull market.

Brown to Head Baltimore Exchange

BALTIMORE, MD.—At the annual election of the Baltimore Stock Exchange held on June 3, J. Dorsey Brown was elected President, reported the Baltimore "Sun" of June 4, which added:

Conducting a brokerage business under his own name, Mr. Brown has been a member of the Baltimore Stock Exchange since early 1933. He served as a member of the Governing Committee from 1937 through 1945 and as Vice-President during the 1944-45 term.

Officials of Fund and World Bank

(Eight of a Series)

J. W. BEYEN

Executive Director of the Bank

As executive director of the World Bank Mr. Beyen represents not only his native Netherlands, but also the Union of South Africa, since it was the votes of both which elected him at Savannah. As the Bank was constituted at the end of that meeting, Mr. Beyen casts 4.98% of the total votes in the Bank. Mr. Beyen was not in Washington for the early meetings of the executive directors, being represented by his alternate, Mr. Crena de Iongh.

J. W. Beyen

At the BW Conference in 1944 Mr. Beyen, then financial advisor of the Netherlands Government, headed his country's delegation in drawing up the BW agreements. At Savannah this year Mr. Beyen attended in his capacity as advisor to the Netherlands delegation.

Beyen was born at Utrecht in 1897. He obtained his LL.D. at the University of Utrecht in 1918. Following graduation and until 1924 he was an official of the Netherlands Treasury. For more than a year commencing January 1924, Dr. Beyen was financial advisor to Philips Incandescent Lamp Works. In 1925 he was made manager of the Amsterdam office of the Javasche Bank, central bank of the Netherlands East Indies. He undertook in 1926 to reorganize in that area the banking institutions furnishing credit to small business men.

Dr. Beyen became managing director of the Rotterdamsche Bankvereeniging, one of the five large deposit banks of the Netherlands, early in 1927. This position he retained for eight years. From 1931 to 1935 he was a member of the Netherlands delegation to the Bankers Standstill Conference in Berlin. In 1933 he served as a member of the Netherlands delegation to the World Economic and Monetary Conference in London. The same year he became Vice-Chairman, board of directors of the Philips Incandescent Lamp Works and director of the Handels Vereeniging Amsterdam and various other companies. In 1935 he was made alternate of the president of the Bank for International Settlements in Basle, the president at that time being Dr. Trip. In 1937 Dr. Beyen himself became president of the BIS, a position which he held until January 1940.

Since 1940 Dr. Beyen has been financial director of Lever Brothers and Unilever and financial advisor to the Royal Netherlands Government in London. Subsequently he became chairman of the board of the Netherlands Foreign Exchange Control Institute in London.

Huxley Visits U. S.

Dr. Julian Huxley, English scientist and writer, has been in Washington as the guest of the Department of State at Blair-Lee House during his trip to the United States. Dr. Huxley was in Washington from May 26 to May 29.

Dr. Huxley comes to this country in his capacity as Executive Secretary of the Preparatory Commission of UNESCO (the United Nations Educational, Scientific and Cultural Organization), said the State Department's announcement on May 27.

Up Newspaper Prices

Various items have appeared in these columns as to increased prices of newspapers. In the Providence "Journal" of June 2 an account by the Associated Press of increases by many daily newspapers throughout the nation in selling prices as a result of rising production costs had the following to say in part:

The Scranton (Pa.) "Times" boosted its price yesterday from three to four cents. Other Pennsylvania newspapers which have effected the same increased price recently are the Harrisburg "Patriot," Harrisburg "Evening News," Harrisburg "Telegraph," "Latrobe Bulletin," "Greensburg Review" and "Greensburg Daily Tribune."

Pennsylvania papers which increased their price from four to five cents are the "Shamokin News Dispatch" and "Mt. Carmel Item."

In Chicago the "News" and "Herald American" raised daily prices from four to five cents while the daily price of the "Times" was increased from three to four cents. "The Herald American" increased the price of its Saturday edition from five to ten cents. The price of the Sunday edition of the "Times" was increased from five to ten cents and the price of the Sunday edition of the "Sun" rose from ten to twelve cents.

In New York, the price of the Saturday edition of the "Journal American" was increased from five to ten cents last Feb. 2 and the Saturday edition of the "Post" underwent the same increase March 30.

Although there was no increase in the street-sale price of the "Kansas City Star," weekly rates have been raised from 18 to 25 cents and monthly rates from 87 cents to $1.09, including morning, evening and Sunday papers.

Effective yesterday, the "Denver Post" lifted its single copy price from three to five cents, daily and Sunday rates per month by carrier from $1 to $1.25, and daily rates only per month from 75 cents to $1.

The "Salt Lake Tribune" and "Telegram" monthly rates have risen from $1.30 to $1.50, with the Sunday editions increased from 12 to 15 cents. The "Salt Lake Desert News," which does not publish on Sunday, increased its Saturday edition from 10 to 15 cents, and its monthly rate from $1 to $1.30.

"The Post Register," Idaho Falls, Idaho, has undergone a weekly carrier increase from 20 to 25 cents.

Crofton Again Heads Produce Exchange

Charles B. Crofton, of Leval & Co., Inc. was re-elected President of the New York Produce Exchange for a sixth term at the 85th annual election held June 3rd. Mr. Crofton is the first President since the founding of the Exchange in 1862 to have the distinction of being elected to more than four terms, Jacques Coe, of Jacques Coe & Co., was elected Vice-President, and J. A. MacNair, of H. J. Greenbank & Co., was re-elected Treasurer.

Re-elected to the board of managers to serve two years were Martin F. Austin, of W. R. Grace & Co., Joseph W. Hart, of H. Hentz & Co., and Fred J. Werner, of F. J. Werner & Son. Newly elected to the board of managers to serve two years were Cecil C. Boden, of Cargill, Inc., Thomas J. Stevenson, of T. J. Stevenson & Co., Inc., and Clifford T. Weihman, of Smith, Weihman & Co., Inc.

John H. Blake was re-elected to the office of trustee of the Gratuity Fund for three years.

Urge Rejection of "Silver Bloc" Proposals

(Continued from page 3204)

an aggressive pro-silver bloc to persuade Congress to levy on the taxpayers, manufacturers, and other users of silver for the purpose of giving an indefensible subsidy to silver producers, domestic and foreign.

"Congress and the people of this country might do well to remind themselves that it was this same pro-silver bloc that revealed that is was not only willing but determined, even in time of war, to protect its subsidy regardless of any adverse effects on the general welfare; that it was this bloc that forced the Treasury to withhold much-needed silver from war industries for many months after we entered the war; that, because of the obstructions of this bloc, the best that Secretary Morgenthau could do for most of 1942 was to lend Treasury silver to war industries for *non-consumptive* purposes; that it was not until the Green silver bill was passed on July 12, 1943—nineteen months after we entered the war —, that the Treasury could sell its free silver to war (and civilian) industries for *consumptive* purposes; and that even then the silver bloc was able to force Congress to provide that no Treasury silver should be sold for less than 71.11 cents per fine ounce, thus protecting the subsidy which the silver bloc had obtained for itself by passage of the domestic silver purchase law of July 6, 1939. (The Treasury could have sold its free silver without loss to the war industries in 1942 at 50 cents per ounce.)

"The silver situation and the attitude of this silver bloc from the time we entered the war down to August, 1942, were described by an editorial writer in the New York "Times" of August 4, 1942, as follows: 'So we arrive at a situation in which the same Government that urges a patriotic public not to hoard sugar, not to hoard rubber, not to hoard gasoline, not to hoard useful goods of any kind, itself hoards a metal which is needed for planes and shells and tanks and ships. It is a fantastic situation. It could exist only in a bloc-dominated Capitol.' Another editorial writer—in the New York 'Herald Tribune,' on the same date — called silver 'the slacker metal.' Henry Wriston, President of Brown University, described the situation in these words in his 'Challenge to Freedom' (1943, p. 173): 'It took two days of hearings for Congress to prepare a bill to draft eighteen-year-old boys. It required many days of hearings to prepare [and months to pass] feeble bills looking to the modification of the silver program so as to draft that metal for national service. It appeared that this generation regarded its sons as expendable but not its silver.'

"The attitude of the silver bloc in respect to the public welfare, where silver is involved, appears to be no better today than it was during the late war, especially in 1942.

"It is the duty of Congress and the President to see to it that the general welfare, rather than the desires of the silver bloc, is served when silver legislation is undertaken.

"Should Congress pass the proposed legislation before this protest by monetary economists can be made public, or despite this protest, then we urge the President to veto the bill."

Prof. Spahr Replies to Criticism

Prof. Walter E. Spahr, the Executive Vice-President of the Economists' National Committee Monetary Policy, in reply to an editorial of May 13 criticizing the views expressed by the organization in its prepared statement to Congress, issued the following statement on June 10:

The following is the editorial from the "Denver Post," Denver, Colo., May 13, 1946:

"The economists' national committee on monetary policy is 'all wet' in its contention that proposed increases in silver prices would be an 'indefensible subsidy to silver producers.' The fact of the matter is that a price of around $1 an ounce for silver would not be a subsidy at all, in the usual sense. It wouldn't cost the taxpayers anything.

"Gold and silver are the two monetary metals which are used all over the world. More people use silver for money than use gold. Whatever price the government of the United States pays for silver can be paid by coining the silver purchased or issuing silver certificates against it. The treasury now carries silver on its books at $1.29 an ounce. That is its value for monetary purposes. Every silver dollar the treasury issues is a dollar it doesn't have to borrow and on which the taxpayers do not have to pay interest."

Perhaps the most important thing to note in this editorial is the fact that it did not attempt to deal with the following two sentences, of a fundamental nature, in so far as principle is concerned, in the statement issued by 66 monetary economists on May 10. Those sentences read:

(1) "The only price at which the Treasury should purchase silver is that determined in competitive world markets."

(2) "There is no more validity in the argument of the silver bloc that silver should be bought and sold at its nominal monetary valuation of $1.29 per fine ounce, or at any price above the open-competitive market price, than there would be in an argument that the paper used to make paper currency should be bought and sold in the market at the nominal monetary value of the piece of currency manufactured from this paper."

These are the fundamental issues which the silver-subsidy advocates should face if they are as objective, from the point of view of the public welfare, as they generally profess to be.

The statements in the "Denver Post" editorial that ". . . a price of around $1 an ounce would not be a subsidy at all, in the usual sense," and that "It wouldn't cost the taxpayers anything" are typical of the common evasions of the basic principles involved. But they are, moreover, inaccurate for these reasons:

If the price is above the free-market price, it is a subsidy. And any price above the free-market price costs the taxpayers just that much.

The silver-subsidy advocates assert over and over that, so long as the government can make a profit above the subsidy price paid for silver, the silver does not cost the taxpayers anything. For example: If the subsidy price is 71.11 cents per ounce, and the world free-market price is, say, 35 cents per ounce (which prevailed 1939-1941), the silverites would contend that the subsidy of 46.11 cents per ounce paid to the silver producers costs the taxpayers nothing for the reason that the Federal government coins an ounce of silver costing 71.11 cents into $1.29 thus making a profit of 57.89 cents per ounce. What these silver-subsidy advocates do not point out is that had the government purchased the silver at the free-market price of, say, 35 cents per ounce, the government's profit per ounce would have been $1.29-.35 or .94, instead of 57.89 cents. The loss to the taxpayers is always the difference between the subsidy price and a lower market price.

If the editor of the "Denver Post" and other advocates of governmentally-fixed prices for silver are convinced that $1, or 90.3 cents, per ounce for silver is not a subsidy price, then the question arises as to why they do not advocate a free-market price for silver. The editor of the "Denver Post" does not face this issue.

One may find reports of several cases abroad at which silver is said to sell at prices above our nominal or silver-coin price of $1.29 per fine ounce of silver. But in most, if not all, such instances the question arises as to whether these are local or special situations, perhaps due in part to inaccurate translations of the value of a depreciated foreign currency into our dollar, and as to whether these local prices reflect in any important way what is, or would be, a world free-market price for silver.

The fact is that, in so far as this country is concerned, the price of silver at New York has exceeded $1.29 per ounce only in 1919-1920 for the entire period since 1874 at which time it stood at approximately $1.29 per ounce. A recognition of this history of the usual differences between the market and our mint (coinage) price for silver is probably the fundamental reason why the silver-subsidy advocates do not wish to rely upon free-market prices for their product.

If they are entitled to governmentally-fixed subsidy prices for their product, other producers have the same right. The fact that silver is used in some of our coins does not alter the other fact that the basic principle is governmentally-fixed versus free-market prices. Paper is also used for money, as are copper, nickel, tin, and zinc.

The "Denver Post" also advances another argument generally used by the silver-subsidy group. It is this: "Every silver dollar the Treasury issues is a dollar it doesn't have to borrow and on which the taxpayers do not have to pay interest."

That statement can be made with equal truth regarding paper money issued by the government. If that is an important or relevant point, then the argument is weightiest, in so far as profit to the government is concerned, for fiat paper money which would yield the government almost a 100% clear profit on the cost of its monetary material — ignoring all other anti-social costs, just as the silverites ignore them.

It was because the silver-subsidy crowd, the devaluationists, and a great variety of other currency manipulators who were attempting to serve their own, rather than the general, interests, could not be counted upon to present facts to the general public in an objective manner that a large group of monetary economists formed the Economists' National Committee on Monetary Policy in November, 1933.

The purpose of these economists was and is to counteract misleading statements and distortions of factual data, in so far as they may be able, by presenting to members of Congress, the press, radio commentators, and other formulators of public opinion, the facts which they as scientists think they have learned. None of them has a personal interest of a type that would invite allegiance to any thing but the truth in respect to monetary matters. Each member who signs one of these statements stakes his reputation on its accuracy and is individually responsible for what is said.

Cushing Governor of New York Curb Exch.

Carl F. Cushing, a partner in the firm of W. E. Burnet & Co., has been appointed a Governor of the New York Curb Exchange, Edwin Posner, Andrews, Posner & Rothschild, President and Chairman of the board, announced. Mr. Cushing, a member of the Curb Exchange since 1931, was elected to fill the unexpired term of Edward J. Shean, who recently became a member of the New York Stock Exchange.

Mr. Cushing has been active for many years in the securities business. Preceding his association of ten years with W. E. Burnet & Co. he headed his own securities firm in New York for some five years. Prior to formation of his own business he had been connected with Thomson & McKinnon for approximately five years and with Fenner & Beane for a year.

Mr. Cushing graduated from the University of Michigan in the class of 1923 following service in World War I, first with the British Army and later as a Second Lieutenant in the Field Artillery with the A. E. F. after the American Army arrived overseas. He also saw service in the recent war for a time as Chief Boatswain's Mate in the temporary reserve, U. S. Coast Guard.

Aviation Maintenance Common Stock Offered

A syndicate headed by Livingstone & Co., and including Cruttenden & Co., Nelson Douglass & Co. and Crowell-Weedon & Co., on June 11 offered as a speculation 493,750 shares of common stock of Aviation Maintenance Corp. at par ($4 per share).

The proceeds are to be used to pay for machinery, tools, furniture, fixtures, etc., and for working capital.

Impact of Federal Budget on Our Economy

(Continued from page 3199)
were relatively small, and in retrospect we can say that as far as their impact on the national economy was concerned, they did some good and little harm.

The situation is very different now. The war and its aftermath have brought us large Federal budgets. These budgets represent, among other things, the test to which our enemies put us. Their magnitude is something of a measure of a dynamic democracy, not a decadent one, as our enemies have discovered to their sorrow. The war budgets were large because our war production was beyond anything thought possible, and our war effort as a whole was a tribute to the dynamics of democracy.

Postwar Budgets

Postwar budgets will be several times the magnitude of prewar budgets. During each of the four prewar years, the Federal Budget averaged about $8 billions. Some time ago I publicly stated that postwar Federal budgets would be approximately $25 billions or over three times that prewar average. I have been criticized for using the 25-billion-dollar figure. But now the developing evidence points to the possibility that this figure is too low rather than too high.

Let us take a look at the Federal Budget for fiscal 1947 in terms of the major categories of expenditure. We will assume, for example, a budget for 1947 of approximately $40 billions.

First, expenditures for the Army and the Navy and war liquidation may amount to as much as $18 billions. This compares to one billion dollars for national defense expenditures in the budget of 1938. One need only get a picture of the state of the world from his daily newspaper to understand why this large expenditure for national defense has not been cut more quickly.

Then there is the interest bill of $5 billions annually for the public debt. There are not many proposals for cutting that.

There are also the Government's obligations to veterans, of approximately $5 billions in fiscal '47, and there are active legislative proposals which would enormously increase this amount.

Here we have a total of $28 billions accounted for by just three items in the budget.

If we group together aids to agriculture and housing, and refunds to taxpayers, we have another item of $3½ billions. International finance and social security come to $4½ billions. Public works is $1.2 billions dollars, and the rest of the Government is $2.3 billions.

In case you have not already totaled them, these items come to $39½ billions. I have used figures roughly to give you a picture of what the budget *may* look like for fiscal '47 after the Congress has completed its work on appropriation measures.

I wish specifically to call your attention to the item of $2.3 billions for general government. Aside from the Army and the Navy, this item finances the administration of the departments and independent agencies of the Government. It finances the departments headed by personalities you hear about and read about—the departments you normally think of as composing the government of the United States. Yet here is only $2.3 billions out of a total of nearly $40 billions. Any school boy could readily tell you that you cannot do much to balance the Federal Budget if you concentrate 90% of your effort—as some do—on this item. In the light of these figures, you could eliminate a large part of the personnel in the departments of the Government and you would accomplish little in the direction of balancing the budget. While I am pointing out the obvious, I sometimes feel that when it comes to budgets the obvious is often strangely obscure.

Major Budget Items Inflexible

It does not take a very wise person to observe how inflexible are the major expenditure items in the Federal Budget in relation to the political realities, both national and international. Reducing Federal expenditure is a tough job. As Director of the Federal Budget, I can assure you that very powerful forces work against you from start to finish. One can make a pleasant task of a speech about economy in general, but budgets are not built on generalities. They consist of very specific, detailed proposals for expenditure. It is a rare occasion indeed when some one or some group benefiting from a governmental expenditure proposes that that expenditure be reduced. There are plenty of proposals made by one group for the reduction of expenditures that affect another group, but "Oh, don't cut us!"

As an example, I recall the energetic head of a business organization in a state where a large amount of Federal funds was being spent. He was a vociferous adherent of a policy of government economy. I asked him where he would recommend a cut in Federal expenditures within his *own* state. With this question his economy crusade collapsed.

I have read many pamphlets on how to cut Federal expenditures. Some of them give the reader the impression that if obdurate Federal officials would only do a few simple things the budget could be readily reduced. There is a tendency to gross over-simplification of a complex problem, and over-simplification is the number one stumbling block to the solution of any problem. I am not against the pamphleteers. If anything, I am arguing for more and better ones. Such activity is helpful in molding public opinion, and consequently is of great importance in a democracy. Representative government, after all, does rather precisely what the citizens want done.

What I am trying to say here is that the Budget of the Federal Government is what you make it, not what some officials in Washington make it. If you want Federal expenditures cut you have to work at it where it hurts. You have to counteract some of the forces which work to increase Federal expenditures. In short, budget-balancing, like charity, begins at home.

The President has said, "We are on the way to a balanced budget." On behalf of the Administration, I can assure you that the budget will be balanced. The argument is not whether or not the budget can be balanced. It must be balanced and more than balanced. The larger the surplus the better.

During 16 years of deficits it was quite natural that many people would despair that the Federal Budget would ever be balanced. We have talked a lot about a compensatory fiscal policy. Most of that discussion has been devoted to arguments for and against deficits in times of depression. If we hold in favor of a budget deficit for depression periods, we are utterly inconsistent if we do not hold with equal conviction for a budget surplus now. The time has come to take our foot off the accelerator and apply the brakes.

Present Budgets Have Impact on Our Economy

When Federal budgets were small, as they were during the first hundred years of our existence, their impact upon the economy was relatively insignificant. Now we are dealing with a new set of budget magnitudes. These were forced upon us during the war. Each of us must think in new terms if we are to grasp the significance of our current situation. Our concepts of fiscal policies when budgets were small have to be modified and revised. The fiscal policies that were desirable in times of depression and inevitable in times of war have to be reversed in situations such as we now face. I am not arguing that the budget must be balanced merely because it seems sounder for the Government's revenues to equal its expenditures. There is more to balancing the budget than that. And at this time many more compelling reasons argue for a balanced budget.

We are confronted with a situation of actual and potential inflation. In order to use the budget as a damper on inflation, we must have as big a surplus as can possibly be achieved. The war has not only distorted our economy on the production side; it has distorted our financial structure, as well. People want the goods they were unable to get during the four years of war. Their purchases can be financed from savings accumulated during four years of high wartime incomes. To the extent that the Federal Government pays out more dollars than it receives it only adds to the purchasing power available and thereby aggravates the inflation. Also, to the extent that the Federal Government purchases goods in competition with private industry it increases pressure on prices.

At this time you cannot have increased public services and the houses, refrigerators and washing machines you want. To attempt to have both now is like trying to have your cake and eat it. There is an abundant purchasing power to take goods off the market at higher prices. Any producer or merchant who succeeds in getting price ceilings broken has little fear that he will be unable to sell his product because the price is too high. The main bulwark against inflation was and still is the OPA.

Wartime Budget Policy a Threat of Inflation

I believe that our budget policy during the war is in part responsible for the threat of inflation at the present time, although during the war as a nation we did a relatively creditable job and in relation to the last war we did a magnificent job. We did raise taxes far higher than they had ever been before. We did put personal income taxes on a pay-as-you-go basis. We did make strenuous efforts to induce people to invest in Government bonds. All these things helped, but they were not enough. Vast amounts of purchasing power did accumulate in the hands of individuals and businesses.

I have always thought and argued during the war that we should have had higher taxes than we did and also that we should have had a system of compulsory savings. With compulsory savings, funds could now be released in an orderly manner as goods become available. As it is, we have an abundance of purchasing power accumulated during the war confronting shortages of goods at every turn. We have an accumulation of approximately $175 billions of liquid assets in the hands of individuals and unincorporated businesses. About $145 billions of this amount is in the hands of individuals. All of it may be freed to compete in the market for scarce goods. You may get some perspective if you recall that $175 billions of liquid assets is equal to the national income for a record year.

We face a serious inflationary situation which will end only when goods again become abundant in relation to purchasing power. The Federal budget has an essential role to play in combating inflation. We must balance the budget with a surplus if it is to play that essential role.

But we cannot achieve a surplus merely by talking about it. Both the legislative and executive branches of the Government must cooperate to resist pressures to increase major expenditure programs or to reduce taxation. There are now one or more measures in the Congress which separately or in combination could remove any prospect of a balanced budget. As an example, there is a proposal before the Congress for terminal leave pay for G.I.'s, the cost of which is estimated variously at from two to six billion dollars. Such a measure would not only seriously jeopardize our chances of a balanced budget, but it would rob us of any prospect of a budget surplus. It would aggravate the forces of inflation and would thus be a hollow benefit to the veterans.

Achieving a Budget Surplus

To achieve a surplus, we must attack some of the major expenditure programs. We must cut them where possible. Where it is impossible to cut them, we must resist all attempts to undertake new expenditures on programs that can be deferred.

The national defense outlay will represent more than 40% of the 1947 budget. I am sure that economies can be achieved in this program without in any way affecting national security. Some day the American people will wake up to the fact that competition between the armed services is an expensive luxury. When that day comes, there will be no hesitancy about adopting the President's recommendations for unification of the armed services.

Our public construction programs need special scrutiny. There is a very grave danger that we will arrive at a premature peak in public works. The point which I made earlier—that we cannot have increased public services at this time without conflicting with the private production of civilian goods—is particularly true in the construction of public works.

We may have to take another look at Army and Navy construction projects, some of which appear to have little relationship to our security. Our civilian public works must also be carefully examined. There are construction projects such as emergency housing and veterans' hospitals which must go forward. But we must take a conservative view about starting new projects. We should plan to have public construction reach its peak after private construction begins to decline. However, there remains the danger that we may reach peaks in private and public construction at about the same time.

We should bear in mind that public construction projects cannot be treated lightly. Some of them have a very high priority and are essential for our future progress. If the air transport industry and the automobile industry are to play their parts in sustaining postwar prosperity, adequate highways and commercial airport facilities must be available. We must work out a construction program that balances the needs of the future against the requirements of the present.

We can and will achieve further economies in the administration of government. But as I have already indicated, economies in administration make only a trivial contribution to the total result. It is the major expenditure programs which require attention.

Should Be No Reduction in Taxes

On the revenue side of the budget, it is clear that there should be no reduction in taxes. That was the policy announced by the President in his Budget Message in January. It is more urgent today that it be carried out than it appeared to be then. Measures to reduce taxes further should not be considered until inflationary pressures have disappeared.

It is obvious that to balance the budget with a surplus means on the one hand, that taxes must be maintained or raised, and on the other hand, that expenditures must be reduced. If we do cut taxes further, it will merely mean that there will be more purchasing power bidding for scarce goods.

If present tax laws are retained and if efforts to enlarge expenditure programs and adopt new ones are resisted, we can expect to balance the budget in fiscal 1947. But to make its proper contribution to the fight against inflation, the budget should yield a surplus.

However, the budget cannot be balanced merely because the President and the Director of the Budget want it balanced. It cannot be balanced merely because the Congress wants it balanced. The Administration can exercise leadership and can say what ought to be done. But in order to get a budget surplus, it is necessary that the public take the pressure off the Congress for public services.

I am a realist. I know how items get into the budget. There is no mystery about it. Congressmen also know how projects get into the budget. Congressmen cannot ignore the pressure of the people whom they represent.

Since it seems clear that we should balance the budget, then if every official and every citizen will take all the steps within his capacity toward this goal we shall certainly achieve it.

I cannot overstress the importance of budget policy at the present time. The operations of the Federal Government are so large that their impact on the national economy cannot be ignored. The budget can promote stability. It can, in turn, contribute to instability. We must balance the budget with a surplus. Nothing short of that should content us. That is the policy of the national Administration.

Miles Shoe Securities Offered to the Public

A group of underwriters headed by Wertheim & Company and Lehman Brothers on June 11 offered to the public 23,444 shares of 4¾% cumulative preferred stock of $100 par value and 56,267 shares of common stock, $1 par value, of Miles Shoe Inc. The preferred stock was priced at $102 a share, plus accrued dividends from June 7, 1946 and the common at $19.50 a share.

This offering does not represent new financing by the company as both the preferred and common shares to be marketed have been acquired by the underwriters from certain present stockholders. The outstanding capitalization of the company consists of 25,000 shares of 4¾% preferred, $100 par value, and 300,000 shares of common.

Miles Shoe Inc. operates a chain of 125 retail shoe stores. Women's shoes constitute the largest portion of sales and account for approximately 50% of consolidated dollar volume. The company reported for the fiscal year ended January 31, 1946, consolidated net sales of $15,054,186 and consolidated net income of $730,849.

Can Our Inflation Be Stopped?

(Continued from page 3199)

renaline to help his heart action; another says dose him with some powerful stimulant to keep him on his feet; still another suggests drugging to improve his complexion and all agree that the patient's every action must be controlled. His folks must not know that he has cancer. Meanwhile, no effort is made to cut out the cancer itself.

That this mistaken attitude at Washington toward the problem of inflation is attributable either to a failure to differentiate between inflation itself and the effects of inflation, or, solely to political reasons, is the inescapable conclusion. It must be borne in mind that actual inflation began in this country in the spring of 1932; that early in the New Deal days it was called "reflation" and that much pride was taken in the conception, birth and growth of this Frankenstein monster which, according to OPA Administrator Porter and Economic Stabilizer Bowles, now threatens to rend and destroy our economy.

Inflation Differs from Its Effects

In common conversation the effects of inflation are mistakenly called inflation itself. To the majority of people inflation is rapidly soaring commodity prices, the upward spiralling of wages, the skyward flight of living costs and all the other phenomena which mark the period when the results of forces, long present, make themselves felt in no uncertain manner. But—this is not inflation. The line of demarcation between inflation itself and the effects of inflation can be very definitely, accurately and specifically drawn. There is just as much difference between the two as there is between the process of filling a baloon with gas and its skyward flight. That which makes a balloon go up is the gas with which the bag is filled. The flight of the balloon with gas and its skyward operation from the process of filling it with gas.

No doubt many readers have seen an old-fashioned balloon ascension, the kind which was formerly a part of every county fair and country Fourth of July celebration. It will be recalled how the country boys, the farm helper, the grocery clerk and the high school student were asked to help hold the ropes until the balloon was fully inflated and ready to go up. Sometimes it broke away before the parachute jumper was ready for it to go up. The present fiscal inflation in the United States may be compared to a balloon which is beginning to break away for its skyward flight. Carrying the analogy further, the restraining ropes of the Governments inflated fiscal balloon are in the hands of a motley crew of helpers, mostly young men with but limited executive experience. Doubtless, they are entirely sold on the plan they are striving so bravely to put over. They are to be honored and complimented on their efforts to hold the ropes and keep the balloon on the ground. Their efforts, however, are wholly futile unless someone has enough courage to let sufficient gas out of the bag so that it can't go up.

This can be done only by the President of the United States, the Secretary of the Treasury and the Congress. This they will not do if their actions can be based on historical precedent. A study of inflation back to 400 B. C. fails to reveal any nation which consciously and purposely built up so much actual inflation as we now have in this country, which ultimately did not "pay the piper." Kings, rulers and political parties abhor deflation.

Definition of Inflation

There is more confused and muddy thinking about inflation than about any other subject. Almost every economist has a different definition for it. The most of them are involved and complicated because the effort is made to include in the definition, both inflation itself and the effects of inflation. When the two are definitely and distinctly separated, the subject is neither involved nor difficult. Here is a definition which is the outgrowth of twenty years study and research:

Inflation is the expansion of either, or both, the monetary and credit bases in excess of the requirements of normal business. The late Dr. Kemmerer, than whom there was no higher or better authority in the Western Hemisphere, had a still shorter definition in: "Inflation is too much money."

Practically every kind of actual inflation itself known to the history of man, is now strongly in evidence in this country; a stupendous national debt; a devalued or "clipped" dollar; money with but remote metallic backing; precious metal arbitrarily valued at high prices; bank deposits or "check money" feverishly bloated and a banking system jam-packed with United States Treasury bonds, so-called assets, which actually represent Federal deficits, money the Government spent which it did not have. This actual, definite, measurable inflation now amounts to roughly $400 billion. The possible effects of this inflation can be expressed only in astronomical figures, possibly involving the use of from 15 to 20 ciphers. The mind staggers in its efforts to comprehend such figures. There are those who wish to hide their heads in the sand and say "It can't happen here" yet for 13 years we have been following step by step the pattern laid down by Germany in its inflation of 1914-1923.

What Congress and Administration Can Do

Now—we have seen that the OPA cannot do anything to stop inflation itself, that all it is possible for it to do is to try to curb and hold down the effects of inflation. Luck to it! It is impossible, however, for it to be successful even in this, unless measures are taken to stop and reduce actual inflation itself. What can Congress and the Administration do? The answer is, plenty, if they had the guts to do it. While it would require an article of the same length as this to fully explain each one of the following measures which should be taken, they will be presented in brief for the reader's consideration.

1. Take steps to renew faith in the United States dollar both at home and abroad. There are many who have lost confidence in the desire of those in power in Washington to preserve the integrity of our currency. A joint resolution of the Senate and House stating that the honesty and integrity of the dollar shall be preserved at all costs, would be the first step in this direction.
2. Cut Government expenses to the "marrow" of the bone. Remove from two to three million employees from the Federal pay-roll. Eliminate all Governmental "frills" until the country is again on a sound fiscal basis. Stop playing Santa Claus to the whole world.
3. Reduce the national debt in sizable amounts. It should make red the faces of Treasury officials and Congressmen to talk of merely balancing the budget. That's not enough. Comparable measures with those taken after World War I should be put in operation when roughly 38% of the Federal debt was paid off within a few years.
4. Refund the short-term debt into long-term bonds at gradually increasing interest rates. Make U. S. Treasury's attractive for the individual investor to buy and hold. Stop penalizing the widow, the orphan and the insurance policy holder.
5. Raise taxes by tapping sources now untouched, such as labor unions, church revenue enterprises, foundations and funds.
6. Remove all subsidies from food. Stop trying to kid the public. Treat the people with honesty. Allow prices of food to advance an equivalent amount to the subsidies removed.
7. Return the power over money to its constitutional authority, the Congress of the United States. Repeal all laws giving a single individual the power to regulate the value of money and mark the dollar down to a dime if he so wishes. Take the Federal Reserve system out of politics and return it to the people.
8. Appoint a committee of the very best practical minds obtainable for the purpose of studying the best methods of increasing the buying power of gold by marking down its price over a period of years to its historical levels.

There will be those who will stand aghast at these deflationary measures. But, is it not better to put into operation some deflationary factors at this time, than to await the catastrophe collapse that Mr. Bowles talks about, the forced deflation which is the inevitable result of the kind of inflation which is now rampant in this country?

To neutralize the effects of any deflationary measures which may be taken at this time there are the antidotes of the biggest boom, the wildest speculation and the most violent orgy of inflation the world has ever witnessed, which are now in prospect for this country.

Drass Now Incorporated

SUNBURY, PA.—J. H. Drass & Co., 440 Market Street, is now doing business as a corporation. Officers are James H. Drass, President; William J. Betz, Vice-President, and William J. Wertz, Secretary-Treasurer. Mr. Drass and Mr. Betz were partners in the predecessor firm, with which Mr. Wertz was also associated.

The Case Bill Veto Message

(Continued from page 3205)
to strikes against private employers.

Such emergency legislation is now before the Congress, and I again make the request that it be passed.

H. R. 4908 is utterly different from my proposal of May 25 in kind and degree. Its range is broad, dealing with a wide variety of subjects, some of which are wholly unrelated to the subject of settling or preventing strikes. It covers strikes against private employers. It is permanent legislation, operative even after the reconversion period is entirely over. And it applies not to a few selected and vital industries but to every dispute, no matter how insignificant, if the dispute affects interstate commerce.

At the same time, May 25, I also requested permanent legislation leading to the formulation of a long-range labor policy designed to prevent the recurrence of such crises, and generally to reduce work stoppages in all industries. I further recommended the immediate creation by the Congress of a joint committee to study the entire question and, within six months, to bring in its recommendation for appropriate legislation. I again renew the recommendation that a joint committee be appointed to make a study of the whole subject of labor relations, and to suggest permanent long-range legislation.

Wants More Study for Permanent Law

The fact that we are faced with an emergency which does justify the passage of temporary emergency legislation does not, in my opinion, justify us in the adoption of permanent legislation without the study that such permanent legislation needs. The bill is actually a collection of separate unrelated measures and is not an over-all solution of this most important problem. We must not make a false start. We must not approach the problem on a piecemeal basis as this bill does.

It is suggested that the bill merely constitutes a beginning, that it should be placed upon our statute books, and that we can then proceed with the study of additional legislation. I cannot agree with this thesis. This bill is not a permanent solution of our difficulties; and if it should become law, I fear that it may possibly result in being the only permanent legislation we would obtain.

We are not faced with a decision of choosing between this legislation and no legislation at all. It is more properly a choice between this particular bill and a more adequate and more inclusive solution of the problem.

The proposed measure, although described as a mediation law, is divided into two unrelated parts. The first six sections contain provisions relative to the mediation of labor disputes, postponement of strikes, and fact-finding. The remaining sections consist of provisions relative to robbery, extortion, unauthorized welfare funds, prohibitions against the organization of supervisory employees, union liability in the courts, and provisions establishing criminal sanctions, injunctive remedies and suits for treble damages against unions engaging in secondary boycotts, jurisdictional disputes and certain other activities. These are a few of the many complex problems which must be studied with infinite care before the proper solutions are found and incorporated into permanent legislation.

One of the factors to be considered in judging this bill is whether or not it would have prevented, or shortened, the strikes which have so seriously damaged our economy these last few months. Judged solely from this standpoint, I am sure a fair-minded man would have to admit that it would have failed completely.

In 1943, in the heat of a controversey over a stoppage of war production in the coal mines, the Congress passed the War Labor Disputes Act, more commonly known as the Smith-Connally Act. In his veto message of June 25, 1943, President Roosevelt warned the Congress that the strike-vote provisions of Section 8 of the Smith-Connally Act would not lessen but would promote industrial strife. That prediction was fully borne out by subsequent events. It is my belief that a similar result would follow the approval of this bill.

If a joint committee to investigate this entire subject were appointed immediately and if the subject were given the priority to which it is entitled, a report covering the entire field could be submitted to the Congress within this calendar year.

Comments on Bill

I have analyzed the bill carefully and herewith submit my comments on the various sections:

Section 1. Declares that the objectives of the Act are to encourage settlement of disputes between labor and management by collective bargaining and by conciliation, mediation, and voluntary arbitration, thereby minimizing industrial strife, strikes and lockouts.

Upon careful consideration, I have come to the conclusion that the bill will not achieve this high and unquestionably desirable objective. On the contrary, much of the bill is not only wholly foreign to the achievement of that objective, but, in my judgment, would actually defeat it.

Section 2. Defines certain key terms used in the bill.

Section 3. Provides that employers and employees in industries affecting commerce shall: exert reasonable efforts to make and maintain collective bargaining agreements; give adequate notice of proposed changes; provide for the final adjustment of grievances or questions regarding the interpretation of agreements; arrange promptly for conferences with respect to labor disputes and cooperate with the new Federal Mediation Board in attempting to settle disputes amicably. The Mediation Board may proffer its services for the purpose of aiding in the settlement of a labor dispute affecting commerce.

If Federal mediation is proffered, lockouts and strikes affecting commerce are unlawful until mediation is concluded or until 60 days after a written request has been made by one of the parties for a conference, whichever is earlier. An employer who changes the status quo by lockout or other action is deemed to have engaged in an unfair labor practice within the meaning of the National Labor Relations Act. An employee who disturbs the status quo during this period, by striking or by engaging in a concerted slow-down of production, loses his status as an employee for the purposes of the National Labor Relations Act, unless he is re-employed.

Although Section 3 is ostensibly designed to insure that the parties will attempt to reach a peaceful settlement, making a strike unnecessary, I feel that it would, in practice, tend to increase the number of strikes. I think it would lead to the development of methods to avoid the operation of this section. The bill provides that the right to strike is postponed only if the Federal Mediation Board proffers its mediation services before the strike starts. I foresee that some unions might choose to strike before the mediation board had had an opportunity to determine whether it should enter into a certain case—an action not prohibited in the proposed statute. Although the purpose of the provision is to eliminate the so-called "quickie" strike, its effect might be to encourage unions to resort to such strikes.

May Result in Employers Provoking Strikes

If an employer violates the prohibitions of this section, he is merely guilty of an unfair labor practice. He may only be ordered by the National Labor Relations Board to cease and desist and to pay any back pay due. An employe, on the other hand, may suffer a far greater penalty. By Section 3 (D), he loses his very status as an employe. That means that the employer, without offering any further reason, may refuse to reinstate him. The penalties are inequitable. An employer guilty of a violation can only be ordered (long after the event) to stop his violation and to restore the status quo. The employe, however, loses his basic industrial rights and perhaps even his means of livelihood. I fear that the provisions of Section 3 (D) might well result in some employers provoking strikes in order to give them the opportunity to discharge the employe leaders.

To avoid the consequences of Section 3, and to legalize a strike under the bill, a union need only give early notice of a request for a conference to start the running of the sixty-day period during which strikes are forbidden. The result probably would be a great rush of premature notices for conferences. Sixty days thereafter employes would feel free to strike—with the sanction of the Congress. So, too, there would be premature demands for mediation, long before the possibilities of direct negotiations betwen the parties had been exhausted.

No standard whatever—except only that the dispute should affect commerce—is provided for determining whether the Federal Mediation Board should proffer its services, although a strike can become illegal only if it occurs after such offer. It is apparently left to the board's discretion. This places a heavy burden and extraordinary responsibility upon Federal mediation. Because of the serious consequences arising from the proffering of mediation services—namely the outlawing of a strike—mediation is likely to be discouraged and withheld in many cases where it might prove most useful. It is highly undesirable for the mere fact of mediation to operate so repressively upon one of the parties. Mediation should be welcomed by both parties to be effective. This provision would have just the contrary effect.

Bill Would not Affect Most Strikes

And, under Section 3, even if mediation is proffered, and the sixty-day period expires without results, nothing happens. No facts are publicly found; no recommendations are made; no report is issued. No matter how important the dispute—whether in the steel, the automotive, or the shipping industry, so long as it is not a public utility—at the end of the sixty days, there is the anti-climax of nothing.

Not one of the major disputes which have caused such great public concern during the past months would have been affected in any way by this bill had it been law at the time.

The railroad strike would not have been covered by the bill at all. And the coal, steel and automotive strikes were certainly not caused by an insufficient lapes of time between the unions' request for conferences and the calling of a strike. Each of these strikes would have had the full sanction of the bill.

Thus the very difficulties which this bill was presumably drafted to meet have been left untouched by it. These sections fail to provide a satisfactory method of coping with the labor-management disputes which confront the nation.

Proposed Mediation Board Defective

Section 4. This creates a new five-man Federal Mediation Board. All mediation and conciliation functions of the Secretary of Labor and the United States Conciliation Service are transferred to the board. The board, although technically within the Department of Labor, would not be under the control of the Secretary of Labor.

I consider the establishment of this new agency to be inconsistent with the principles of good administration. As I have previously stated, it is my opinion that government today demands reorganization along the lines which the Congress has set forth in the Reorganization Act of 1945, i.e., the organization of government activity into the fewest number of government agencies consistent with efficiency. Control of purely administrative matters should be grouped as much as possible under members of the Cabinet, who are in turn responsible to the President.

The proposed Federal mediation board would have no quasi-judicial or quasi-legislative functions. It would be purely an administrative agency. Surely, functions of this kind should be concentrated in the Department of Labor.

Since 1913 there has been within the Department of Labor and responsible to the Secretary of Labor, a United States Conciliation Service formed with the very purpose of encouraging the settlement of labor disputes through mediation, conciliation, and other good offices. The record of that service has been outstanding. During the period of one year from May, 1945, through April, 1946, it settled under existing law 19,930 labor disputes. Included in this total were 3,152 strikes, almost ten each day. The conciliation service has formed one of the principal divisions of the Department of Labor.

The bill proposes to transfer that service and its functions to the newly formed Federal Mediation Board. To me this is the equivalent of creating a separate and duplicate department of labor, depriving the Secretary of Labor of many of his principal responsibilities and placing the conciliation and mediation functions in an independent body.

In the eyes of Congress and of the public the President and the Secretary of Labor would remain responsible for the exercise of mediation and conciliation functions in labor disputes, while, in fact, those functions would be conducted by another body not fully responsible to either.

As far back as Sept. 6, 1945, I said in a message to Congress: "Meanwhile, plans for strengthening the Department of Labor, and bringing under it functions belonging to it, are going forward." The establishment of the proposed Federal mediation board is a backward step.

Section 5. Provides that it is the duty of the mediation board to prevent or minimize interruption of commerce growing out of labor disputes. The board may proffer its services upon its own motion or upon the request of one or more of the parties to the dispute. Where mediation does not succeed, the board is required to recommend voluntary arbitration.

Fact-Finding Provisions

Section 6. Provides that where a labor dispute threatens a substantial interruption of an essential public utility service, the board, in the public interest, may request the President to create an emergency commission, and the President is authorized to appoint such commission. The commission investigates and reports within thirty days after which the President must make the report public. The cooling-off period is extended for a maximum period of ninety-five days, with an additional thirty days upon the approval of the parties.

Much of the discussion with reference to Section 3 is applicable here. It is difficult to understand why the Congress has applied the fact-finding principle to public utilities but has omitted it entirely in other industries of equal importance.

The remaining sections of the bill have nothing whatever to do with the expressed objectives of the bill.

Section 7. Re-enacts in amended form the so-called Anti-Racketeering Act. On its face, this section does no more than prohibit all persons, whether union representatives or employes or others, from interfering with interstate commerce by robbery and extortion.

I am in full accord with the objectives which the Congress here had in mind.

However, it has already been suggested that some question may arise from the fact that Section 7 omits from the original act the provision that it was not to be construed so as to "impair, diminish or in any manner affect the rights of bona fide labor organizations in lawfully carrying out the legitimate objects thereof."

It should be made clear in express terms that Section 7 does not make it a felony to strike and picket peacefully, and to take other legitimate and peaceful concerted action.

Objects to Ban on Welfare Funds

Section 8. Provides that it is a crime for an employer to contribute to a welfare fund to be administered solely by an employe representative. It is also a crime for the employe representative to receive the contribution. Welfare funds established by employe representatives are to be restricted to certain specific uses. The prohibitions of the section are made enforceable by injunction. Certain routine exemptions to the operation of the section are made.

Welfare funds supported by employers and administered by unions are no novelty. I believe it is inadvisable to remove such a question as this from the scope of collective bargaining between employer and employe. This section does more than require that there be joint control of such funds. It specifically limits the uses to which the monies deposited in such funds may be put.

This whole subject needs long and careful study. To write into the permanent law the program for workers' welfare funds without a study by any committee of the Congress is, in my opinion, at least improvident. This particular provision was prepared and presented because of one of the items of controversy in the recent coal strike. I feel that this is altogether too important and too complicated a question to be disposed of hastily.

Foremen Should Have Right to Unions

Section 9. This provision deprives supervisory employes of their status as employes for the purposes of the National Labor Relations Act.

This section would strip from supervisory employes the rights of self-organization and collective bargaining now guaranteed them under the National Labor Relations Act. I fear that this section would increase labor strife, since I have no doubt that supervisory employes would resort to self-help to gain the rights now given to them by law.

This complex question has long

been under consideration by the National Labor Relations Board. The board and the courts have pointed out that supervisory employees have a dual capacity. In dealing with the employees under them, they act for management. However, with respect to their own wages, hours of work, and other terms and conditions of employment, they act for themselves. The full right of supervisory employees to the benefits of collective bargaining is one that cannot be lightly thrown aside.

Management Entitled to Proper Protection

On the other hand, management is entitled to proper protection. Somewhere in the area of disagreement between the parties the line can be drawn with reasonable accuracy. There has been no attempt to draw that line in this section.

Section 10. Provides that suits for violation of collective bargaining contracts affecting commerce may be brought in the Federal courts; labor organizations are deemed to be bound by the acts of duly authorized agents acting within the scope of their authority and may sue or be sued as a separate entity; money judgments against a labor organization are made enforceable but only against assets of the union; any employee who strikes or otherwise interferes with the performance of a collective bargaining contract in violation of the contract without approval of the labor organization party to the contract loses his status as an employee for the purposes of the National Labor Relations Act unless he is re-employed.

I am in accord with the principle that it is fair and right to hold a labor union responsible for a violation of its contract. However, this legislation goes much farther than that. This section, taken in conjunction with the next section, largely repeals the Norris-La Guardia Act and changes a long-established Congressional policy.

I am sure that, without repealing the Norris-La Guardia Act, changing this long-established Congressional policy, or imperiling the principles of the National Labor Relations Act, a sound and effective means of enforcing labor's responsibility can be found.

Section 11. This provision subjects various union activities to the anti-trust laws with all their criminal sanctions, injunctive remedies and provisions for treble damages. Although the section is entitled "Secondary Boycotts," the scope of the section in fact extends far beyond such matters. While its enactment would provide remedies that might result in the elimination of certain evils, such as improper application of the secondary boycott, it would also make those remedies available against recognized legitimate activities of organized labor.

That there are some abuses in this field, no one can gainsay. I deplore the strike or boycott arising out of a jurisdictional dispute as one of the most serious of such abuses. A way must be found to prevent the jurisdictional strike. It cannot be justified under any circumstances. I am convinced, however, that the anti-trust laws, the objectives of which are the elimination of unfair business practices and the protection of free competition, are not designed to solve the abuses pointed out in this section.

In this regard, however, I do not need to emphasize the necessity of applying the anti-trust laws to combinations between employers and labor designed to restrain competition.

Wants Anti-Injunction Act to Stand

Section 11 (c) rescinds the Norris-La Guardia Act with respect to anti-trust actions against labor organizations. The labor injunction is a weapon to which no private employer should be entitled except within the careful restrictions laid down by that Act. We should not invite the return to the practice of issuing injunctions without notice or hearing and a revival of the other abuses that tended to discredit our courts and give rise to the widespread popular denunciation of "government by injunction."

Injunctions requested by the Government itself and designed to restrain strikes against the Government in cases where refusal to work for the Government has produced a condition of national emergency, are, to my mind, an essential element of government authority. This authority, however, should not be available to private employers under the vast variety of conditions contemplated by Section 11 of this present bill.

Sections 12-14. These sections include provisions with respect to making copies of collective bargaining agreements available to the public and with respect to furnishing available data which may aid in the settlement of labor disputes. They are unobjectionable.

Sees Need of Further Study

The passage of H. R. 4908 confirms the need for a careful study of labor-management problems with a view toward long-range remedies. It demonstrates the dangers of attempting to draft permanent labor legislation without painstaking and exhaustive consideration.

H. R. 4908 strikes at symptoms and ignores underlying causes. As I have noted, not a single one of the recent major strikes would have been affected by this bill had it been law.

As I said to the Congress on May 25, we should immediately have temporary legislation, dealing with the urgencies of the present, so that strikes against the Government which vitally affect the public welfare can be halted. This is necessary in the midst of the extraordinary pressures of reconversion and inflation. I have asked the Congress for such legislation. The precise form which such emergency legislation is to take is, of course, for the Congress to decide. But if the form adopted is inadequate, the responsibility must also rest with the Congress.

It must be remembered that industrial strife is a symptom of basic economic maladjustments. We cannot attribute work stoppages to any one factor. As we move from war to peace, severe strains are placed upon our economic system. Labor and management alike are seeking security. The combination of rising prices, scarcity of commodities, lowered standards of living, and altered tax programs today create fears which are present at the conference table to disturb the orderly process of collective bargaining.

A solution of labor-management difficulties, therefore, is to be found not alone in well-considered legislation dealing directly with industrial relations, but also in a comprehensive legislative program designed to remove some of the causes of the insecurity felt by many workers and employers.

Renews Social Security Recommendations

During the past ten months I have urged the Congress to enact such a program. Among the proposals which I have recommended are adequate insurance against unemployment, health and medical services for families of low and moderate income at costs they can afford, a fair minimum wage, and the continuance of the price control and stabilization laws in effective form. These measures would remove some of the major causes of insecurity and would greatly aid in achieving industrial peace.

Our problem in shaping permanetn legislation in this field is to probe for the causes of lockouts, strikes and industrial disturbances. Then, to the extent possible, we must eliminate these causes. Strikes against private employers cannot be ended by legislative decree. Men cannot be forced in a peacetime democracy to work for a private employer under compulsion. Therefore, strikes must be considered in the whole context of our modern industrial society. They must be considered in the light of inflationary pressures, of problems of full employment, of economic security.

Legislation governing industrial relations is workable only when carefully considered against this broad background. I am confident that with painstaking and dispassionate study which will probe fairly and deeply, Congress can evolve equitable legislation which promises an era of peaceful industrial relations.

Affirmative Policy Called For

We accomplish nothing by striking at labor here and at management there. Affirmative policy is called for, and a Congressional committee such as I have suggested is the best means of formulating it.

There should be no emphasis placed upon considerations of whether a bill is "anti-labor" or "pro-labor." Where excesses have developed on the part of labor leaders or management, such excesses should be corrected—not in order to injure either party—but to bring about as great an equality as possible between the bargaining positions of labor and management. Neither should be permitted to become too powerful as against the public interest as a whole.

Equality for both and vigilance for the public welfare—these should be the watchwords of future legislation.

The bill which I am returning to you does not meet these standards.

Many procedures have been suggested from time to time by students of the problem. They should all be considered. A comprehensive study of this problem should be based on a realization that labor is now rapidly "coming of age" and that it should take its place before the bar of public opinion on an equality with management.

It is always with reluctance that I return a bill to the Congress without my approval. I feel, however, that I would not be properly discharging the duties of my office if I were to approve H. R. 4908.

Is You Is, or Is You Isn't

According to Martin Judge, Jr. of Lauterwasser & Co., 145 Sutter Street, San Francisco, in the early days of San Francisco a very successful merchant on Montgomery Street had in his private office two large photographs on opposite walls. One was of a jolly fellow, stoutish with flowing sideburns, and under him the caption "I sold too soon." The other was a cringing fellow with tears in his eyes, and had under him the legend, "I didn't sell." Whenever the merchant had an intricate problem to solve he studied both pictures and often came to the conclusion that "If the other fellow expects to make a profit, it's all right with me—I've got mine." Copies of this fable, illustrated with sketches of the two gentlemen, may be obtained from Martin Judge, Jr.

Butler Herrick to Admit

Butler, Herrick & Marshall, 30 Broad Street, New York City, members of the New York Stock Exchange, will admit J. Edwin Taylor to partnership in the firm on July 1st.

Securities Salesman's Corner

By JOHN DUTTON

There is a right way and a wrong way to do everything, even taking a vacation. This year if you take a vacation do it right. Some people don't know how to forget their business. They take it home with them at night, they think about it when travelling to and from work, and they carry it along even when they are far away from their office supposedly enjoying a rest.

The main purpose of a vacation is to clear up your thinking as well as invigorating your body. If going to your office has become a monotonous chore, if calling upon new prospects is an effort, if making a luncheon date with a client has lost its appeal, then it is time for a *change*. In the sports world they call this sort of thing "going stale." Salesmen go stale just like any trained athlete. When a champion ball player goes into a batting slump a smart manager's remedy is to take him out, and put him on the bench for a while.

So if you are going away this year leave your cares behind. Forget about financial news, don't talk shop, try and have a few weeks of complete change from your regular routine. It is change of scenery, of environment, of conversation and of thinking, that will give you the maximum benefit in both mental and physical rejuvenation. Then when you return to your job it will look bright and new to you and that's the way your work should appear to you at all times. A man's work should be the most interesting thing that he can do.

This is no argument for taking things easy just because business has been good during the past months. In fact, the way it looks from here, this is one summer when every salesman and securities dealer should be in constant touch with his customers and alert as to what is going on. With strikes and reconversion problems, also new deals breaking every day and elections coming in the fall, no one who owns securities can afford to neglect them. Good judgment, timing and sound analysis of underlying conditions, as well as the proper appraisal of individual securities, can only be done when your mind is clear and you feel physically fit.

If you come back to your work feeling fit as a fiddle and raring to go, you have done a good job on your vacation. If you don't you have wasted your time and some money, too. So leave your office behind you; it will be there when you come back and if you do this it will look better to you than ever before.

Hugh Severin Joins Schoellkopf, Hutton

Schoellkopf, Hutton & Pomeroy, Inc., announce that Hugh Severin, Commander U. S. N. R., has become associated with the firm in the New York office, 63 Wall Street. Commander Severin, a graduate of the U. S. Naval Academy, class of 1923, resigned his commission in 1924 to enter business, and was recalled to active duty in September, 1941, and served until May of this year.

From 1924 to 1937 he was associated with the First Boston Corporation in its New England, Philadelphia and San Francisco offices. The following two years he was with Dean Witter & Co. in San Francisco and from 1940 to the time he re-entered service he was with William R. Staats Co., also in San Francisco.

C. P. Nelson & Co.

BOSTON, MASS.—C. P. Nelson & Co., 10 Post Office Square, is engaging in the securities business.

J. Nick Thomas With J. C. Bradford & Co.

MEMPHIS, TENN. — J. Nick Thomas, Jr., formerly a partner in Winston & Thomas, which has been dissolved, is now associated with J. C. Bradford & Co., members of the New York Stock Exchange. Mr. Thomas will be in charge of the firm's newly opened Memphis office in the Sterick Building.

Hanlon Adds Field to Staff

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS.—Paul J. Field has become connected with Gordon B. Hanlon & Co., 10 Post Office Square, members of the Boston Stock Exchange. Mr. Field was formerly with Draper, Sears & Co. and its predecessors.

Ruble With Harris, Upham

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CAL.—Carl B. Ruble has been added to the staff of Harris, Upham & Co., 523 West Sixth Street. He was previously with E. F. Hutton & Company.

Road to Better Labor Relations

(Continued from page 3203)

get out of the trap which it built for itself—wherein it fixes wage rates with no regard for economic truth and justice—until it is prepared to stand its ground and refuse to grant some unreasonable and robber-like demand. To put this in still blunter words, strikes which are not supported by reason and justice should be broken and defeated.

These are ugly words. But they are true words, and there is no other way to meet the rapacious, vicious moves of some of our unions and their leaders. Up to this point, there has been no such thing as a lost strike because at some point the government has intervened and has granted more than the unions would otherwise have gained through collective bargaining. This was true in the recent railroad strike; it was true in the coal strike. Earlier it was true in oil, meat, automobiles, and electrical supplies.

The Administration's Course

We must face the fact that collective bargaining in any important industrial dispute will not result in a settlement, so long as the Administration pursues its present capricious course. To believe that we have finished with the strike period is to be blind to realities. More strikes—and more bitter strikes—are just ahead of us. This is true no matter what legislation may be passed. It is true simply because the Administration has not yet shown enough courage to stand up to any sizable union and say no.

Gradually, remedial legislation will have its effect. When we finally succeed in getting equality before the law, one or another union or union leader will begin to pay a penalty for wrong-doing, and a few examples will mean much in correcting the tendency of others to abuse their position. But the period of try-out of the new legislation will be a rough and stormy period, because every labor leader now realizes that the administrative branch of government is afraid of the unions. We will simply have to live through the period of defiance after the basic law is corrected.

Many people are misled these days, particularly those who have fixed ideas or convictions and have little realization of the changes which come from year to year. This is most tragic in the case of the liberal who fixes his hopes on an apparently honest movement or cause, who works energetically in its behalf, and who is still a follower after the movement or cause has turned into ignoble and dishonest paths.

Some Misconceptions

It might be worthwhile to examine a few misconceptions to illustrate this:

1. The belief that the CIO is a high-minded movement, devoted to winning recognition for groups of workers who have been denied their just rights in collective bargaining over wages, hours, and working conditions. Today the CIO is principally a political movement, with little concern for improving the condition of working men who belong to the movement. Its economists know the sham that is practiced in telling the poor follower that wages can be raised, effort reduced, and prices kept from rising all at the same time, but they don't care.

2. The belief that PAC can deliver at the polls. So long as PAC was riding on Mr. Roosevelt's magic carpet it claimed credit for all victories and a lot of people were ready to believe that it was powerful in itself. For the past year it hasn't amounted to much, and it isn't scaring any but the simplest-minded Congressman today.

3. The belief that CIO and AFL represent "the people," and count among their members a majority of the gainfully employed. Anyone who has a speaking acquaintance with statistics knows that the number of members in the unions today is far less than is claimed, that the CIO and AFL together don't have more than about one-firth of all workers to speak for, and that even the union members are not unified in their political beliefs or economic principles.

Gradually, little by little, people find these things out. The windy claims are exposed. The terrifying threats fall to the ground. And when that does happen, the disillusioned liberal is wiser and more difficult to mislead.

CIO's Southern Drive

A union campaign which is just beginning — the much-publicized attempt to gain new membership in the South—is one which already has received more attention in the press than it merits. CIO won't organize the Southern workers in any considerable numbers; most of the large-scale industries which are readily organized by industrial unions are already dealing with unions. And in small shops, the AFL will be more successful than the CIO, as it always has been.

The real purpose of the CIO's Southern drive isn't to improve labor's position, anyway. The real purpose is to try to recoup political losses by concentrating on a few office-holders in a small number of districts where big promises can lure a number of voters into the PAC camp if only for one election. These are desperate days for the PAC, and having failed in Detroit, Toledo, New York, and Cleveland in recent elections, its bosses will beat the drum in new fields.

The Task of Management

Now, lest I encourage you to feel that the unions will fail and fade away, I want to turn your attention to another point. The only reason for the change in public opinion toward anti-unionism is the bad record made by some of the unions themselves. This doesn't mean that we can just sit back and do nothing to improve conditions. Somebody has to provide leadership.

As one who believes in justice and dignity for the employee, I feel that management has a lot to do in the near future, to help bring back normal, progressive, and productive relations. While we have been trusting in the inherent good sense of the average worker, he has been gradually led into a belief that America isn't sound, its economic system is the wrong kind, and its aims aren't good. He hears from the union, the government, and a good many so-called economists that some big thing called "Industry" makes a great deal of money and could well afford to give him more than he gets, for the same work or even for less work. Now and then the company he works for may send him a pep talk about what a great thing "Free Enterprise" is, but those words mean nothing to him and he doesn't see that this has anything to do with his getting more money.

He doesn't know that the existence of industry, of the unions, of government, of his own family, all rest on the production of goods and services. Nobody ever told him that in simple terms. He believes that security is something which can be promised and delivered by government out of some bountiful supply of money, and he believes that money is wealth. He believes that government is all-wise and unselfish, and thereby is his best hope of refuge from the economic trials he faces. He believes that a few people have most of the money and most of the wealth, that this wealth is a constant pool which is inexhaustible and does not need replenishment, and that if all available money could once be divided on a share-and-share-alike basis everyone would be wealthy and happy from then on, with no one having to work.

We are blind if we do not realize that this is typical of the beliefs of millions of our citizens. Remember the appeal of "Every Man a King," of the Townsend Plan, of the Ham-and-Egg plan, of Thirty Dollars Every Thursday, and if you want to go back through history, the Ponzi scheme, and many more.

Ignorance of Economic Principles

Lots of good people simply do not know the rudimentary facts about how we manage to make a living on this earth. Not one out of a hundred knows what "real wages" are, in contrast to "money wages." Not one out of a hundred thousand stops to realize that there can be no security for any of us unless most of us work, and keep on working. And very, very few are well enough informed to know about the tricks which government plays on the citizen with hidden taxes and subsidies.

We are late, but we can start now to correct this terrible lack of knowledge. In talking to its own employees, for one thing, management can explain the "economic why" of things, in simple and understandable terms. Telling employees what the company policies are is not enough; we must tell *why* those policies were adopted. There are many cases where misunderstanding, doubt, and confusion arise not over the policy or rule itself, but over the *reason* for the rule. And this applies more strongly in the field of wages and prices right now, than in any other field.

The present period is notable for efforts being made by some business companies and their managers to break a habit of years and to speak frankly and honestly to their employees. I know of instances where strikes are now in progress, and where the company is telling its side of the story publicly through letters and advertising. There is no attempt to break the union in these efforts, there is nothing bordering on "unfair labor practices" unless it be unfair to state the truth.

Misinterpretation of Wagner Act

It really is too bad that the Wagner Act was framed in the way it was, and that so many employers took it to mean that they were barred from saying *anything* to their employees. To me, there should be no great difficulty in distinguishing between the type of approach which is aimed at destroying the union and the one which is designed simply to reveal the factual record and to state the truth.

Insulation between employer and employee grew up partly because of the silence of the employer himself, and we gradually got away from consideration for the employees as such, as we became concerned principally with the union and its agents. Far too often, now, the employees don't know what is going on in negotiation, don't know why the plant is struck, and have only a faint idea if any of what the company's position is. Only the union's own position is always adequately displayed.

Another bad habit is the use by management of fancy words and phrases which often are confusing to the listener, and which may muddy the waters instead of clarifying them. In many cases management turns to a writer who styles himself "public relations counsel" without having much more to recommend him than the ordinary facility of handling a typewriter such as any publicity man has.

There are good public relations men, who know their business and who know that part of their business is knowing the intimate details and problems of the company they work for. More and more, it seems to me, the development of good labor relations relies on the insistency by management that the published message be good, productive, and progressive. The mechanics of dressing up the message in nice typography mean little if the message itself is dry, dull, obtuse, or confusing.

Getting Management's Policy Across to Employees

Now—in getting management's policies "across" to employees, I repeat that we should start by realizing that these policies are based on certain experiences and logical, methodical principles. The first job should be to explain those fundamental basic guides, so plainly and so frankly that all of the later explanation of policy will make sense. It should be necessary to repeat the basic guides, now and then, because people forget and new people are coming along all the time who have not had the initial training.

It is something like the courses we take in school. Eventually we may get up to algebra and geometry — yet we never get there without a formal training in simple arithmetic. Today there are many people in management who are wasting their geometric messages because there hasn't been enough attention paid to arithmetic.

A Program of Employee Education

There are several simple, basic points about development of a good program of employee education which seem to me to be worth setting down:

1. *First*, the management must take pains to see to it that the job of channeling information from employer to employee is in good hands. Sometimes a man who is a very good thinker is not a good talker or writer—and sometimes it is the other way around. But obviously we have to get the good, clear thoughts first, then be sure that the method of transmitting them does not blur or dull the outline.

It seems to me that in this connection we will have to train more men who are expert in putting the ideas and policies of top management into easily-understood words. There is no easy solution to this. On the whole, I would say that we fail more often to express ourselves by trying the fancy, complicated and sometimes legalistic style, instead of seeking paths of language which would be more normal in everyday discourse.

2. Another important side of our problem is that of timing, and flexibility. I have noticed that in controversies between unions and business firms the union usually leads off with a series of hotly-phrased, bitter statements calculated to get headline attention. Management is mentioned for a day or two as being "unavailable for comment" and several days later may issue a long, heavy statement to the press. More often than not it is ignored or buried, particularly if the union in the meantime has loosed another blast of invectives or has coined a few more slogans.

Most of us know what has happened to slow up the management rseponse. Knowing that the union can say anything and not be held responsible, but that the company has to be careful with its words, the executives have had to spend hours and days in combing each phrase. Then the statement has to be passed by the legal adviser, then it has to be put through the public relations department.

Now, as a long-time editor and reporter, I know what it takes to get the headlines. It takes speed, dash, a flair for the unusual, a sense of humor, a knack of getting spice and color into words. Any company or industry can do this, and do it with perfect balance and ease, if it will only train the right men and take their advice about how to handle releases. Let me give you an example: When the CIO recently raised the cry of "Ability to Pay" I wondered for several days if anyone was going to think of the counter-argument for "Ability to Produce" which was the thing really at stake and which was a far better slogan.

3. Finally, it seems to me that we should use the spoken word more. Many companies now are making their first real attempts to carry on regular programs of dinner-and-talk sessions with supervision. A few have been doing this with all employees, sometimes finding it necessary to take them in separate groups because of the large size of the total force. To me, as a speaker who has appeared before a considerable number of such groups, this is most important. I have talked economics, labor relations, and good citizenship to people whose faces showed plainly that they were honestly anxious to get at the truth and ready to accept fair dealing. Management people have told me that such programs are producing the most heartening signs of intelligent and cooperative group spirit that they have seen in many years.

I feel that it is time for us to speak our minds. Far too many of our people are listening to the selfish proponents of minority interests. Far too many have no knowledge of fundamental economics, no regular reading or study habits, no access to unbiased and factual information. We can do something about it, and we should do something about it. Further, I might say that if we don't there will not be much doubt about our eventual collapse into socialism.

Let's quit being afraid to speak, and tell the employee what we know. That, after all, is what he wants us to do—and that is the right road to better labor relations!

American Airlines, Inc. Debs. and 3½% Stock Offered

An underwriting group headed by Kidder, Peabody & Co.; Lehman Brothers; Glore, Forgan & Co. and Emanuel, Deetjen & Co., on June 11 offered to the public $40,000,000 of 3% sinking fund debentures, due June 1, 1966, and 400,000 shares of 3½% cumulative convertible preferred stock, par value $100 of American Airlines, Inc. The debentures are priced at 100, to yield 3% to maturity, and the preferred stock is priced at $102 per share.

The net proceeds from this financing will be used by the American Airlines, Inc., to retire the outstanding $25,000,000 short-term bank loans obtained in February of this year from 54 commercial banks, for the purchase of flight equipment, for additional ground equipment, or advances to, or investments in, subsidiaries and for other corporate purposes.

New York Stock Exchange Weekly Firm Changes

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

Interest of the late William T. Childs in Stein Bros. & Boyce, Baltimore, Md., ceased as of May 31st.

W. Bertram Remey, partner in Hendrickson & Co., died on June 5th.

Dollar Averaging Is Advocated in New Edition of "Inv. Cos."

Dollar averaging in investment trust shares wsa advocated by Arthur Wiesenberger, head of the New York Stock Exchange firm of Arthur Wiesenberger & Co., 61 Broadway, New York City, as the best way for investors to cope with shifting market trends and for investment dealers to temper the "feast or famine" nature of their business.

Mr. Wiesenberger, who announced at a luncheon at the Bankers Club publication of the 1946 edition of his book, "Investment Companies," asserted that investment trusts are beginning to acquire a stature as imposing as that of savings banks, building and loan associations and insurance companies in the financial life of the country.

He estimated that the 125 active investment companies currently have $2.6 billions of assets under professional management for more than a million shareholders. This asset figure, he predicted, could easily be doubled within a few years if investors were given a greater appreciation of the advantages of dollar averaging.

"The only general assumption that must be made before considering such a program," Mr. Wiesenberger wrote, "is that security prices will continue to fluctuate and will not suffer a sinking spell from which they will never recover."

Investment company shares offer the ideal medium for dollar averaging, in Mr. Wiesenberger's opinion, because they provide diversification of risk, supervised management and convenience.

"In this year of easy money, with $180 billions of cash deposits and Government securities in the hands of the public, it would be worthwhile," he asserted, "for every investor to investigate the opportunities in dollar averaging with well-managed investment company shares. Likewise, security dealers might expect to avoid much of the denunciation which they customarily receive during bear markets, if today they were to intensify efforts to introduce this sound method of investment planning to clients."

Dollar averaging will especially appeal, he said, "to those investors who already know, whether from plain horse sense or from sad experience, that they will do better in the long run with a systematic purchasing program than by trying to get in at the low price on every decline and then trying to catch all the swings of the market."

Mr. Wiesenberger pointed out that dollar averaging is well suited to the individual with a steady income who wants to invest some specific part of it in securities.

"He can easily set up a dollar averaging plan as a savings program comparable in some respects to the savings created by the premium payments on a life insurance policy," he said. "Dollar averaging is also useful in setting up a planned investment program for the pension fund of a corporation, for a mutual aid society, or for a child's savings, when combined with the purchase of carefully-selected investment company shares."

Trefethen With Bacon

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CAL.—Van Syckle Trefethen has become associated with Bacon & Co., 256 Montgomery Street, members of the San Francisco and Los Angeles Stock Exchanges. Mr. Trefethen in the past was Oakland manager for Mitchum, Tully & Co.

Dayton Power Common Stk. Offered at $35.75

An underwriting group headed by Blyth & Co., Inc., and Mellon Securities Corp. on June 10 offered to the public 1,530,000 shares of common stock, par value $7, of The Dayton Power & Light Co. at $35.75 per share. The group was awarded the issue at competitive bidding on June 5 on a bid of $33.639.

The shares, which constitute the entire outstanding common stock of the company, are being sold by Columbia Gas & Electric Corp. in compliance with an order of the Securities and Exchange Commission issued under the Public Utility Holding Company Act of 1935, and none of the proceeds from the sale, amounting to $51,467,670, will go to Dayton. This is believed to be the largest public sale of common stock of a public utility operating company under the Holding Company Act to date.

The company was organized in Ohio in March, 1911, as The Hills & Dales Ry. Co., which name was changed in May, 1911, to the present one. The company is engaged principally in the production, transmission, purchase, distribution and sale of electric energy and in the purchase, distribution and sale of natural gas for residential, commercial, industrial and municipal purposes in the State of Ohio, serving a population of approximately 688,000.

The company's capitalization, in addition to the common stock, consists of the $28,850,000 outstanding first mortgage 2¾% bonds, due 1975 and 100,000 shares of 4½% cumulative preferred stock, $100 par value.

Tucson Gas Com. Stock Offered at $40 a Share

An investment banking group headed by Blyth & Co., Inc., and The First Boston Corp. on June 7 offered to the public 147,000 shares of no-par common stock of The Tucson Gas, Electric Light & Power Co. at $40 per share. The group was awarded the issue on June 5 at competitive bidding on the bid of $37.81 per share. The stock is being sold by Federal Light & Traction Co. in compliance with an order of the Securities and Exchange Commission issued under the Public Utility Holding Company Act of 1935, and constitutes all of the company's outstanding common stock.

Proceeds from the sale of the common stock are to be received by Federal and after such sale Tucson Gas, Electric Light & Power Co. will cease to be a subsidiary or an affiliate of Federal or its parent, Cities Service Power & Light Co., or the latter's parent, Cities Service Company.

The Tucson company, organized in Colorado in 1902, is a public utility operating company engaged principally in the generation, purchase, transmission, distribution and sale of electricity and in the purchase, distribution and sale of natural gas in the City of Tucson, Arizona, and the surrounding area. Its electric service area has an estimated population of approximately 92,000 and the gas service area of approximately 60,000.

Barker, Middaugh Now With Garrett-Bromfield

DENVER, COLO.—Frederick F. Barker and Harry W. Middaugh have become associated with Garrett-Bromfield & Company, 650 Seventeenth Street. Mr. Barker was formerly with Peters, Writer & Christensen. Mr. Middaugh was with Boettcher and Company; in the past he was in business for himself in New York City.

Municipal News and Notes

Columbus, O., Bonds Sold To Second High Bidder

Failure to use the official bid form, as required by the notice of sale, cost the account of Stranahan, Harris & Co., and Otis & Co., the award of the $500,000 Columbus, Ohio, electric light extension fund bonds which were placed by the city last Friday. This lapse resulted in the rejection of their bid of 100.86 for 1¼s and the sale of the bonds to a group headed by the Northern Trust Co. of Chicago, at a price of 100.789 for the same coupon. The bonds mature serially from 1947 to 1964, inclusive.

The sale, incidentally, demonstrated a marked difference of opinion among the various bidders with respect to price ideas. Thus, a syndicate formed by Blyth & Co., which was in third position, made an offer of 100.31 for 1¼s, while a group headed by Halsey, Stuart & Co., was next with a tender of 100.278 for the same rate.

Cuyahoga County, O., Local Debt Survey Again Issued

Roose & Co., Toledo Trust Bldg., Toledo, Ohio, are distributing the 1946 edition of "Comparative Statistics of Subdivisions in Cuyahoga County," thereby resuming a survey which was discontinued during the preceding two years because of war conditions. Like its predecessors (it was first issued in 1939), the current number includes a variety of information indicative of the financial standing of the county itself and of its various local units.

Of particular interest is the record given for each community of its debt payment status as of April 1, 1946, as compared with its previous experience. Included in the statistical data is a table contrasting the individual debt burden on Jan. 1, 1931, and Jan. 1, 1946.

An examination of the figures well merits the firm's statement that the "general improvement in practically every instance is outstanding and that of the overall picture is but short of being astounding." In support of this view, the bond house calls attention to the following:

The overall debt in Cuyahoga County on Jan. 1, 1931, was $298,470,122. The comparable total on Jan. 1, 1946, was $172,937,800, representing a reduction since the earlier date of $125,532,322, or 40%. Moreover, the downward trend is being currently maintained, as evidenced in the fact that the Jan. 1, 1943, aggregate of $226,200,437 was reduced by $53,262,637, or 23%, over the last three years.

It may be mentioned in passing, that in the May 7 primary election, the Cuyahoga County electorate approved the issuance of $14,055,000 bonds, while citizens of Cleveland, the county seat, authorized a total of $35,350,000. The county's debt on Jan. 1 last, however, was no more than $25,700,409, as against $50,979,606 on the same date in 1931. For the City of Cleveland the comparative figures were $97,112,512 and $127,359,558, respectively.

Horse Racing Pays—Ask The Tax Collector

While there may be some who may feel otherwise, the fact is that horse racing is paying off big dividends these days, according to the Federation of Tax Administrators, which recently revealed that 21 States permitting pari-mutuel betting collected $70,000,000 in taxes last year from racetrack operators. For this reason the Federation cautions, "Don't be alarmed if your State Treasurer is seen at the races—the chances are good that he is there in the line of duty." Continuing, the Federation says:

"The phenomenal rise of horse racing to a $1,500,000,000-a-year business has put racetracks in the limelight as an important source of State revenue. More than 18,000,000 U. S. citizens played the horses in 1945, betting twice as much as was wagered at the tracks in 1943.

"In New York State alone $450,663,000 was bet on horses last year. California bettors put $233,615,000 on the ponies in 1945 despite the fact that some California tracks weren't operating because of the war, while $168,060,000 passed through pari-mutual windows in Illinois and $103,664,000 in Maryland. Florida, usually a leader in betting on horses, was reduced to 15th place last year by wartime restrictions.

"State revenues from horse racing, generally in proportion to the amounts bet, followed the same pattern with New York taking in $30,333,000 in racing taxes, California $12,740,000, Illinois $4,251,000 and Maryland $3,816,000.

"In several other States, as well, the racing industry is an important item in the State budget. Rhode Island and New Hampshire rely on racing taxes for approximately 20% of their total tax revenues."

U. S. Supreme Court Confirms State Tax Rights

Legislative action in many states is expected as a result of the recent United States Supreme Court decision confirming the right of Ramsey County (St. Paul), Minn., to levy taxes on certain property sold by the Federal Government to private interests on the instalment plan.

The National Association of Assessing Officers stated that the decision will permit state and local governments to tax properties hereafter sold by the Federal Government to private owners on a time-payment basis. The decision permits taxation of such real estate as soon as the land contract has been signed, rather than being deferred until the final payment has been made and the title given to the new owners.

Ramsey County revenues will be increased more than $100,000 by the decision. The sum includes assessments covering the time elapsed since the property—an old postoffice—was sold into private ownership in 1939. At that time, the county assessed the premises at full value. Litigation began when the new owners claimed that since title to the property was still held by the Federal Government, it was immune to taxation.

The county took its case against the purchasers to the State Supreme Court in 1942 after losing in the District Court. The higher tribunal ruled in favor of the county, to the effect that since the new owner "is in complete possession, and is enjoying full use of the property as a commercial enterprise in competition with other like real estate in St. Paul. . . . it would seem that this property should bear its just proportion of the public tax burden." The U. S. Supreme Court has upheld this judgment.

The National Association of Assessing Officers announced that in recent years several states have abolished blanket exemptions to property owned by the Federal Government. During the last year, Alabama, West Virginia, New Hampshire and Connecticut removed such prohibitions from their tax laws. In Utah and Washington, constitutional amendments to remove similar exemptions will be voted on this fall.

Max Hewitt Now With Prescott & Co., Cleve.

CLEVELAND, OHIO — Announcement is made that Max A. Hewitt has become associated with Prescott & Co., Cleveland, members of the New York Stock Exchange and other exchanges.

For the past fifteen years, Mr. Hewitt has been with Blyth & Co., Inc., where he recently resigned as syndicate manager. In 1935 and 1936 he opened branch offices for Blyth & Co. in Cleveland, Detroit and Cincinnati.

Mr. Hewitt will make his headquarters in Cleveland but will divide his time between Cleveland and New York.

Admits R. K. Shimel

FT. WAYNE, IND.—Robert G. Shimel has admitted Robert K. Shimel to partnership in Robert G. Shimel Co., Standard Building.

Progress and Planning Under Housing Act

(Continued from page 3211)

ties for kiln drying average about 50% of capacity. So half of the sawed lumber would be kiln dried for 30 days and the other half would be air dried for six months. This would mean about a 100 day average for drying. It takes another 30 days for the lumber to reach the millwork manufacturer who averages about five days in additional drying. It takes another 30 days for distribution of the millwork to jobbers and about ten days after that for it to get to the contractor or retail dealer. The whole process takes about six months. Hardwood flooring takes about the same time to get from the forest to a home site and even framing lumber requires about five months to get into use if it is probably aged.

So the fact that you won't have all of the lumber you want by next week or next month doesn't mean that nothing is being done to increase production of lumber. As a matter of fact we have a *good* chance of meeting the 32 million board feet that is the goal for this year.

March lumber production was 2.6 billion board feet, an increase of 24% above February production, more than double the normal seasonal increase. Monthly lumber production figures, expressed in annual terms and adjusted for the five-year seasonal average show that the Civilian Production Administration forecast of 30 billion board feet for 1946 may be exceeded. The first quarter production was at an annual rate of 29 billion but the March production reached a 32 billion annual rate and only a slight increase is needed to realize the 1946 production goal of 32 billion board feet. A preliminary report just received that April production hit 2.9 billion feet gives us additional reason to hope that we will reach the goal.

Iron and Steel Products

Right now iron and steel products are a big headache in building materials. The National Housing Agency and CPA are working with the industry to step up production, but needless to say, nothing much could be done during the coal dispute, which hurt production of many other materials as well.

However, cast iron radiation has increased steadily since V-J Day from less than one million square feet per month to 2.35 million in March and 2.56 million in April.

Structural insulation board increased 21% to 166 million square feet in March.

Asphalt and tar roofing products expanded from 5.1 million squares in February to 5.8 million in March, raising the first quarter total to 16.6 million squares, a 10% increase over the last quarter of 1945.

First quarter production of 180,000 bath tubs exceeded the output in the last quarter of 1945 by 60%.

The March rate of production in warm air furnaces, 47,100 units, was almost equal to the average monthly rate for 1941, the biggest year in the history of that industry.

One thing that complicates the materials problem is the abnormal demand, a demand so great that even record-breaking production does not meet it. We have acted to cut this demand by stopping non-residential construction that is not essential or can be deferred.

This was done by a Civilian Production Administration order, strengthened just last week when CPA ordered its field offices to reduce the dollar volume of such authorizations by two-thirds.

But demand is still greater than supply. Remember the cigarette shortage last year? Actually the shortage wasn't as bad as it seemed but as soon as inventories were wiped out and cigarettes became a little scarce, the normal channels of distribution failed to do the job properly. There were under the counter sales, tie-ins where you had to buy some pipe tobacco to get cigarettes, and black market prices.

Bad Distribution

Shortages always make for bad distribution. In war we tried to correct this bad distribution by rationing, but we still had black markets and the other evidences of abnormal distribution.

We see the same thing in building materials. Right now distribution is rapidly becoming the number one problem in building materials. You in Buffalo know this from painful first-hand experience. Lumber stays in the producing area, normal channels are by-passed. The cause of this is not that prices are too low; the cause is that the demand is so great. This is shown by the fact that in materials where no one complains about the price, bad distribution still exists. We are taking the most important step to correct bad distribution in getting increases in production.

The Niagara Frontier Planning Board report specifically raises the distribution problem caused by the fact that mills are permitted to sell at retail in their local areas. This, the report points out, results in lumber being sold at the mill instead of being shipped to other sections of the country.

The trouble is not with the rule but with the abuses of the rule. It has long been customary for mills to make retail sales in their areas to serve customers to whom no other retail outlet is available. But when the black market operators use this as a dodge to sell wholesale quantities at retail prices it becomes an abuse.

We must stop these abuses. The OPA is moving to do just that. They have just finished training a large number of investigators to work with the Department of Justice to stamp out the black market in lumber.

It takes constant vigilance to make a priorities system work in a shortage as serious as the present one in building materials. I think the housing priority system is working out pretty well, but not well enough. We're going to see to it that it works better by slowing down on the issuance of priorities to get them into proportion with the supply of materials.

Right now priority holders in Buffalo or Kansas City or Atlanta are getting the building materials that go into these towns, but that is scant help to you if faulty distribution is keeping materials from your town. Tighter controls may be necessary. We may have to extend priorities all the way back to the producer.

Want No Unnecessary Controls

I don't want any controls that are not absolutely necessary. Industry does not want them either and has said ever since the war's end that uncontrolled distribution through normal channels is the best way to get fair distribution. I sincerely hope that the present maladjustment of distribution is only temporary and that industry will be able to correct it quickly.

We don't want to have to allocate lumber or any other material on a geographical pattern to get normal distribution through normal channels, but we *must* have a fair distribution of lumber and other building materials.

Another aspect of the materials problem is the development of new products. Such things as light weight panels using metal and paper or plastic, but as strong as a conventional wall, can be used in factory-built homes as well as in those constructed on the site. They open the way to better homes for less money and they mean that more houses can be built now, even though there are not enough conventional materials to go around. Production of these new materials on large scale is encouraged through the guaranteed market provisions of the Veterans Emergency Housing Act. But, like the deevlopments in conventional materials, these new products do not guarantee overnight miracles. To get mass production of them we first have to tool up, to set up assembly lines.

The building materials problem isn't solved yet, but we are turning the corner and the road ahead is a lot smoother than the road we have just traveled. We haven't licked the problem, but we are licking it. Reports show that 315,000 dwelling units were started in the first four months of the year. We're getting better production every day to supply the materials to finish these houses.

What is the alternative to the materials production program I have outlined? To remove all so-called restrictive government controls. To throw building materials up "for grabs." First come, first served, highest bidder take all. Any such plan would cut the flow of materials for housing to a mere trickle. Non-residential building would get first call on materials. Next would come elaborate mansions and so on down until we ran out of materials somewhere in the upper brackets. This would mean virtually no new houses and apartments for veterans. They would have to be satisfied with second-hand housing or third-hand housing at inflated prices. Why should the veteran be given only the leftovers of housing? He has just performed a dangerous and unpleasant duty for his country. It is not too much to ask of that country that it give him a decent place to live.

There's another important point to remember about removal of all controls. In the past, housing has not developed at the rate of other industries. Almost the only time that housing has moved as fast as the rest of the economy has been during the dizziest whirl of a boom and bust cycle.

What happened after the last war? When controls were lifted, building prices skyrocketed out of reach and home construction dwindled rapidly and didn't recover until after a painful period of deflation. Lumber prices doubled, but production went up only 10%. Housing didn't really get going again until the middle 20s. This house-hungry nation cannot afford to repeat that disaster again.

A Ten Year Program

In fact not only can we afford no housing bust, but it is necessary for the nation to plan for a ten-year period of sound building at the accelerated pace set by the Veterans Emergency Housing Program. You have recognized this need in Buffalo in your plans for both private and public housing. The Senate of the United States has recognized it by passing the General Housing Bill which bears the name of Senator Wagner.

If you want statistical proof of this need, let me read what the Niagara Frontier Planning Board has to say about the past history of housing in Buffalo, a story that is typical of the rest of the country.

"If the ten-year period prior to 1931 is considered as a normal era of demand and construction and the average number of units constructed during that period was 3,145 units per year, then in fairness it may be assumed that in this area there should have been constructed an average of at least 3,000 units per year from the 15 years that have elapsed since 1930, or a total of 45,000 units. Yet 7,442 houses were constructed during the 15 years between 1930 and 1945. This, therefore, indicates a present backlog of needed housing that approximates 38,000 units." Actually, the increase in suburban population during this era, as the report points out, makes it fair to assume the backlog is even greater.

Contrast these figures with your planning board report that the 1946 housing goal for the whole Niagara Frontier district is 7,400 units, and you can see why the two-year program will just be a sprint on a treadmill, a desperate race to keep from losing ground, and why we need a long range housing plan.

Importance of Planning

I am glad to see increasing recognition of the importance of planning. I am glad to see that planning is getting out of the doghouse. We have wasted too much time and effort already operating under the fallacious theory that planning is impractical and that the American way is for things just to happen in some mysterious haphazard fashion.

Why anyone should be afraid of planning I don't know. When a manufacturer starts to bring out a new product, he plans when and where he will get his materials, where he will get the machinery, how he will dispose of the product, what it will cost him to make and what price it will bring, and he sets a sales schedule and a production schedule. Is that long-haired or un-American? Of course not. Well, then, what's wrong with setting production schedules on housing?

When we lay out an automobile factory do we let it just grow up like Topsy or do we plan it carefully? We plan it, of course. Yet somehow we are still afraid to plan as efficiently when we lay out our residential sections; in fact, we seem almost proud of not planning them. Sunshine and fresh air are free; they can be had in unlimited quantity without premium payments or raised price ceilings. Yet we have built thousands of homes under the smoke clouds from factories.

The time has come for a complete change in our approach to housing. We must plan neighborhoods as intelligently as we plan huge factories. We must tackle the production of homes with the assembly line technique. We must welcome new methods, seek them out, adopt them, approve them, and hunt for something newer yet. We must stop building homes with no more ingenuity and imagination than that which put the fringe on top of the surrey. We must see the imagination and ingenuity that changed automobiles from imitation buggies to the well engineered product of today.

Two facts in housing hit us in the face:

We are now in the midst of a critical shortage. The type of building that produced this shortage and made it worse with every year that passed is not going to end the shortage.

This nation cannot afford to have the shortage continue and grow worse.

In America we recognize that we have certain public responsibilities. This is recognized in taxation for police protection, courts and schools. It is admitted that every citizen is entitled to the protection of the law, that all children are entitled to free education. I say that everyone is also entitled to a decent place to live.

But if you want a harder-headed reason I say that we who have a decent place to live cannot afford the cost of the slums, the crime and sickness that breeds and festers there. Even if the slum is not in your city, you pay for the people in this slum who cannot fight for their country in time of war or add to its production in time of peace. It is cheaper to clean out slums than it is to pay rent for them year in and year out in the form of taxes, crime and disease.

In the next two years there won't be much chance to clear out slums or to build homes for the ten million non-veterans living in substandard dwellings. To do this calls for the decade of intelligent building proposed in a measure that is also an essential part of the Veterans Emergency Housing Program, the Wagner-Ellender-Taft Bill.

The bill provides four major tools for better housing. One consists of new financial aids to permit *private enterprise* to meet the needs of the great middle market never served adequately in the past. Funds are authorized to aid towns and cities in clearing slums and blighted areas and in assembling land for housing in accordance with sound planning principles. Other funds are authorized for technical research to lower building costs and to improve the quality of housing. And finally, the bill provides for the building of 125,000 units of public low-rent housing each year for the next four years to serve those whose incomes are so low that private enterprise is unable to provide them with decent housing.

The vital contribution offered both to home seekers and to builders by the Wagner-Ellender-Taft Bill is the aid extended in meeting the demand of the "middle market." It must be realized that although there is today a large potential market for homes from $7,500 up to more than double that figure, in the long run the great demand—the demand which can create a market lasting over the years and challenging the full capacity of the building industry—is in low-cost homes. These are the homes the worker can buy and rent, homes below the cost of the houses and apartments that have been built in real volume during the past few years.

If we can get down to low cost in building—and I believe we can, once we get going, using the technical and financial aids provided in the general housing bill—the housing industry will have a sound and lasting prosperity it has never achieved before.

I know that you in New York State and in Buffalo appreciate the importance of public low-rent housing because communities in the State have applied for assistance to build 24,450 low-rent dwelling units, to cost about $173,675,000. The City of Buffalo is already a leader among communities taking positive action to meet the housing needs of low-income families, with its present 1,900 units built under the United States Housing Act program. I hope that the prompt passage of the Wagner-Ellender-Taft Bill will enable you to build your other proposed units.

The Wagner-Ellender-Taft Bill is designed to accomplish one goal—a decent home for all American families, and it is designed to aid *private enterprise* to do the bulk of the job. The provisions of this bill to get better housing at less cost mean that every veteran who gets a home in the next few years—as well as in future years—will get a better home for less money. Prompt passage of this measure by the House is a necessity for the veterans, and a necessity for all the rest of us.

The housing needs of the United States are plain. We need to start two and a half million homes in the next two years so that our veterans will have a decent place to live. We need to keep on building at this pace until everyone in America is decently housed.

We cannot do this if we move forward grudgingly, turning our face from the future to look longingly back at the "good old days." The "good old days" are behind us, gone forever. The "better new days" are ahead. Let's go ahead.

Outlook for Trade With Italy

(Continued from page 3210)

people—bigger than that of the British Isles or of France.

These people may be conservative in many matters (family life, religion, education) but are fully awake to the advantages of industrial progress.

The average Italian is proud of the heritage which he received from his ancestors but he is also progressive; he likes innovations, improvements, new things, almost as the average American does. He likes them but lacks them.

History and economic conditions have prevented, so far, a great part of our population from having access to all those varied appliances, to all that wonderful equipment which in this country are owned and enjoyed by all classes and which constitute, in a certain sense, the physical frame of a larger and better life.

This serious shortage in our requirements was substantially increased by the provision of the Fascist Government which reduced, beginning with 1934, all importations to one-fourth of what they had been in 1933.

It was made more serious during the war by the suspension of all civil production. And to make the situation still worse finally came the destructions caused by the military operations.

How are we going to provide for all these needs?

A part of the supply may be produced by ourselves; another small part may probably be imported from other countries; but for the bulk of our requirements the Italian market must look to the United States.

Italy's Requirements

It would be impossible to make a fairly accurate list of those requirements. I will limit myself to mention some of the principal groups of commodities we most urgently need.

First of all, the equipment for the rebuilding of our transportation system (railways, stations, roads, bridges, etc.) and with it the rolling stock of different types that goes with them.

Then the equipment required to restore our communication services (telegraph and telephone) which have been seriously damaged during the war.

Next to these vital items come those which are required to put again in full production our agriculture (farming machinery and implements, fertilizers, livestock for the rebuilding of our cattle).

Another important section is represented by all kinds of machinery and equipment for the production of building materials and for the building industry itself. Italy will have to build in the next ten years something like 15 million rooms and to implement this extensive program in the most rational and economic way modern American machinery is considered particularly necessary.

A certain number of our gas plants and electric plants have been destroyed. They must be rebuilt and the construction of new water plants in the Alps, suspended during the war, will have to be resumed; also in this field of our national reconstruction our experts look to the American industry for the supply of essential equipment.

A certain number of factories have been destroyed, though most of the industrial plants of Northern Italy are intact. In rebuilding those factories our manufacturers will be very anxious to obtain from this country the best of the best that American engineering and experience has evolved in each line. Our industrialists have always been modern and progressive-minded.

The list might continue. I will only mention in closing some of the other typical American industries that should be asked to cooperate; automobiles, household appliances of all kinds; electric appliances; office appliances; chemical products; plastics; colors; surgical instruments; pharmaceuticals; radios, etc. The old staple raw materials, like cotton and mineral oil, will continue to be important items in the exportation from this country to Italy.

How Will Italy Pay?

How are we going to pay for all these importations? How can we get the dollars which you will have to receive in return for your goods?

We all have learned in the schools, though we seem often to forget in life, that there are only three sources from which a country can draw means to pay for those importations. These sources are (a) exportation of goods; (b) invisible exportation (tourists' traffic, shipping services, commissions, interest from foreign investments, etc.); (c) credits.

(a) Let us examine the first group. But before discussing in what way our future exportations to the United States may be built I would like to note that not only the goods which we will export to this country, but also any other goods which we may export to any other country will give us the dollars that we need to pay you. If we have to pay a thousand dollars in New York it will be just the same for us if we export one thousand dollars worth of olive oil to an American importer, or if we sell Italian wine to Switzerland, or Italian sulphur to Britain, or Italian marble to Sweden, as long as through these transactions we obtain the means to secure the dollars for our payment in New York.

Italy has had for many years a fairly good export business. Our exports began to suffer when high tariff walls began to be raised both on this side of the ocean and in Europe, and they were further reduced when the Fascist Government, with the hope of improving our balance of trade, drastically reduced our imports. We Italians learned then, at our expense, that you cannot expect to develop your exportations if you don't accept an increase also in your importations. That you must import if you want to export, and that it is your importations that generally build up the power of the other side to purchase your goods.

Italian exports are slowly being resumed. They will gradually increase with the improvement of our food situation and with the reactivation of our productive machinery. They will develop on a real big scale and give new impulse to our economy, if the great markets of America and Europe and those of the Commonwealth will be made more accessible, through a more liberal tariff policy and through a real and effective reduction of the many barriers which have hampered in these last twenty years the flow of trade between nations.

There are many commodities which we should be able to sell on a much larger scale in this country. First, the great group of edibles. Olive oils which seemed to have disappeared from your tables and for which there is such a big demand; Italian cheese of all kinds beginning with our famous Parmesan and continuing with the well-known Provolone, Pocorino, Gorgonzola, Robiola and several others which our dairy industry has developed in the last thirty years.

Cheese calls for wine. And here we have one of the most interesting items for our future trade. Italy has a very large wine production—not only do we produce many wines but we produce excellent wines. From the great classic red wines of Barolo, Gattimara, Valtellina, Bardolino, Chianti, Falerno, to the great white table wines of Capri, Soave, Coronata, Frascati, you have quite a choice of fine things. Near to the wines are the famous Italian vermouths. I have found well established in this country the Martini brand but there is at least another dozen of good firms making excellent vermouths which should be known in the States. Talking of "aperitifs," I will not forget the famous Campari, a bitter aromatic drink which has become extremely popular in Italy and which is largely known and enjoyed in Switzerland, France, Belgium and England.

Another great group is given by Italian liqueurs. Many of your boys began to make quite a study of these products when living in Italy. They will probably be able to tell you that the real classic Grappa, of wine grape, properly seasoned, can easily beat any brandy as an after-dinner liqueur. We also make Grappa from cherries, apricots, peaches, etc.—an ideal liqueur for ladies. We have some other famous liqueurs like Strega, Aurum, Cordial Campari, known all over the world. When the American public will get to know them, I am sure they will obtain a permanent place at your tables. And to finish with the subject of edibles I will mention at last the great variety of other Italian specialities like antipasti, salted raw hams, salami, anchovies, stuffed olives, etc. There is certainly a great future market for these items in this country.

Passing to the garment industry the first place should be given to felt hats. The famous Borsalinos are still being produced and with Borsalinos other excellent brands like Barbisios are also on the market. Americans still like good hats. They are buying and changing them very often. With a proper advertising and merchandising organization this should become a great item.

With the hats come Italian-made gloves which have always been imported in quantities. And to remain in the garment industry, fine lingerie like the ones you can find in Florence or in Venice, which will always have the preference of tasteful and refined ladies.

Straw hats and straw articles were imported for years in this country. This business will probably develop again in the future.

A big field for Italian exportations to America is going to be given by all fine leather work—that kind of leather work which is extremely well done in Italy. You can have the best equipment for traveling (satchels, suitcases, bags, etc.) and you can have the most tasteful leather pieces for the desk, for the home, for personal use (wallets, pocketbooks, ladies' bags, belts of all kinds, etc.).

For the fine preparation of the material, for the taste in colors, for refined workmanship and artistic design I have yet to see anything in any country which can come up to the similar production in Italy.

Another field yet undeveloped but with great potential possibilities is that of artistic and fine pottery. This has been for centuries one of the most famous Italian productions and the latest generations are continuing that tradition. Italian porcelain and earthenware, both for home and for decoration, are magnificent—design, colors and style blend in giving the most beautiful products. America has always been largely dependent on importations for these commodities. What we require is simply to make the public acquainted with these products of Italian art and Italian taste and when the public knows them a big trade will certainly be established. The same may be said for artistic glass work (Venice, Murano, etc.) for which there is still a good market.

Italian textiles have always been imported here, especially silk textiles and rayon textiles. The artistic value of many of them, the variety of their types should secure for them a larger market when tariff barriers are lowered.

Another big line is represented by what we call "artigianato"—artisans' products. It comprehends a variety of articles for decoration, for personal use or for adornment of the house. Made of the most varied materials but always with an artistic element in them. Especially in modern art we are producing excellent things in this field. A good study of this line, which is just appearing on a large scale in the market, will certainly repay the efforts of any intelligent American importer.

We have a number of other commodities which should have a much bigger market in this country. I will mention particularly the splendid Italian marbles and granites. No other country has such beautiful stones in all hues of colors, in all types of grain, splendid materials for architecture, and this beside the classic marble of Carrara for sculpture. To close this summary, I will mention at last raw silk, hemp, linen, musical instruments, essential oils, perfumes, toys, costume jewelry, shawls, modern art, furniture, art products in general; and the list might continue.

These exportations should help us substantially in the payment of our imports.

Italy's Invisible Exports

(b) Another group of resources which will give us the means whereby to pay for our importations is represented by the so-called "invisible exports." These have always played a great part in balancing our trade and will continue to do so in the future.

(1) The first of these items is given by the tourist traffic. If any one should be tempted to belittle the economic importance of this activity it would be well for him to remember that the prosperity of Switzerland was originally built essentially on the hotel industry.

Italy is in a much better position for this trade. No other country contains so many attractions. In Italy you find nature and history, scenery and art. You can go from the most famous glaciers of the Alps to the volcanos of Sicily, from the enchanting lakes of the north to the most beautiful beaches of the blue Mediterranean; or you can visit some of the most famous cities of the world like Rome, Florence, Venice where the greatest treasures in architecture, in sculpture, in painting are collected for our education and for our delights. The finest theatres of the world are in Italy.

The country has other features that make it an ideal resort for the tourist. A population which is hospitable, kind-hearted, simple and alert; a good climate, great wines, a traditional genius for cooking.

Americans have always visited Italy and they have always returned and lately hundreds of thousands of your boys have also come to our country.

I think that many of these soldiers will want some day to come back and show their families the places where they fought so bravely and the spots where they enjoyed their rest.

American education is extending every day. Your universities multiply. But no culture is complete without a contact with the great civilization from which we all come. Many young Americans will come to Italy to study history, art, music and many will come to rest from their studies.

Another section of Americans which will particularly wish to come to Italy is represented by those millions of your fellow citizens who descend from Italian families.

And lastly, there will hardly be any Catholic in this country who will not wish to visit Rome at least once in his life.

Before I close on this subject I would like to express the hope that some day some enterprising American will come to Italy and give us a chain of American-built and American-operated hotels. Together with your splendid railways and your great department stores I consider the American hotel as one of the most brilliant expressions of your national genius; and I feel sure that by joining American capital, planning and engineering, with Italian management and service, these hotels would soon become in themselves another attraction to Italy for the foreign tourists.

(2) Another item of invisible export is shipping. I do not know what will be the final disposition of the few Italian passenger ships that the war has spared. Whatever the fate that may await those ships I strongly feel the Italian shipping business will have again great opportunities on the seas.

The popularity acquired by our famous passenger liners with the American public, the increasing business our freighters were handling before the war, the ability we always seem to have to operate those services at very limited costs, seem to justify entirely these expectations. Here is another source of currency which will help us to pay for our imports.

(3) A third item is represented by services rendered by Italians to foreigners here and in other countries. This group includes a great variety of items, from the salaries of our artists abroad to the commissions earned by commercial agents; from the royalties payable to Italian patent holders to the copyrights paid to Italian authors for translations of their books or their reproductions for movies.

(4) I would lastly include in this class of invisible exports all the remittances which Italians abroad or foreign citizens of Italian descent are sending to their relatives or dependents in Italy. Taken singly they are generally small items, but the regularity of these remittances and their great number brings the yearly total to a very interesting amount.

(c) The third great source where a country can find means to pay for their importations is represented by credits. Credits by themselves do not represent a real solution of the problem. The country which borrows has always to provide for the payment of interest and the reimbursement of the principal. But there are many cases when the extension of credit by a richer nation is the only way to help a country to get again on her feet.

This is the situation of most European countries. It is typically the situation of Italy which needs to rebuild her national equipment. Your country has been saving Italy from starvation and ruin in the most difficult period of her history. Italians will never forget what you have done for them.

We hope that you will complete this splendid work by helping us to restore the foundations of our economic life, so that we can resume and increase production and thus be able before long to provide for our needs. It will be a great day for my countrymen when they will be able to return what you have given them in the hour of distress.

Italy as a Subsidiary Center of American Industries

We have been dealing so far with Italy and with America as with two countries which are exchanging their products.

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Outlook for Trade With Italy

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But Italy is to my mind something much more important and more interesting for American industry and for American trade than a good paying outlet for their surplus production and a good supplier of certain commodities.

Italy, and particularly its northern region, is extremely well fitted to become the operational basis and the subsidiary center of American industries in continental Europe. No other region is more adapted for this task.

The geographical situation between northern and southern Europe, between the western and eastern countries of the continent, and the two great ports of Genoa and Trieste; the climate; the abundance of electric power; the presence of important industrial plants which may be easily expanded and improved; the plenty of skilled and intelligent workmen; the very character of the people which are industrious and open-minded; ready to appreciate anything that comes from America; all these elements seem to make of this zone the most suitable location for those American industries which desire to produce at lower manufacturing costs for the great markets of central and southern Europe and for the entire region of the Mediterranean.

Already a number of the best known American organizations have established themselves in northern Italy and operate some of the most modern and well-equipped factories of the peninsula. These organizations do not take away any business from the industries in the States. On the contrary, in many cases where American imported products could not compete with the local production or with imports from other countries where production is cheaper, these American factories have been able to get the best share of the Italian market, to bring it within the influence of American technique and methods, to spread the knowledge of, and a taste for, American goods and appliances. Still more, they have been able to secure important orders from other countries, helping us to build up the foreign currency needed by Italy for her payments broad.

It has been my privilege to cooperate for long years with many of these firms and I may assure you that few things have contributed so much in the past to establish your country so high in the consideration of our people as these brilliant outposts of your splendid industry.

Finally, if we go back to consider the exportation of American products made in the States, Italy appears to me exceptionally well fitted for her particular conditions to become the great show window, the most appropriate and attractive center for the display of American products and for their distribution in the great markets of central and southern Europe, the Near East and the Mediterranean. London is practically outside of Europe; Paris is too much in the west; Berlin is out of the way. But take, for instance, a city like Milan. It is 2 hours by train from the great port of Genoa, 1 hour from the Swiss border, 4 hours from France, 4 hours from Austria, 7 hours from Germany, 8 hours from Yugoslavia. There is no other city where people from these various countries can more readily and more easily meet to transact their business and discuss their affairs. Besides, the city is just in the country where Europeans most like to come for their holidays.

Above all, Milan has one of the most important, best known, better organized Sample Fairs of the old continent, only second for importance to Leipzig; with extensive grounds, spacious and commodious place and show rooms, with services of all kinds for the exhibitors and for their customers, efficiently organized and intelligently operated.

At the last fair which was held in 1939 over 5000 exhibitors were present from 35 nations. Visitors ran up to over two million. Nearly 200,000 business transactions were closed during the 15 days of the Fair.

Already this year the Fair will reopen for two weeks in September and by next year it will resume its regular season in the month of April.

The importance of this sample fair can hardly be exaggerated. It will be the first to be held in southern Europe after the long interruption of the war.

Merchants, manufacturers and business men from all Europe and the Near East will attend, eager to study new products, to place orders, to secure contracts for the future with the best available sources of materials and goods.

I have been requested by the President of the Milan Sample Fair to contact American industries and American exporters and to extend to them his cordial invitation to attend this first great peaceful meeting of the nations, this first attempt of business men from all countries to rebuild international trade relations. On behalf of the American Chamber of Commerce for Italy I earnestly hope that this invitation will be widely accepted.

This is a great opportunity for American industry and American enterprise.

At no other time has American industry enjoyed such favorable conditions to take a firm hold and to secure a magnificent part in the great markets of Europe and the Mediterranean.

The stage is empty. Germany, which used to have the lion's share in the Italian market and in a very large portion of southern and eastern Europe, is out of the picture. Britain is making a valiant effort to recapture export markets and in a year or so she may again be on the spot. The Swiss are giving much attention to the Italian market but they are handicapped by lack of certain raw materials which they used to get from Germany and by the high rate of exchange. France will be absorbed for some time by the many problems of her internal reconstruction.

Only American industry with its powerful resources, with its endless range of productions is able today to give Europe, and particularly Italy, what they urgently need. Psychological conditions are particularly favorable. Never in history has America been so high in the respect and affection of the Italian people. American leadership in science, in the great field of industrial production, of technical management, of invention, is not only readily recognized but sincerely welcome.

But this favorable situation will not last, and if American industry will not take advantage of it at this moment and will let the occasion go by, others will step in, and later you will have to fight very hard and make every sacrifice to acquire those markets which today could be yours with a very limited effort.

I hope that the leading industries of this country will realize the importance of prompt action.

It is quite true that most industries have a great arrear of unfilled orders from the domestic market; it is quite natural that the idea of selling your goods to your American customers whom you know, who pay promptly, and on whose good-will you have always to depend for your future, is much more appealing to the average business man than the idea of venturing in trade in distant lands with people he does not know.

If we consider, however, the stupendous expansion that the war has brought to your industrial equipment and the enormous increase of your productive capacity, it is easy to see that when American production is resumed in full it will not take a long time before your industries, having supplied all the arrear demands from their domestic customers, will be confronted again with the problem of finding other substantial outlets for their goods in foreign countries.

It is urgent, therefore, that American manufacturers and exporters act promptly and take immediate advantage of the favorable situation which I have outlined. It is particularly important that a certain percentage, even a small one, of the present production be reserved by your factories for the export market.

If you cannot accept at this time important orders for early delivery, you may at least, by sample shipments which you can make to your agents and dealers in Europe, by the display of your products in exhibitions and fairs, by the distribution of catalogues, books and descriptions, inform the general public, and particularly your prospective customers in Italy, as to the kind and quality of your goods, the perfection of your appliances, the precision and simplicity of your devices and instruments.

The sooner these potential customers will come to know how well you can take care of their problems, how efficiently you can provide for their needs, the less likely they will be to accept an inferior article from some other source or to bind themselves for the future with other suppliers.

If you cannot export at this moment the finished products, you can make arrangements with Italian firms whereby you can supply certain parts and let the Italians complete the construction under your drawings and directions and sell the product under your own trade-mark. Or you may grant the license to an Italian firm to manufacture for your account your products according to your specifications and sell them on the Italian market in your own name and under your own trade-mark. You may do still better; you may enter into partnership with some of the best Italian industries and thus enter at once the Italian market. Many of those industries have fine plants, good modern equipment, experienced and competent staff, plenty of skilled labor and a number of loyal clients. But they lack liquid funds, they lack raw materials and are also anxious to improve and to perfect their production methods. You can easily give them what they lack and you can get in return a good interest, often a controlling one, in fine concerns which will thus become a part of your world's organization.

Progressive and far-seeing Italian business men are looking to a more extensive collaboration with American industry along these lines.

Most interesting opportunities are now offered to American capital in this connection, and it would be a great mistake not to take advanatge of them.

As you can see, in this transitional period, if exportation is not possible, you may still do many things which will make your products well known, which will accustom the public to the use of your goods and which will establish the ascendency of your trade-marks and the good name of your firms on such solid foundations that it will be very difficult afterwards for your competitors to deprive you of your vantage.

Only one thing you should not do, in my opion, and that would be to sit still in your offices and think only of domestic business, just at the moment when the markets of Italy and of her neighboring countries are wide open to your initiative for an extraordinary set of circumstances which may last a few months and which may never return. This is the time to act.

24,000 Units of Stock Of Preferred Utilities Offered by Syndicate

An offering is being made today of 24,000 units of Preferred Utilities Manufacturing Corp. consisting of one share of 5½% cumulative convertible first preferred stock (par value $10 per share) and one share of common stock (par value 10 cents per share) at $11.50 per unit by a group including Childs, Jeffries & Thorndike, Inc.; Minat, Kendall & Co., Inc.; Coburn & Middlebrook; and Clayton Securities Corp.

Construction of a new plant for the company at Danbury, Conn. has been virtually completed and the company is about to commence operations therein, where all manufacturing activities will be concentrated. Executive and main sales office is located at 1860 Broadway, New York City with a branch sales office in Boston, Mass.

Proceeds from the financing will be used to purchase machinery and equipment for the new plant at an approximate cost of $50,000, and the balance added to working capital.

Preferred Utilities Manufacturing Corporation, originally named "Industrial Products Company," was incorporated on July 28, 1920. Since its inception the company had been engaged in the design, development, sale and installation of oil burning equipment for heating, power and cooking, and accessory equipment and manufactures a complete line of unit steam generators.

Johnson & Co. Offers U. S. Airlines Stock

A group of underwriters headed by R. H. Johnson & Co. on June 12 offered to the public a new issue of 900,000 shares of common stock, $1 par value, of U. S. Airlines, Inc. at $3.25 a share. The net proceeds are estimated at $2,433,000, a large part of which will be used for working capital for development, expansion and sales promotion. The balance will be used to pay a loan to the Bankers Trust Co. of $250,000 and to purchase additional aircraft, hangar facilities and supplementing equipment.

The outstanding capitalization of the company upon completion of this financing will consist of 1,500,000 shares of common stock. There will be no funded debt or bank loans.

U. S. Airlines was incorporated in Florida in June 1944, to carry on the business of transporting cargo by air under contracts with shippers. Regular flight schedules are maintained between Miami and New York, New York and Boston, and New York and Chicago with an intermediary stop in Cleveland. Other regular flights include routes between Florida points and Chicago via Atlanta, St. Louis and Cincinnati, and between Boston, New York and New Orleans.

New J. S. Strauss Phone

SAN FRANCISCO, CALIF.—J. S. Strauss & Co., 155 Montgomery Street, announce that their telephone number has been changed to Exbrook 8515.

Hold OPA Responsible For Division of Scarce Goods Abroad

(Continued from page 3206)

for the most charitable, or otherwise the best of reasons, are deliberately diverted from their intended purposes for the private gain of officials and others in strategic positions of authority who can be bought.

Foreign pressure for American goods is reported very great at the moment. Large European merchants, who do a retail business in the tens of millions, now that they are cut off from their previous sources of supply in the central European area, are reported fighting among themselves for the limited quantity of goods which they can obtain in America through the use of their strong bargaining power, cunning or other means.

No one who understands matters is exactly surprised that some American goods, even some of the scarcer commodities, are finding their way to foreign shores. In fact, the feeling is general that foreign pressure for American goods will remain strong for three to five years at least. Unlike after the last war, the United States does not have to face a competitively strong intact Germany in the markets of the world today.

However, if it is true that the "trickle" is a steady one, and a sizable quantity of the scarcer commodities is leaving quietly but nevertheless effectively from our shores, because of the price competition which American merchants must face in the world market by reason of the OPA, it is felt that the American consumer will have to wait just that much longer to buy the things he needs and the wholesaler and retailer will be caught in a vicious squeeze of circumstances, being forced to sit on the sidelines while American manufacturers sell their still limited stocks to foreign customers.

If Americans had the British psychology of being willing to wait to buy the things they need, and want to give their country a chance to put foreign trade on a sound footing while chances are favorable for such an undertaking, the foreign business which American firms are doing now might easily serve as "extra trade" to the general enrichment of the nation. But the American need is great and there is just a question of exactly how much longer Americans can wait for essential supplies.

The effect which the OPA has of driving out of the country some of the scarcer commodities which Americans themselves could profitably use is quite evidently a feature of OPA price regulations, which has been pretty generally overlooked and which is deserving of more attention, it is felt. The whole matter is plainly illustrative of the way unseen and, for the most part unpredictable, events, caused by centralized governmental control of the country's complex economic system, can upset the hopes and calculations of the average citizen in the land and, for that matter, to defeat the intent of the law itself, and even of the lawmakers.

Lattner Industries Common Stock Offered

Chapin & Co., Detroit, Mich., on June 10 offered 100,000 shares of common stock of Lattner Industries, Inc., at par ($1 per share).

The net proceeds are to be used for general corporate purposes, including expansion of the corporation's business.

Siamese Twins

(Continued from page 3199)

investigation has not already been made is due entirely to lack of adequate manpower."

Here Mr. Treanor, the trial balloonist extraordinary of the Commission, is again threatening the securities industry.

His statement contains the implied admission that what he terms as "evil" is not contrary to law, but despite this, if it isn't, this same Mr. Treanor and the Commission for which he speaks will see to it that it is made so.

These "crusaders" with drawn sword are on the march to arrogate to themselves some more power.

What is this evil that so disturbs Mr. Treanor?

In effect, it is nothing more or less than the existence of preferred customers to whom the underwriters of new offerings cater.

It is the equivalent of the every-day commercial practice by merchants who give considerate treatment to their larger customers because it is economically more profitable to do so.

When underwriters find themselves "bagged" with a sticky issue, the SEC does nothing, and can do nothing, to make whole the resulting losses.

By a parity of reasoning the Commission should adopt a hands-off policy when firms selling new issues as original offerings do so pursuant to the well established trade customs and usages in the industry by first providing for the requirements of their existing customers.

When Jim Treanor goes haywire, he does so with a vengeance.

Amongst others, Treanor's rebuke was addressed to the NASD.

The National Association of Securities Dealers was told in substance that unless it did something about the insider allotment custom the Commission would conduct an investigation to put an end to this "evil."

The SEC dragooning the NASD is no novelty.

This makes "self-regulation" a mockery.

Those who adhere to the tenet that the whole subject of fair trade practices in the securities field is one for self-regulation by the industry have but to examine the Maloney Act for a bird's eye view of how this volition is being violated.

Under the act a national securities association must (a) register with the Commission; (b) file a registration statement in such form as is prescribed by the Commission; (c) restrict membership on a basis which appears to be necessary to the Commission.

The Commission has complete control under the Maloney Act of the rules of the NASD. No rules may be passed without the approval of the Commission, and it may by order abrogate any rule of a national securities association.

The SEC may request the NASD to adopt any specified alterations or supplement to its rules, and if such alteration or supplement is not adopted, the Commission may alter and supplement those rules of its own motion.

Finally, the Commission is empowered to suspend a national securities association and also to revoke its registration, a sweeping authority, that hangs like Damocles' sword.

If after an analysis of the Maloney Act it is ever again claimed that a national securities association is a voluntary body then we say that all language has lost its significance.

The threatening "or else" attitude of Mr. Treanor is sickening, always leaving in its wake the inference, if you don't do thus and so, we will lay it on much more heavily.

Although festooned with the terms "public interest" and "the interest of investors," we believe no student of the Maloney Act is deceived by what it does. We believe too that the progressive members of the NASD Governors also recognize its true import.

One of our correspondents has suggested that the NASD is a subsidiary of the SEC. This is a conservative understatement.

The Maloney Act knits them together as Siamese Twins. The one breathing and being wholly dominant is the SEC.

It sounds ludicrous for Treanor as a representative of the Commission to "request" a national securities association to do anything, for the Commission has the power to impose those "requests" in the form of rules upon the association.

Fortunately, in the instant case, "preferential allotments" do not appear to be contrary to the law.

If that is so, the Commission is powerless to pass any edict in the form of a rule against it.

How then, you will ask, is it possible for the Commission to have a voluntary securities association do what the Commission itself may not do, and why?

The how is easily explainable. Since the very life of a national securities association depends upon the will of the Commission, it will respond when persistently urged to do so. The paid executive personnel of a national securities association knows the continuance of its tenure depends upon the life of the association.

If a national securities association passes a regulation, even one which the Commission is powerless to pass, this comes within its alleged "voluntary features."

The SEC is limited by statute.

The fiction of a voluntary association, sometimes coupled by those whose purposes it suits with the Maloney Act, imposes no such restrictions.

The Commission's instant activities must be combated and the securities industry alerted to resistance.

Broker-Dealer Personnel Items

(Special to THE FINANCIAL CHRONICLE)
BERLIN, N. H.—**Harold F. Donnelly** has been added to the staff of **F. L. Putnam & Co.,** 77 Franklin Street, Boston, Mass.

(Special to THE FINANCIAL CHRONICLE)
BOSTON, MASS.—**Francis J. Flynn** and **Julius K. Ober** are now connected with **Hooper-Kimball, Inc.,** 35 Congress Street.

(Special to THE FINANCIAL CHRONICLE)
BOSTON, MASS.—**Albert Crosby** has been added to the staff of **F. S. Mosely & Co.,** 50 Congress Street.

(Special to THE FINANCIAL CHRONICLE)
BOSTON, MASS.—**John J. Martin, Jr.** has become affiliated with **F. L. Putnam & Co., Inc.,** 77 Franklin Street.

(Special to THE FINANCIAL CHRONICLE)
BOSTON, MASS. — **Frederick Miller, Jr.,** is now with **Spencer Trask & Co.,** 50 Congress Street.

(Special to THE FINANCIAL CHRONICLE)
CLEVELAND, OHIO—**Earl R. Evans** and **Richard E. Gibson** have become associated with H. L. Emerson & Co., Inc., Union Commerce Building, after serving in the armed forces.

(Special to THE FINANCIAL CHRONICLE)
CLEVELAND, OHIO—**John P. Cavano, Jr.** is now with **Gottron, Russell & Co.,** Union Commerce Building.

(Special to THE FINANCIAL CHRONICLE)
CLEVELAND, OHIO—**Edward D. Newton** is with **Hayden, Miller & Co.,** Union Commerce Building.

(Special to THE FINANCIAL CHRONICLE)
CLEVELAND, OHIO — **Mrs. Evelyn S. O'Connor** has joined the staff of **Wood, Gillis & Co.,** Union Commerce Building. Mrs. O'Connor was previously with Ball, Burge & Kraus and the Cleveland Trust Company.

(Special to THE FINANCIAL CHRONICLE)
DENVER, COL. — **Arthur F. Bosworth** has rejoined the staff of **Bosworth, Chanute, Loughridge & Company,** 660 Seventeenth Street, after serving in the U. S. Naval Reserve.

(Special to THE FINANCIAL CHRONICLE)
DENVER, COLO. — **Glen H. Oakes** is with **Amos C. Sudler & Co.,** First National Bank Building.

(Special to THE FINANCIAL CHRONICLE)
DETROIT, MICH. — **Frank H. Stearns** has become associated with **Marxer & Co.,** Penobscot Building.

(Special to THE FINANCIAL CHRONICLE)
DETROIT, MICH. — **Harris S. Snyder** is with **Chapin & Company,** Penobscot Building.

(Special to THE FINANCIAL CHRONICLE)
DETROIT, MICH. — **John K. Martin** has rejoined the staff of **Paine, Webber, Jackson & Curtis,** Penobscot Building.

(Special to THE FINANCIAL CHRONICLE)
HARTFORD, CONN.—**John B. Bain, Jr.** and **Charles E. Thenebe** have become connected with **Putnam & Company,** 6 Central Row.

(Special to THE FINANCIAL CHRONICLE)
HARTFORD, CONN.—**Charles D. Flagle** is with **Henry C. Robinson & Co.,** 9 Lewis Street.

(Special to THE FINANCIAL CHRONICLE)
ININAPOLIS, IND. — **G. E. Kemper** has been added to the staff of **Fisher & Co., Inc.,** 8 East Market Street.

(Special to THE FINANCIAL CHRONICLE)
JACKSONVILLE, FLA.—**Robert E. Breen** is with **Merrill Lynch, Pierce, Fenner & Beane,** 116 West Forsyth Street.

(Special to THE FINANCIAL CHRONICLE)
JACKSON, MICH. — **David A. Sommers** is now connected with **H. H. Butterfield & Co.,** Jackson City Bank Building.

(Special to THE FINANCIAL CHRONICLE)
KANSAS CITY, MO.—**Laurence B. Carroll** has rejoined **Prescott, Wright, Snider Company,** 916 Baltimore Ave., after serving in the U. S. Army Air Corps.

(Special to THE FINANCIAL CHRONICLE)
LOS ANGELES, CALIF.—**Nelson V. Harper** is with **Conrad, Bruce & Co.,** 530 West Sixth Street.

(Special to THE FINANCIAL CHRONICLE)
LOS ANGELES, CALIF. — **George F. Jacobsen** has joined the staff of **Carter H. Corbrey & Co.** 650 South Spring Street.

(Special to THE FINANCIAL CHRONICLE)
LOS ANGELES CALIF.—**Earl E. Wright** is with **First California Company,** 650 South Spring Street.

(Special to THE FINANCIAL CHRONICLE)
LOS ANGELES, CALIF.—**Ross Murray** has been added to the staff of **Flynn & Levitt,** 411 West Seventh Street.

(Special to THE FINANCIAL CHRONICLE)
LOS ANGELES CALIF.—**Julia A. Eastman** is now with **Holton, Hull & Co.** 210 West Seventh Street.

(Special to THE FINANCIAL CHRONICLE)
LOS ANGELES, CALIF.—**Gilbert W. Judge** has become connected with **E. F. Hutton & Co.,** 623 South Spring Street.

(Special to THE FINANCIAL CHRONICLE)
LOS ANGELES, CALIF.—**Gilbert L. Reed** is now affiliated with **Merrill Lynch, Pierce, Fenner & Beane,** 523 West Sixth Street.

(Special to THE FINANCIAL CHRONICLE)
LOS ANGELES, CALIF. — **Lewis S. Snyder** has become connected with **Pacific Company of California,** 623 South Hope Street.

(Special to THE FINANCIAL CHRONICLE)
LOS ANGELES, CALIF.—**Saul C. Weislow** is with **Leo Schoenbrun,** 1273 Westwood Boulevard.

(Special to THE FINANCIAL CHRONICLE)
MIAMI BEACH, FLA.—**Henry S. Thompson** is now connected with **Blair F. Claybaugh & Co.,** 421 Lincoln Road.

(Special to THE FINANCIAL CHRONICLE)
MILWAUKEE, WIS.—**Kenneth H. Givan** has joined the staff of **Gardner F. Dalton & Company,** 735 North Water Street.

(Special to THE FINANCIAL CHRONICLE)
MINNEAPOLIS, MINN.—**William D. Flynn** has become associted with **John G. Kinnard & Co.,** 71 Baker Arcade, after serving in the U. S. Navy.

(Special to THE FINANCIAL CHRONICLE)
PUEBLO, COLO.—**William H. Ranson** is now with **Macart-Jones & Co.,** Thatcher Building.

(Special to THE FINANCIAL CHRONICLE)
ST. LOUIS, MO. — **Kenneth P. Lagree** is with **Fusz-Schmelzle & Company,** Boatman's Bank Building, after serving in the U. S. Navy.

(Special to THE FINANCIAL CHRONICLE)
ST. LOUIS, MO. — **Edward J. Canavan** has joined the staff of **Herrick, Waddell & Co., Inc.,** 418 Locust Street.

(Special to THE FINANCIAL CHRONICLE)
ST. LOUIS, MO. — **William L. Weiss** is with **John R. Kauffmann & Co.,** 406 Olive Street. He was previously in the U. S. Army.

(Special to THE FINANCIAL CHRONICLE)
ST. LOUIS, MO.—**Walter H. H. Schaefer** is with **Slayton & Co., Inc.,** 111 North Fourth Street.

(Special to THE FINANCIAL CHRONICLE)
ST. PAUL, MINN.—**Keith K. Knopp** has been added to the staff of **Jamieson & Co.,** Endicott Building. He was previously with First Bancredit Corporation, and prior thereto with Greenman & Co., and Mannheimer-Caldwell.

(Special to THE FINANCIAL CHRONICLE)
ST. PAUL, MINN.—**Clarence E. McCarthy** is with **Feromack Securities Corp.,** Pioneer Building.

(Special to THE FINANCIAL CHRONICLE)
SAN DIEGO, CALIF. — **John R. Ehrich** is with **Hope & Co.,** San Diego Trust & Savings Building.

(Special to THE FINANCIAL CHRONICLE)
SAN DIEGO, CALIF.—**Stanley F. Kitto** has become connected with **Hope & Co.,** San Diego Trust & Savings Building.

(Special to THE FINANCIAL CHRONICLE)
SAN FRANCISCO, CALIF. — **John E. Buick** is with **American Trust Company,** 464 California Street.

(Special to THE FINANCIAL CHRONICLE)
SAN FRANCISCO, CALIF. — **Harold D. Barnard, Jr., Glen R. Casad, Willard L. Hardin,** and **Henry A. McMicking** are with **Dean Witter & Co.,** 45 Montgomery Street.

Michaels Bros. Stock Sold at $8.25 a Share

Burr & Co., Inc., and Reynolds & Co. on June 11 offered 100,000 shares of common stock, par value $1 per share, of Michaels Bros. at $8.25 per share. The issue was oversubscribed on the same day, and represented the first public offering made by the chain store enterprise since its founding in 1892.

The offering was part of a plan of recapitalization which has among its purposes the substitution of a simple capital structure consisting of a single class of common stock in place of the four classes of preferred stock and two classes of common formerly existing and the creation of additional capital required for increasing inventories, expanding the business and financing an expected increase in credit sales.

At present the company operates six retail stores and, through a subsidiary, two retail stores known as "Furniture Dealers' Outlets." The company sells furniture and home furnishings, carpets, rugs, electrical and gas appliances, refrigerators, radios, washing machines, etc.

UN Observations

(Continued from page 3198)

ering the entire matter on the major premise that it is the prerogative of the member nations—**as victorious allies**—to forage about the world to investigate both the past and present records of sovereign governments and root out those whose past military record may not satisfy them, as well as those current regimes whose form is not consonant with their own professed ideologies.

* * * *

The Spanish Government is being castigated as not "peace loving," as "a potential threat to peace," as barring free elections and freedom of assembly. Apart from the embarrassing query how this differs from the exhibited conduct of the chief accuser, the Soviet Union, it must be asked how an international body acting at all administratively and judicially, can set permanent standards for the point at which such alleged transgressions call for punitive action.

* * * *

The Spain sub-committee's report, which will be discussed both by the Security Council now and ad infinitum by the General Assembly in the Fall, being a smoke-screen for national political interests, is a compendium of double-talk. The conclusion arrived at by the committee is that Spain **now** is not a threat to international peace, but that she is a **potential** threat. She is not a threat in the month of June, but she will be in September. **But if she is a potential, not a present, threat, the logical recommendation should be not to recommend measures for the future, but to have a committee examine the situation every month or so to determine the exact conditions as they actually exist.**

* * * *

One of the main reasons advanced for blackballing Franco's Government is because of the black mark for his conduct during the early part of the war—his collaboration with the Axis dictators. Apart from the hypocricy of Russia's self-righteousness on this, as exhibited in her own 1939 Pact with Hitler, conversely we are now faced with the imminent Moscow-Tito conviction and probable execution of General Draja Mikhailovich, former wartime hero of Yugoslavia, in return for his trouble in having heroically led his Chetniks in actual battle against the Nazi invaders. It is indeed difficult to please!

* * * *

But of all the examples of "confused ideology" resulting from hard-boiled political motives, Moscow's recognition of Peron's Argentina must take the undisputed first prize—with no runner-up. With the same arguments that Gromyko is now using against Franco Spain, Moscow up to this very moment most persistently and bitterly carried on a feud against the "Fascist" Argentine Government—as evidenced at San Francisco when Russia made a most vital issue of her attempted barring of Argentina from the United Nations Organization. The advent of Peron by no possible stretch of the imagination has made Argentina less "Fascist", nor more suited to UN, than she may have been a few months ago. The only possible motivation for this ideological somersault is Moscow's political interest in making further penetration in Latin America. Perhaps the worst result of this is the public's growing realization of the actualities, and its consequent disillusionment and loss of faith in the United Nations organization.

* * * *

That the professed ideological faith of nations will continue to be a permanent source of controversy in UN is indicated once more by this week's argument in the Economic and Social Council, as to whether organizations which have collaborated with the Fascists shall be eligible to participate in UN programs. At the insistence of the Russian delegate, Nikolai Feonov, and after a long wrangle, a resolution was passed barring countries with "Fascist associations" from economic and social activities.

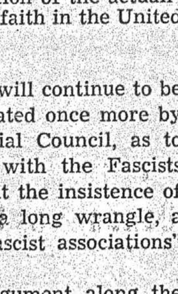
Such a rule is certain to incite recurring argument along the present Spanish pattern, in coming to decisions as to which organizations have actually become contaminated by Fascist sympathies, whether they have since become purged therefrom, and in fact exactly what may be meant by "Fascist association." Certainly there will be the same tendency, as is now exhibited in the Russian recognition of Argentina, to twist objective judgments about factors so nebulous as "Fascist sympathies," to fit the deep-seated political motivations. Then too, the more the standards for action are hazy, the correspondingly greater stimuli to internal dissension will thereby be provided.

* * * *

This wrangle over the potential disqualification of **organizations**, is of course additional to last week's controversy over the eligibility of non-UN nations for the relief measures to be instituted by the UN agencies. Both kinds of exclusion accentuate the quality of political or military alliance, in contrast to an all-inclusive worldwide organization.

* * * *

The appointment of Senator Warren R. Austin to succeed Mr. Stettinius as United States Representative on the Security Council, has come as a "stalwart," if somewhat surprising, choice. The President's selection of a Republican, again demonstrating the bi-partisan unanimity of our foreign policy—in contrast to our bitter internecine warfare at home—is most welcome. Far more significant is this than the inclusion of Senator Vandenberg in the councils, for the latter's original designation was routine because of his influence on the Senate's Foreign Relations Committee. The importance of bi-partisanship as a motive is underlined by the President's overlooking of such capable and/or politically desirable Democrats as Secretary Wallace, Robert Jackson, Sumner Welles, and Claude Pepper; and by the necessitated service of an interim appointee and makeshift arrangement, in the person of Herschel Johnson.



Warren R. Austin

Assuming the desirability of the quality of Republicanism in our representative, it is, however, not clear why two proven and brilliantly equipped members of that party were passed over, in the persons of Harold Stassen and John Foster Dulles. As a delegate to the San Francisco Conference, Captain Stassen (on temporary leave from the Navy) functioned brilliantly both in resolving the most difficult technical matters, as well as with respect to the broad issues. All observers have been most voluble in attesting to his "having the stuff." Mr. Dulles likewise proved himself at San Francisco, in settling a score of knotty problems and saving situations that were thrown in his lap by then-Secretary of State Stettinius. Since then Mr. Dulles has given invaluable aid to Secretary Byrnes in his trials and tribulations in the Council of Foreign Ministers. Both these men have had their great equipment successfully tested in extended UN experience.

John F. Dulles
Overlooked

Harold E. Stassen
By-passed

Is there possibly going to be a Truman policy of making appointments to desirable posts from the ranks of Congress—as political smartness?

Turkish Lend-Lease Settlement Agreement

(Continued from page 3210)

"Principles applying to Aid under the Act of March 11, 1941," their agreement to confer together and with other governments in the near future in the interest of

(a) the expansion, by appropriate international and domestic measures, of production, employment and the exchange and consumption of goods, which are the material foundations of the liberty and welfare of all peoples,

(b) the elimination of all forms of discriminatory treatment in international commerce, and

(c) the reduction of tariffs and other trade barriers,

Declaring it to be their policy

(a) to avoid the adoption of new measures affecting international trade, payments or investments which would prejudice the objectives of such a conference and,

(b) to afford to each other adequate opportunity for mutual consultation regarding the aforementioned measures,

Declaring that the recent Agreement between the two governments covering civil aviation and the application of the Government of the Republic of Turkey for membership in the International Bank for Reconstruction and Development and the International Monetary Fund are consonant with the spirit of the principles mentioned above.

Are agreed as follows:

ARTICLE I

The term "lend-lease article" as used in this Agreement means any article transferred by the Government of the United States under the Act of March 11, 1941:

(a) to the Government of the Republic of Turkey, or

(b) to any other government and retransferred to the Government of the Republic of Turkey.

ARTICLE II

The Government of the Republic of Turkey will pay to the Government of the United States a net sum of 4,500,000 United States dollars within thirty (30) days after this Agreement has been executed. This amount is in payment for

(a) all lend-lease articles in the categories of machine tools and other productive machinery, locomotives and other railroad rolling stock, and load-carying trucks of 1½ ton and greater capacity.

(i) for which the Government of the United States has not received any payment; and

(ii) which were in the possession or control of the Government of the Republic of Turkey, its agents or distributees at midnight on September 1, 1945, or thereafter passed into the possession or control of the Government of the Republic of Turkey, its agents or distributees.

(b) All lend-lease articles (other than those covered by requisitions calling for cash payment) transferred to the Government of the Republic of Turkey after March 11, 1941, for which the Government of the United States has not been reimbursed but for which it has been the policy of the Government of the United States to seek cash reimbursement from the Government of the Republic of Turkey.

(c) The net amount of claims due from one Government to the other arising out of World War II, excluding amounts still payable for lend-lease articles covered by cash reimbursement lend-lease requisitions heretofore filed by the Government of the Republic of Turkey.

ARTICLE III

The Government of the Republic of Turkey hereby acquires, without qualification as to disposition or use, full title to all articles described in paragraphs (a) and (b) of Article II hereof, and to all lend-lease articles now in the possession or control of the Government of the Republic of Turkey, its agents or distributees, for which the Government of the United States has been fully reimbursed.

ARTICLE IV

(a) Under Article V of the Agreement dated February 23, 1945, on the Principles applying to Mutual Aid Between the Governments of the United States and of the Republic of Turkey, the Government of the United States has the right to recover at the end of the present emergency, as determined by the President of the United States, such defense articles transferred under that Agreement as have not been destroyed, lost or consumed, and as shall be determined by the President to be useful in the defense of the United States or of the Western Hemisphere, or to be otherwise of use to the United States. Although the Government of the United States does not intend to exercise generally this right of recapture, the Government of the United States may exercise this right, under procedures to be mutually agreed, at any time after September 1, 1945, with respect to lend-lease articles, other than those described in paragraphs (a) and (b) of Article II hereof, which, as of the date upon which notice requesting return is communicated to the Government of the Republic of Turkey, are not destroyed, lost or consumed.

(b) The Government of the Republic of Turkey will not transfer or dispose of lend-lease articles, other than those described in paragraphs (a) and (b) of Article II hereof, to any third country.

ARTICLE V

Financial claims between the two governments arising out of existing arrangements (such as the agreements on the disposal of chrome stocks recently concluded and the sale of United States surplus property located both inside and outside of Turkey) where the liability for payment has heretofore been acknowledged and the method of computation mutually agreed are not covered by this settlement as they will be settled in accordance with such arrangements. In consideration of the undertakings in this Agreement, and with the objective of arriving at as comprehensive a settlement as possible and of obviating protracted negotiations between the two governments, all other financial claims whatsoever of one government, its agencies and instrumentalities, against the other government, its agencies and instrumentalities, which (a) arose out of lend-lease, or (b) otherwise arose on or after March 11, 1941 and prior to September 2, 1945 out of or incidental to the conduct of World War II, and which are not otherwise dealt with in this Agreement, are hereby waived, and neither government will hereafter raise or pursue any such claims against the other.

ARTICLE VI

The effective date of this Agreement shall be established through an exchange of notes which shall take place at Ankara as soon as possible.

Done at Ankara, in duplicate, in the English and Turkish languages, each of which shall be of equal authenticity, this 7th day of May, 1946.

For the Government of the United States of America
EDWIN C. WILSON

For the Government of the Republic of Turkey
HASAN SAKA

Fuller Offers Fidelity Electric Stk. & Warnts.

A syndicate headed by S. D. Fuller & Co., and including James D. Cleland & Co. and Vermilye Brothers, will offer tomorrow 74,500 shares of class A common stock, par value $1 per share, of Fidelity Electric Co., Inc., Lancaster, Pa., at $4 per share.

The net proceeds will be used for repayment of a bank loan, for acquisition of the assets of the predecessor company and for additional working capital.

Barnes With Holton, Hull

LOS ANGELES, CAL.—Louis B. Barnes is now with Holton, Hull & Co., 210 West Seventh Street, members of the Los Angeles Stock Exchange. He was previously with Van Denburgh & Karr and prior thereto with Conrad, Bruce & Co.

Cole Hoisington Affiliated With John M. Tittle Co.

Cole, Hoisington & Company, Incorporated, economic consultants and investment counselors, 120 Broadway, New York City, has become affiliated with the Chicago investment counselor firm of John M. Tittle & Company, 105 South La Salle Street.

Silver Compromise Advances

(Continued from page 3204)

to $1.29 an ounce, that is, to silver's "monetary value."

In the Appropriations Committee the silver Senators were very anxious that the measure as reported out by the Senate contain the proviso for $1.29 after two years. The silver Senators do not expect to get that proviso enacted. They expect the House to balk on that. But they want the $1.29 proviso for bargaining purposes, as a shield for the increases in the present subsidy price for Treasury purchases from 71.11¢ to 90½¢. As this article goes to press it is learned that amendments have been drafted by "jewelry" Senators to be offered from the floor when the silver rider comes up next week. One of these amendments would strike out the two-year limit on Treasury sales of surplus silver to industry. Removal of that limit implies as well elimination on the Senate floor of the $1.29 provision. If this amendment succeeds, the silver Senators will have lost one of their bargaining weapons for use in the Senate-House conference on the bill.

The other amendment being prepared by jewelry Senators would restore the original House language, at least insofar as it relates to price. The House rider to the Treasury Appropriation Bill provided for sale of surplus silver to industry at 71.11¢ during a two-year period. Either of these amendments will, if enacted, justify the nervousness which silver Senators have been exhibiting on this matter during the past fortnight.

Sen. Green Makes A Statement

Consulted by the writer immediately after the June 8 action of the Senate Appropriations Committee, Senator Green made it clear that he has resisted efforts to get him to commit himself to back the committee - approved compromise on the Senate floor. The Senator neither said that he definitely will or won't. The following was his statement to the writer in full:

"After a long and bitter fight the full Appropriations Committee has voted to report favorably the Treasury and Post Office bill including the compromise as recommended by the subcommittee.

"It was agreed that the bill would not be taken up in the Senate until after the Interior Department bill was disposed of and until after I had returned from Bermuda. I am the chairman of a delegation appointed by the Senate to attend the Empire Parliamentary Conference there. Its meetings cover four days beginning June 10. So the bill will probably come up in the Senate the following Monday, June 17.

"At the meeting of the subcommittee on April 30 I made the following statement: "In connection with my voting in favor of this compromise on the silver item of the Appropriation bill for the Treasury and Post Office Departments, I wish to restate my position. I voted in favor of it in this subcommittee and shall vote in favor of it in the main committee without in any way committing myself to any further action or inaction in connection with other silver legislation. In connection with any such legislation, I remain as free to act as though this item had never been acted upon."

"At the meeting of the full committee today (June 8), when that committee voted to report the bill with this compromise included, I repeated my statement of April 30, despite urgings on the part of the silver bloc that I agree unconditionally to support the compromise in the Senate."

Saltonstall Also Comments

Senator Leverett Saltonstall of Massachusetts, another silverware and jewelry state, informed this correspondent of his hope "that the silver problem can be settled as soon as possible. Our industrial firms need silver to keep people at work."

Senators Hayden of Arizona on whom has fallen much of the work in the Appropriations Committee relative to the compromise, and Sen. Milliken of Colorado, another silver mining state, declined to comment on the prospect.

Murdock Gives His Analysis

From Senator Abe Murdock of Utah, however, the writer obtained a detailed opinion on the developments in the Appropriations Committee. This silver bloc leader said:

"At this morning's meeting of the Senate Appriprations Committee the compromise agreed to on the silver question, arrived at between Senator Green and other Senators representing states where there is substantial fabrication of silver, and Western Senators, was made a part of the Treasury-Post Office Appropriation Bill in lieu of the rider attached to the bill in the House of Representatives. The essential differences in the House rider and the Senate rider were that the House rider provided sale of non - monetized Treasury silver at 71.11¢ per ounce; whereas the Senate Appropriations Committee compromise provides for the purchase of domestically produced silver by the Treasury at 90.5¢ per ounce and the sale of Treasury silver to the silver industry at not less than 90.3¢ per ounce, this price to continue for a period of two years from July 1, 1946. Then on July 1, 1948, the price to be paid for domestically produced silver is raised to its monetary value of $1.29 per ounce.

"Language identical to the Senate rider was introduced by me as a bill in the Senate, referred to the Banking and Currency Committee, and by this committee reported favorably to the Senate. It has now been on the calendar for several weeks, but has been prevented from being considered by the Senate by Senator Green and other Senators from northeastern states. It is my judgment that if my bill had been allowed to go through the Senate, long before now the silver industry would be getting all the silver it needed at the very reasonable price of 90.5¢ per ounce.

"Some Eastern papers have accused Western Senators of reneging on the compromise. This, of course, is a manufactured falsehood, and it was quite evident this morning in the Appropriations Committee that if anyone had backed up on the compromise it was Senator Green of Rhode Island, who, while voting for the compromise referred to in committee, refused to commit himself to support it on the Senate floor. This action, in my opinion, certainly is not the action of a Senator supporting unreservedly what he has agreed to by way of compromise.

"Silver cannot be produced profitably at 71.11¢ per ounce, but as 80% of our domestic silver is produced as a byproduct of lead, copper and zinc, an increase to 90.5¢ per ounce for silver is certainly a reasonable and fair price for the silver industry to pay the Treasury. The silver industry, in my opinion, can blame their own Senators for delaying for several weeks the availability of silver to them at the reasonable price of 90.5¢ per ounce."

Tax Repeal Stays in Compromise

Although the $1.29 price feature of the compromise is very unlikely to be retained in the final legislation on silver this year, especially since the Treasury has all along opposed such a price and so stated in the letter which was sent this year to Chairman McKellar of the Senate Appropriations Committee, the other features of the compromise which the Treasury opposes, such as the repeal of the existing 50% transactions tax on silver deals and the removal of all OPA ceilings on silver and silver products, seem destined to be enacted. Concerning the repeal of the tax, one Western Senator not mentioned above said:

"There is quite a lot of silver being held off the markets by foreign countries, awaiting determination by Congress of the present price-change issue. Once it is known that no higher price can be had than the one Congress will soon adopt, such silver will be released for sale to American industry. But for that to happen, it will be necessary to provide a suitable market. The existing silver transaction tax impairs the freedom of the market, and so the tax should be repealed."

Good Deal for the Miners

If the compromise goes through and becomes law, even without the $1.29 provision, it will be a good "deal" for the silver bloc. In exchange for permitting the sale to industry of **surplus**, non-monetized silver for a two-year period at a price which established **for two years** a ceiling of about 90.5¢, the Western silver producers will receive a guaranteed floor for their silver product forever. It is a compromise in which two years is balanced against eternity. Maybe sometime this country will clean up its monetary system and put an end to the silver-mining subsidy in the guise of monetary legislation. But nothing has happened during the last 14 years to disturb the silver statutes, excepting to enlarge them, and there is not any sign that anything will happen.

McCarran Still on the Scene

Senator McCarran, who over the years has tried a dozen different angles for getting something more for silver, is very much present at committee meetings where the subject is discussed. It is said that the Senator objected to the Appropriations Committee taking up the subject of the silver compromise in its June 8 meeting on the grounds that the notice calling the meeting had not listed silver among the topics to be there discussed; and that on investigation it developed that the Senator had instructed the committee clerk in sending out the notices calling the meeting to omit mention of the subject. In any case, the Nevada Senator was overruled and the subject was taken up and acted upon. Thereupon, McCarran insisted that the matter be not brought up on the floor until after the Senate had disposed of the Interior Department bill now pending, although he could not be prevailed upon to say why he wanted this additional delay, the report is.

Obviously, the silver rider is attached to an important appropriation bill, and the nearer the June 30 deadline, the more acute the situation. Eastern Senators may not wish responsibility for filibustering on a bill that will leave postmen unpaid. But silver Senators may not shrink from the prospect. They have faced it on other occasions, to advantage.

Hackenberger Added to Chas. A. Parcells Co. Staff

DETROIT, MICH. — Frank W. Hackenberger has joined the Sales Department of Charles A. Parcells & Company, 639 Penobscot Building, member of the Detroit Stock Exchange.

Mr. Hackenberger was formerly with the U. S. Department of Internal Revenue and the Detroit Ordnance District.

Business Man's Bookshelf

Getting Into Foreign Trade—Eugene Van Cleef—The Ronald Press, 15 East 26th Street, New York 10, N. Y.—$2.50

Investment Companies — 1946 Edition — Arthur Wiesenberger — Arthur Wiesenberger & Co., 61 Broadway, New York 6, N. Y.—cloth—$10.00

United States Government Obligations—New issue of an annual publication — Bond Department, The Northern Trust Company, Chicago 90, Ill.—paper

E. F. Gillespie Offers Cosmo Records Stock

E. F. Gillespie & Co., as sole underwriter, is offering to the public today 68,700 shares of common stock ($1 par), of Cosmo Records, Inc. The stock is priced at $4 a share.

Upon completion of this financing, outstanding capitalization of the company will consist of 300,000 shares of common stock There is no funded debt. Proceeds from this sale will be used by the company to expand its manufacturing plant at Massapequa, Long Island, to establish distribution centers and toward the payment of current liabilities.

Cosmo, which was incorporated on April 9, 1946 in New Jersey succeeded to the business of Dorbank Corp., Automatic Industries Inc., and Cosmopolitan Records Inc., by acquiring all the outstanding stock of these companies It controls the producing and marketing facilities required for the business of producing and selling records.

City Ice & Fuel Co. Debentures Offered

Offering of $12,000,000 City Ice & Fuel Co. 2¾% sinking fund debentures due 1966 is being made today at a price of par. Simultaneously warrants are being mailed to the company's stockholders, entitling them to subscribe to 114,827 additional shares of common stock, in the ratio of one share for each ten shares held, at a subscription price of $34 per share, which is substantially under recent market quotations.

The debenture offering and the offering of stockholders' rights are underwritten by a group of 26 houses headed by A. G. Becker & Co., Inc.

Proceeds from the sale of the debentures and common stock are to be used to retire $10,200,000 of term bank loans and $946,000 publicly held subsidiary bonds, and to increase working capital. Giving effect to the financing the debentures will be the only funded debt of the company or subsidiaries.

King-Seeley Corp. Stk. Offered by Eberstadt

A syndicate headed by F. Eberstadt & Co., Inc., and Watling, Lerchen & Co., are offering today (June 13) 127,500 shares of common stock, par value $1 per share, of King-Seeley Corp. at $25 per share.

The net proceeds are to be used to partly reduce bank loans and to increase general corporate funds.

Cotton Importers Elect Officers

Next year's officers of the Cotton Importers Association, Inc., were announced on June 10, after the annual election of the Executive Committees and Chairmen of the Sections, with Ralph Lawson of the firm of Anderson, Clayton & Co., Inc., N. Y., succeeding Elwood B. Kern, Jr., as President.

Mr. Lawson entered the cotton business in 1912 selling Egyptian cotton for the Boston office of R. & O. Lindermann of Alexandria, Egypt. He is a recognized expert on all growths of cottons, both domestic and foreign, and is considered as one of the leading authorities in the foreign field.

H. V. Linehan of the New York office of the firm of O'Donnell Bros., was elected Vice-President of the Association.

In addition to Mr. Lawson and Mr. Linehan, the following were elected to serve on the board of directors of the association for the ensuing year:

Paul Ceresole, of E. A. Shaw & Co., Inc., Boston, Mass.

Roy N. Russell, of W. R. Grace & Co., New York

George Emery, of E. A. Shaw & Co., Inc., Boston, Mass.

Williams in Pittsburgh AIB Post

Leon I. Williams, of the Peoples-Pittsburgh Trust Company of Pittsburgh was elected President of the Pittsburgh chapter, American Institute of Banking, at the annual meeting on May 28, said the Pittsburgh "Post Gazette" which in reporting this continued:

Other officers named were Elmer F. Schafer, Farmers Deposit National Bank, First Vice-President; Joseph T. Stephens, Colonial Trust Company, Second Vice-President, and Nevin J. Garver, William C. Fecke, Jean O. Hobby, Arthur S. Lauderbaugh, Leo S. Loughren and Frank S. Turner, Jr., Directors.

Ray to Head Texas Bankers Assn.

DeWitt T. Ray, President of the Liberty State Bank, Dallas, Tex. was elected President of the Texas Bankers Association at the organization's 62nd annual meeting in Galveston, on May 23, according to the Dallas "Times Herald" which further said in part:

He succeeds M. C. Ulmer, President, First National Bank, Midland Tex. whose term expired at the close of the Galveston meeting.

Mr. Ray is a member of the Executive Council, American Bankers Association, and has been active on many committees, both of the ABA and the Texas Bankers Association.

Thos. Marsalis to Admit

Thomas Marsalis & Co., 11 Wall Street, New York City, members of the New York Stock Exchange, will admit Thomas F. McKenna to partnership on June 20th. Mr. McKenna will acquire the Exchange membership of John B. Moriarty.

Securities Now in Registration

● **INDICATES ADDITIONS SINCE PREVIOUS ISSUE**

● **Acme Industries, Inc., Jackson, Mich.**
June 3 (letter of notification) 46,000 shares of $1 par common stock. **Underwriter**—Stoetzer, Faulkner and Co. **Offering**—Price, $6.50 a share. **Proceeds**—For payment of outstanding bank loans.

● **Acro Chemical Products Corp., Peapack, N. J.**
June 6 (letter of notification) 73,500 shares ($1 par) common stock. **Underwriter**—Donald Young & Co. Inc. **Offering**—Price, $3.87½ a share. **Proceeds**—Of the net proceeds, $100,000 will be loaned to Cleveland Laboratories & Manufacturing Co., Inc., a subsidiary, for the purpose of retiring the subsidiary's obligation in that amount to Fidelity Union Trust Co. Remaining proceeds will be added to working capital.

● **Aeronautical Securities, Inc., New York (6/25)**
June 6 filed 500,000 shares of capital stock (par $1). **Underwriter**—Calvin Bullock, New York. **Offering**—The shares will be offered publicly at a maximum offering price of $5,360,000 (determined at the offering price computed on the basis of the net asset value on June 4, 1946, viz., $10.72 a share). **Proceeds**—For investment. **Business**—Investment company.

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 (6/18)
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 Investment Co. of Illinois (6/20-21)
May 24 filed 90,000 shares 5% convertible preference stock (par $25). **Underwriters**—Alex. Brown & Sons. **Offering**—Holders of 5% cumulative convertible preferred stock may exchange their holdings on the basis of two shares of preference stock for each share of preferred between June 14-19. 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.

● **Arkansas Western Gas Co., Fayetteville, Ark. (6/24)**
June 5 filed 33,639 shares of common stock (par $5). **Underwriters**—Rauscher, Pierce & Co. Inc., and E. H. Rollins & Sons Inc. **Offering**—Stock will be offered to the public. Price by amendment. Shares are being sold by six stockholders. **Business**—Public utility.

● **Attwood Iron Industries, Inc., Gr. Rapids, Mich.**
June 3 (letter of notification) 200,000 shares of common. **Offering**—Price, $1 a share. No underwriting. To provide plant, machinery, equipment and working capital for operation of a gray iron foundry.

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.

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**—Stephenson, 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. (6/18)
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.

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.

Budd Company, Philadelphia (7/9)
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 s ockholders of record on June 21 at the rate of one additional share for each five common shares held. Rights expire July 8. 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.

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. **Bids Invited**—Company will receive bids for the purchase of the securities at the office of Bankers Trust Co., 16 Wall St., New York, up to 12 Noon (EDST) on June 17. The interest rate on the bonds is to be specified in the bids.

California Oregon Power Co., Medford, Ore.
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.

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 (6/17)
May 27 filed $1,872,000 15-year 3% debentures, due 1961. **Underwriters**—Paine, Webber, Jackson & Curtis. **Of-**

fering—Price by amendment. **Proceeds**—For redemption of entire issue of 15-year 3¾% debentures, due 1960, at 103¾% plus accrued interest.

Central Electric & Gas Co., Sioux Falls, S. D.
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, 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 Ohio Light & Power Co., Findlay, Ohio
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.

Chefford Master Manufacturing Co., Inc., Fairfield, Ill.
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.

● **Chicago & Southern Air Lines, Inc., Memphis, Tenn. (7/1)**
June 10 filed voting trust certificates for 170,000 shares of no-par common stock. In addition, the company registered 42,000 shares of common issuable upon the exercise of warrants for purchase of common stock at $30 a share up to Oct. 27, 1955. **Underwriters**—Kebbon, McCormick & Co., Chicago, and I. M. Simon & Co., St. Louis, Mo. **Offering**—Certificates will be offered to the public. Price by amendment. **Proceeds**—Net proceeds will be used for the purchase of 10 Martin 2-0-2 aircraft and spare parts; for training costs and foreign route installation costs; for a new office and hangar at Chicago, and additional working capital. Proceeds from the sale of stock pursuant to the warrants will be allocated to capital account. **Business**—Passenger and express air service.

City Stores Co., Philadelphia (6/18)
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.

● **Consolidated Retail Stores, Inc., St. Louis (6/25)**
June 6 filed 60,000 shares 4¼% cumulative preferred stock, series A (par $50). **Underwriter**—Central Republic Co. (Inc.), Chicago. **Offering**—New preferred will be offered in exchange to holders of company's $2.75 cumulative preferred on a share for share basis plus a cash payment of $1 by the company and dividends accruing on the $2.75 stock. Common stockholders will be offered the right to subscribe for the new stock at $52.50 a share in the ratio of one share of new preferred for each 12½ shares of common owned. Remaining shares will be sold to underwriters who will reoffer it to the public at $52.50 a share. **Proceeds**—Net proceeds will be used to redeem the unexchanged shares of $2.75 preferred at $53.50 a share and as additional working capital. **Business**—Operation of stores selling women's and children's apparel.

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.

● **Continental Air Filters Inc., Louisville, Ky.**
June 3 (letter of notification) 20,000 shares of class A and 20,000 shares of class B common. Offering price, $6 a unit consisting of one share of class A and one share of class B common. No underwriting. To equip factory and for working capital.

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.

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.

Delhi Oil Corp., Dallas, Texas
May 23 filed 175,000 shares common stock (par 50¢). **Underwriters**—No underwriters. **Offering**—Shares will be offered for sale to common stockholders of record June 20 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.

Denman Tire & Rubber Co., Warren, Ohio (6/17-21)
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.

● **Detroit Aluminum & Brass Corp., Hamtramck, Mich. (7/1)**
June 11 filed 181,440 shares ($1.25 par) common stock. **Underwriters**—Baker, Simonds & Co., Detroit. **Offering**—The stock will be offered to public at $10 a share. **Proceeds**—The shares are being sold by six stockholders who will receive net proceeds. **Business**—Manufacture of bearings and bushings for use in internal combustion engines.

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**—Price by amendment. **Proceeds**—$2,610,825 from sale of debentures will be used to redeem $4.25 cumulative preferred stock which is callable at $105 a share plus dividends; $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.

Doman-Frasier Helicopters, Inc., New York
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**—Hill Richards & Co. **Offering**—105,000 shares will be offered to public. Price by amendment and 20,000 shares will be offered for sale to officers and employees not at present stockholders and to the employees's bonus and profit-sharing trust. **Proceeds**—Approximately $1,000,000 will be used to expand and increase inventory and balance to increase working capital.

● **Duggan's Distillers Products Corp., Newark, N. J. (6/14)**
June 5 (letter of notification) 149,400 shares of common stock (par 10c) and 100,000 stock purchase warrants entitling the holder to purchase one share of common stock up to May 31, 1951, but not before one year from the date on which the shares to be offered are available for public offering. **Underwriter**—L. D. Sherman & Co. **Offering**—Price, $2 a share of common and 1c a warrant. **Proceeds**—For additional equipment, inventory and working capital.

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.

● **Elmwood Cooperative Apts., Inc., East Orange, N. J.**
June 7 (letter of notification) 2,943 shares of no par capital stock on behalf of Elmwood Village, Inc. **Offering**—Price, $100 a share. Sale of stock is to be made by Lyman, Inc., East Orange, N. J., as agent for the seller. Proceeds go to the selling stockholder.

● **El Paso (Texas) Natural Gas Co. (7/1)**
June 30 filed 75,000 shares ($100 par) cumulative preferred stock and 100,057 shares ($3 par) common stock. **Underwriters**—By amendment. Probable underwriters include White, Weld & Co., and Stone & Webster Securities Corp. **Offering**—14,797 shares of preferred stock will be offered to holders of 7% cumulative preferred stock on a share for share exchange basis plus a cash payment to the exchanging shareholder. The remaining 60,203 shares and any unexchanged shares will be sold to underwriters for resale to the public. Common stock will be offered for subscription to present common stockholders at the rate of one share for each six shares now held. The subscription offer expires on July 18, 1946. Unsubscribed shares will be purchased by underwriters for sale to the public. **Price**—Prices by amendment. **Proceeds**—The sale of the securities is part of a financing program to obtain funds for construction of a natural gas pipe line to California at an estimated cost of $41,412,000, and to retire outstanding funded debt and preferred stock. In addition to the proceeds from the sale of the securities the company will use proceeds from $25,900,000 of new bonds to be sold for cash and a new seven-year bank loan in the amount of $8,500,000 for the construction and refinancing program. The refinancing program calls for payment of an old bank loan in the amount of $1,800,000 and redemption at $110 a share all unexchanged shares of old preferred stock. The remaining funds will be used for the construction program; to reimburse the company in part for previous costs of pipe line extensions and additions and for other general corporate purposes. **Business**—Purchase, transmission and sale at wholesale of natural gas.

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.

● **Foreign Language Publishers, Inc., New York**
June 4 (letter of notification) 500 shares (no par) $2 non-cumulative preferred stock. Offering price, $100 a share. No underwriting. To increase working capital in view of plans to expand newspaper known as "France-Amerique" which the corporation is publishing in New York City.

FR Corporation, New York (6/20)
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.

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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
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. Shares are owned by the underwriters. **Offering**—Prices by amendment.

Gatineau Power Co., Ottawa, Ont.
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**—Approximately $950,000 will be added to working capital.

General Cable Corp., New York (7/1)
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. The exchange offer expires at 3 p.m., June 26. Shares of first ad second preferred not taken in exchange will be sold to Blyth & Co., Inc., and associates for resale to the public. **Price**—Preferred, $100 per share; second preferred, $50 per share.

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. (6/27-28)
May 21 filed 64,030 shares ($1 par) common stock. **Underwriters**—Smith, Barney & Co., New York. **Offering**—Stock is being offered for subscription to common stockholders of record June 11 at $40 per share at rate of one share of common for each 10 shares held. Rights expire June 26. Unsubscribed shares will be purchased by underwriters and offered to public. **Proceeds**—Net proceeds 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. (6/20)
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.

● **Gordon Stores Co., Inc., Denver, Colo.**
June 10 (letter of notification) 30,000 shares ($10 par) 5% cumulative preferred stock. Not underwritten. **Offering**—Price, $10 a share **Proceeds**—To finance expansion program.

● **Greil Drug & Chemical Co., Pittsburgh, Pa.**
June 6 (letter of notification) 150,000 shares of $1 par common stock. **Underwriter**—Grubbs, Scott & Co. **Offering**—Price, $1 a share. **Proceeds**—Of the net proceeds estimated at $125,000, the company will use $67,500 for purchase of the business and assets of Mentho-Mulsion Co., Atlanta, Ga. The balance of $58,000 will be used to establish an office and warehouse in Pittsburgh, Pa.

Grocery Store Products Co., Union City, N. J. (6/17)
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**—Blair & Co. **Offering**—Stock is being offered to present shareholders at $3 per share. Holders of approximately 200,000 shares have agreed to waive their preemptive rights.

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.

● **Harris Foundry & Machine Co. (6/17)**
June 5 (letter of notification) 6,000 shares of 5% cumulative preferred stock (par $50). **Underwriter**—Kirchofer & Arnold, Inc. **Offering**—Price, $50 a share. **Proceeds**—To retire bank loans and for working capital.

Harrison Wholesale Co., Chicago, Ill.
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.

● **Hilton Hotels Corp., Chicago (7/1)**
June 7 filed 350,000 shares of common stock (par $5) and 20,000 shares of 4% convertible preference stock (par $50). **Underwriter**—Blyth & Co., Inc., New York **Offering**—Shares will be offered to public. Prices by amendment. Of the 350,000 common shares, 50,000 will be offered by the company without underwriting to certain key employees of the company. The 20,000 shares of preference stock are being sold by C. N. Hilton, President of the company. **Proceeds**—Net proceeds to the company will be added to general funds. The company said it has undertaken an improvement program for the Plaza Hotel, New York, contemplating an additional expenditure of $1,500,000, and it has also agreed to make an investment of $160,000 in the Palm Beach Biltmore Corp., which has contracted to purchase the Palm Beach Biltmore Hotel, Palm Beach, Fla. **Business**—Operation of hotels.

Hoffman Radio Corp., Los Angeles (6/17-20)
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 $10.50 per share. **Proceeds**—Proceeds will be used to augment the working capital. For details see issue of May 16.

Hudson Motor Car Co., Detroit, Mich. (6/13-17)
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.

● **Indiana Steel Products Co., Chicago**
June 4 (letter of notification) shares of $1 par common stock. The number of shares will be that amount which will result from dividing 300,000 by the closing sale price for the common stock on the Chicago Stock Exchange on the public offering date. **Underwriters**—Brailsford & Co., and Kalman & Co., Inc. **Offering**—Price, $25 a share. **Proceeds**—To be added to general funds.

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 (6/25-26)
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. **Proceeds**—Will be added to working capital.

● **Kurz-Kasch, Inc., Dayton, Ohio (6/18)**
June 6 (letter of notification) 75,000 shares ($1 par) common stock. **Underwriters**—Smith, Hague & Co., Detroit, and F. H. Koller & Co., Inc., New York. **Offering**—Price is $4 a share.

● **Lincoln Placers Associates, Inc., Seattle, Wash.**
June 4 (letter of notification) 137,929 shares of 1c par, non-assessable common stock. Offering price, 10c a share. No underwriting. For property payments, taxes, office and incidental expenses.

● **Longines-Wittnauer Watch Co., Inc., New York (6/14)**
June 7 (letter of notification) 4,545-5/11ths shares of common stock on behalf of Leo Kamion, New York, beneficial owner of common shares of stock in the names of Sylvia Maibaum and Eva Herman, nominees. Not underwritten. **Offering**—Price, to be offered for sale from time to time at market prices. **Proceeds**—Proceeds go to selling stockholders.

● **McGrath-St. Paul Co., St. Paul, Minn.**
June 7 (letter of notification) John McGrath, President of company, is offering warrants to purchase 37,000 shares of common stock at $2 a share after June 15, 1946, and up to June 15, 1951. The option warrants are being sold to six underwriters headed by Irving J. Price, at 2c a warrant. Net proceeds go to selling stockholder.

● **Mada Yellowknife Gold Mines, Ltd., Toronto (6/26)**
June 7 filed 250,000 shares of capital stock (par 40c). **Underwriters** — Names to be supplied by amendment. **Offering**—Stock will be offered publicly in the U. S. at 40c a share (Canadian money). **Proceeds**—Proceeds, estimated at $75,000, will be used in operation of the company. **Business**—Exploring and developing gold mining properties.

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

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. **Proceeds**—Net proceeds will be used to pay entire indebtedness of Maryland Holding Co., Inc., a wholly owned subsidiary, to Reconstruction Finance Corp.

Mead Corp., Chillicothe, Ohio (6/27)

May 21 filed 70,000 shares ($100 par) 4¼% cumulative preferred stock and 101,056 shares ($50 par) 4% cumulative second preferred stock. **Underwriters**—Drexel & Co., and Harriman Ripley & Co., Inc. **Offering**—Preferred stock is being offered in exchange to holders of $6 cumulative preferred stock, series A, and $5.50 cumulative preferred stock, series B, on a share for share basis, plus a cash payment. Second preferred shares initially is being offered for subscription to common stockholders of record on June 11 at $53 a share in ratio of one new share for each seven common shares held. Exchange and subscription privileges expire June 26.

Menasco Manufacturing Co., Los Angeles (6/17-20)

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.

Meyercord Co., Chicago (6/17-21)

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.

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.

● **Mill City Corp., Denver, Colo.**

June 5 (letter of notification) 100,000 shares of common capital stock. **Offering**—Price, 50 cents a share. No underwriting. **Proceeds**—For working capital.

● **Mines Operating, Inc., Seattle, Wash.**

May 31 (letter of notification) 500,000 shares of common stock. **Underwriters**—Jesse R. Foster and Carl W. Harrell, Seattle. **Offering**—Price, 12½c a share. **Proceeds**—Payment of loan, acquisition of property, mining and development and for operating capital.

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. (6/24-28)

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.

● **Motorette Corp., Buffalo**

June 7 (letter of notification) 15,004 shares of common stock (par $1). Not underwritten. Stock will be sold in units of 22 shares at $60 per unit. Purchase of quarters for manufacture of motorettes, machinery, working capital, etc.

New Issue Calendar

(Showing probable date of offering)

June 13, 1946

Hudson Motor Car Co. — Common

June 14, 1946

Duggan's Distillers Products Corp. — Common
Longines-Wittnauer Watch Co. — Common
Namm's Inc. — Common

June 17, 1946

Aviation Corp. — Common
Beatrice Foods Co. — Preferred
Booth Fisheries Corp. — Preferred and Common
California Electric Power Co.—
12 Noon (EDST) — Bonds and Common
Carriers & General Corp. — Debentures
Consolidated Vultee Aircraft Corp. — Common
Denman Tire & Rubber Co. — Preferred and Com.
Douglas & Lomason Co. — Common
Grocery Stores Products Co. — Capital Stock
Harris Foundry & Machine Co. — Preferred
Hoffman Radio Corp. — Common
Menasco Manufacturing Co. — Common
Meyercord Co. — Common
National Gypsum Co. — Common
Purex Corp. — Capital Stock
Refined Syrups & Sugars Inc. — Common
Steep Rock Iron Mines, Ltd. — Capital Stock
United Printers & Publishers Inc. — Common
United-Rexall Drug Co. — Capital Stock
Viewtone Television & Radio Corp. — Common
Wheldon Inc. — Preferred

June 18, 1946

Allied Stores Corp. — Common
Barium Steel Corp. — Common
City Stores Co. — Common
Kurz-Kasch Inc. — Common
Marathon Corp. — Common
Pennsylvania El. Power Co. (11 a.m., EDST) — Bonds
Salt Dome Oil Corp. — Ctfs. of Interest
Twin Coach Co. — Preferred

June 19, 1946

Candego Mines Ltd. — Common
Cyprus Mines Ltd. — Common
Ducommun Metals & Supply Co. — Common
General Builders Supply Corp. — Pfd. & Common
Gubby Mines Ltd. — Common
National Cellulose Corp. — Common

June 20, 1946

American Investment Co. of Illinois — Preferred
Dazey Corp. — Preferred and Common
FR Corp. — Common
Glenmore Distilleries Co. — Common
Reynolds Pen Co. — Common
Riegel Textile Corp. — Preferred

June 24, 1946

All American Aviation Inc. — Common
Arkansas Western Gas Co. — Common
Cardiff Fluorite Mines Ltd. — Common
Dewey & Almy Chemical Co. — Debs. and Common
Funsten (R. E.) Corp. — Preferred
Monogram Pictures Corp. — Common
Neville Island Glass Co. — Class A
Timely Clothes Inc. — Common
U. S. Hoffman Machinery Corp. — Preferred

June 25, 1946

Aeronautical Securities Inc. — Capital Stock
Consol. Retail Stores Inc. — Preferred
Flying Freight, Inc. — Common
Jack & Heintz Precision Industries Inc., — Preferred and Common
Mountain States Power Co. — Common
Peabody Coal Co. — Preferred and Common
Southern New England Tel. Co. — Capital Stock
Van Norman Co. — Common

June 26, 1946

Baltimore & Ohio RR. — Equipment Trust
Mada Yellowknife Gold Mines Ltd. — Capital Stock
Portsmouth Steel Corp. — Common
Towmotor Corp. — Common

June 27, 1946

General Shoe Corp. — Common
Mead Corp. — Preferred
Sutherland Paper Co. — Common
Willys-Overland Motors Inc. — Pfd. & Common

July 1, 1946

Chicago & Southern Air Lines, Inc. (vtc.) — Common
Detroit Aluminum & Brass Corp. — Common
El Paso Natural Gas Co. — Preferred and Common
General Cable Corp. — Preferred
Hilton Hotels Corp. — Preferred & Common
Portland Gas & Coke Co. — Bonds
Reeves Brothes Inc. — Common
Stratford Pen Corp. — Common
Thalhimer Bros. Inc. — Preferred

July 8, 1946

Rome Cable Corp. — Preferred

July 9, 1946

Budd Co. — Common

● **Mountain States Power Co., Albany, Ore. (6/25)**

June 6 filed 140,614 shares of common stock (no par). **Underwriters**—To be determined by competitive bidding. Probable bidders include Blyth & Co., Inc.; Kuhn, Loeb & Co. and Smith Barney & Co. (jointly); Harriman Ripley & Co.; The First Boston Corp. **Offering**—Shares which are owned by Standard Gas & Electric Co. and constitute 56.39% of the company's outstanding common, will be sold at competitive bidding. **Proceeds**—Net proceeds will go to Standard Gas. **Business**—Public utility.

Namm's Inc., Brooklyn, N. Y. (6/14)

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.

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.

● **Nevada-Stewart Mining Co., Spokane, Wash.**

June 6 (letter of notification) 50,000 shares of common treasury stock. Offering price, 40c a share. No underwriting. For development of mining claims in Shoshone County, Idaho, and for other mining operating expenses.

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. **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. Any remaining proceeds will go into working capital.

● **New Enterprises, Inc., Boston, Mass.**

June 10 (letter of notification) 19,997 shares of $5 par common stock. Not underwritten. **Offering**—Price, $10 a share. For working capital.

Ohio Edison Co., Akron, Ohio

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.

● **Oneita Knitting Mills, Utica, N. Y.**

June 11 (letter of notification) 1,977 shares of preferred stock. **Underwriter**—Mohawk Valley Investing Co., Inc. **Offering**—Price, $110 per share. Stockholders will vote June 24 on approving various changes in capital structure. **Proceeds**—Net proceeds of this issue will be used to pay the appraised value of the preferred stock, as to which stockholders shall file notice of dissent and demand payment for their shares.

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Pacific Safety Equipment Co., Inc., Reno, Nev.
May 31 (letter 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.

• **Parkview Cooperative Apts., Inc., East Orange, N. J.**
June 7 (letter of notification) 3,000 shares of no par capital stock on behalf of Elmwood Village, Inc. Not underwritten. **Offering**—Price, $100 a share. Sale of stock is to be made by Lyman, Inc., East Orange, N. J., as agent for the seller. Proceeds go to the selling stockholder.

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.

• **Peabody Coal Co., Chicago (6/25)**
June 6 filed 880,561½ shares of 4½% prior preferred stock (par $20); 176,112 shares of class B common stock (par $5) and 880,561 warrants to purchase class B common shares. **Underwriters**—There will be no underwriters. **Offering**—The 4½% prior preferred will be offered for exchange to holders of company's 6% preferred on the basis of 6½ shares of prior preferred for each 6% preferred plus dividend arrears to May 1, 1946. With each share of prior preferred exchanged for 6% preferred, a warant will be issued entitling the holder to subscribe for one-fifth of a share of class B common at the following prices: up to June 30, 1947, $17.50 a share; to June 30, 1948, $20 a share; to June 30, 1949, $22.50 a share. After July 1, 1949, the warrants will be void. The common stock being registered will be reserved for issuance upon the exercise of the warrants. **Proceeds**—No proceeds will be received. **Business**—Mining, purchasing, selling and distributing coal.

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. **Bids Invited**—Bids for the purchase of the bonds will be received by the company before 11 a.m. (EDST) June 18 at 900 Sansom St., Philadelphia, the interest rate to be specified in the bids.

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.

• **Portland Gas & Coke Co., Portland, Ore. (7/1)**
June 11 filed $10,000,000 first mortgage bonds, series due 1976. **Underwriters**—To be decided by competitive bidding. Probable bidders include Blyth & Co., Inc.; Smith, Barney & Co.; Halsey, Stuart & Co., Inc.; The First Boston Corp., and Kidder, Peabody & Co. **Offering**—To be offered to public. **Price**—To be decided by competitive bidding. **Proceeds**—Net proceeds will be used to retire the long-term debt as follows: $5,751,000 of first and refunding mortgage 5% gold bonds, extended to 1950, at 100; $2,625,000 first lien and general mortgage gold bonds, series 4½s, due 1940, extended to 1950, at 100, and $371,000 Portland Gas Co. noncallable first mortgage 5% gold bonds, due 1951, at 100. Remaining proceeds, together with proceeds from the sale of $500,000 serial notes, will be used to provide additional production, transmission, and distribution facilities. **Business**—Supplying manufactured gas.

• **Portsmouth (Ohio) Steel Corp. (6/26)**
June 7 filed 1,025,000 shares of common stock (par $1). **Underwriter**—Otis & Co. **Offering**—Shares will be offered to the public at $10 a share. Kaiser-Frazer will purchase 200,000 additional shares and Graham-Paige will purchase 100,000 additional shares at $10 a share. **Proceeds**—Net proceeds from the public sale of common are estimated at $9,075,475 and net proceeds from the sale of common to Kaiser-Frazer and Graham-Paige are estimated at $3,000,000. Such proceeds will be used to purchase the Portsmouth works and to provide funds for general corporate purposes. **Business**—Corporation was organized in Ohio and proposes to engage in the manufacture of steel products. It has contracted to purchase the present Portsmouth Works of Wheeling Steel Corp. for $12,000,000. These properties consist of the Portsmouth Works; Emperor Coal Co.; inventories, work in process and working capital. Sales contracts of the new company will include steel sheets to Kaiser-Frazer Corp. and Graham-Paige Motors Corp. for use in the manufacture of automobiles at Willow Run, Mich.

• **Princess Shops, Inc., New York**
June 7 (letter of notification) 4,400 shares of common stock on behalf of Louis Schwartz, President and Treasurer of the company. **Underwriter**—Martin, Hefler, Robbins & Co. **Offering**—Price, $6.50 a share. Proceeds go to the selling stockholder.

Purex Corp., Ltd., South Gate, Calif. (6/17)
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.

• **Reeves Brothers Inc., New York (7/1)**
June 11 filed 80,061 shares (50c par) common stock. **Underwriters**—No underwriting. **Offering**—Company is offering to exchange 29½ shares of 50c par common stock for each of the 1,983 shares of common of Grace Cotton Mills Co., Rutherfordton, N. C., not now owned by it. It also is offering to exchange 88/100ths of a share of common for each of the 24,500 shares of common stock of Warrior Duck Mills, Spartanburg, S. C., not now owned by it. **Business**—Cotton textile business.

• **Refined Syrups & Sugars, Inc., Yonkers, N. Y. (6/17)**
June 7 (letter of notification) 50,000 shares of $1 par common stock. Not underwritten. **Offering**—Price, $6 a share. **Proceeds**—For improvements to plant and equipment and working capital.

• **Republic Indemnity Co. of America, Tucson, Ariz.**
June 3 (letter of notification) 19,933⅓ shares ($10 par) common stock. Offering price, $15 a share. No underwriting. For purpose of complying with the statutory admission requirements of certain States in which the company has applications for license pending, and for meeting reserve requirements of the various insurance laws of the States in which the company is now transacting business.

• **Resort Airlines, Inc., Pinehurst, N. C.**
June 5 (letter of notification) 100,000 shares of $1 par common voting stock. Offering price, $2.25 a share. No underwriting. For additional capital.

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.

Riegel Textile Corp., New York (6/20)
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.

Rome (N. Y.) Cable Corp. (7/8)
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.

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
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 plan., etc. For details see issue of May 30.

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.

• **Skylines Inc., Salt Lake City, Utah**
June 10 (letter of notification) $100,000 of common stock. Not underwritten. **Offering**—Price, $5 a share. **Proceeds**—Purchase of airplanes, hangars and equipment to conduct general airline business.

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.

• **Southern New England Telephone Co., New Haven (6/25)**
June 6 filed 100,000 shares of capital stock (par $100). **Underwriters**—No underwriting. **Offering**—Shares will be offered for subscription at $120 a share to stockholders of record June 25, in the ratio of one share for each four shares then held. Subscription warrants will expire July 16. **Proceeds**—Net proceeds, estimated at $11,970,000, will be used to repay in full advances from American Telephone and Telegraph Co. Company said such advances are expected to aggregate approximately $5,300,000 by the time the proceeds from the sale of the capital stock are received. The remaining proceeds will be used for general corporate purposes. **Business**—Furnishing communication services, mainly telephone service, in the State of Connecticut.

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 at approximately $46.56 per share.

Stratford Pen Corp. (7/1-5)
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
May 27 filed $500,000 15-year 5% sinking fund debentures, due 1961, and 29,709 shares common stock (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 construction of additional factory building; purchase equipment and machine tools; retire current bank loans and working capital, etc.

Sutherland Paper Co., Kalamazoo, Mich. (6/27)
May 21 filed 57,400 shares ($10 par) common stock. **Underwriters**—Harris, Hall & Co. (Inc.). **Offering**—Stock is offered for subscription to common stockholders of record June 10 at $40 per share on basis of one new share for each five shares held. Rights expire June 26. 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.

● **Thalhimer Brothers, Inc., Richmond, Va. (7/1)**
June 10 filed 25,000 shares cumulative preferred stock (par $100). **Underwriter**—Kidder, Peabody & Co. **Offering**—Shares will be offered to the public. Price by amendment. **Proceeds**—General corporate purposes. Company anticipates that a greater part of the net proceeds will be used to advance funds to its subsidiary, Grace & Seventh Corp., Richmond, for construction of an addition to parent company's present department store building. Company may also use part of proceeds to pay off a $675,000 bank loan. **Business**—Operation of department store.

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.

● **Torrington Manufacturing Co., Torrington, Conn.**
June 6 (letter of notification) 9,700 shares of $25 par common stock to be offered to present common stockholders at the rate of one-half share for each share held. Offering price, $27.50 a share. No underwriting. For working capital and possibly to the reduction of serial loans.

● **Towmotor Corp., Cleveland, Ohio (6/26)**
June 7 filed 190,000 shares of common stock (par $1). **Underwriters**—Shields & Co., and Hayden, Miller & Co. **Offering**—Of the shares being offered, 175,000 shares will be sold to the public by underwriters and 15,000 will be sold by the company to its employees, including certain officers and directors. Of the shares to be sold to the public, 50,000 are being sold by the company and 125,000 shares by four stockholders. **Proceeds**—Net proceeds to the company will be used as follows: $250,000 for improvements to plant and machinery, to retire certain promissory notes in the principal amount of $150,000 and the balance as working capital. **Business**—Manufacture of gasoline-powered fork-lift trucks.

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.

Twin Coach Co., Kent, Ohio (6/18)
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 a 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.

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 Grocers Co., Brooklyn, N. Y.**
June 10 (letter of notification) $245,000 5% debenture bonds, of which $75,000 are reserved for exchange for present mortgage bonds. Not underwritten. **Offering**—Price, $1,000 and $500 a unit. Proceeds will be used for construction of a new building and to purchase warehouse equipment.

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.

United Printers and Publishers (Inc.), Joliet, Ill. (6/17)
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 (6/17)
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.

● **United States Hoffman Machinery Corp., New York (6/24)**
June 5 filed 30,000 shares of cumulative preferred stock (par $100). **Underwriter**—Hayden, Stone & Co. **Offering**—The stock will be offered publicly. Price by amendment. **Proceeds**—Approximately $750,000 will be used for capital expenditures, including $175,000 to pay for a recently acquired plant at Syracuse, N. Y.; $575,000 for purchase of additional equipment and the remainder for general funds. **Business**—Sale of garment presses, dry cleaning equipment, laundry machinery and equipment, air appliance products, filters and stills for dry cleaning solvents and finishing accessories for dry cleaning plants.

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. (6/25)
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.

Verney Corp., Boston, Mass.
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.

● **Viewtone Television & Radio Corp., N. Y. (6/17)**
June 10 (letter of notification) 79,000 shares of common stock (par $1). **Underwriter**—Eric & Drevers, New York. Price, $3.75 per share. **Purpose**—Working capital. **Business**—Production of television, radio and phonograph equipment, etc.

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.

Wayne Knitting Mills, Fort Wayne, Ind.
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.

● **Western Frozen Foods Co., Inc.**
June 6 (letter of notification) 100,000 shares of 5% cumulative convertible ($10 par) preferred stock. **Underwriter**—First California Co. **Offering**—Price, $10 a share. **Proceeds**—Debt payment, new plant and equipment and working capital.

● **Wheldon, Inc., New York (6/17)**
June 10 (letter of notification) 300,000 shares of ($1 par) 6% cumulative preferred stock. Price to public, $1 per share. Proceeds for purpose of prosecuting and manufacturing, development, sale and service of power-generating units, of accessory and facilitating equipment, etc. Not underwritten.

Willys-Overland Motors, Inc., Toledo (6/27-28)
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 of record June 12 rights to subscribe for the series A preferred at rate of one share for each 16 shares of common held at $100 per share. 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 stock holders will be sold to underwriters. Company is also offering rights to stockholders of record June 12 to subscribe for 310,290 shares of common stock at rate of one new share for each eight shares held at $20 per share. All rights expire June 26. 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.

● **Winged Cargo, Inc., Philadelphia**
June 5 (letter of notification) 150,000 shares of 5% noncumulative preferred stock (par $1). Not underwritten. Stock will be sold among not more than 25 people. Proceeds for purchase of additional equipment necessary for expansion of carrying cargo and freight by air.

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.

● **Wisconsin Supply Corp., Madison, Wis.**
June 5 (letter of notification) 1,100 shares of 5% cumulative preferred stock (par $100). Offering price, $100 a share. No underwriting. To acquire additional real estate and to provide working capital.

● **Wyandotte Hotel Co., Inc., Kansas City, Kan. (7/11)**
June 10 filed $1,000,000 of 30-year ¼% income debentures, due 1976, and 10,000 shares common stock (no par). **Underwriters**—No underwriting. The securities will be offered to the public through a campaign directed by the Chamber of Commerce of Kansas City, Kans. **Offering**—The securities will be offered to the public in units consisting of one $200 debenture and two shares of common at $210 a unit. **Proceeds**—Proceeds, together with a loan, will be used for purchasing a site and constructing, furnishing and equipping a modern hotel of not less than 230 rooms. It is estimated the total cost will be $1,600,000. **Business**—Company was incorporated in Kansas June 1, 1946, and proposes to own, construct and operate a modern hotel in Kansas City, Kans.

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.

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Prospective Security Offerings

(NOT YET IN REGISTRATION)

● INDICATES ADDITIONS SINCE PREVIOUS ISSUE

(Continued from page 3255)

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 Bemberg Corp., New York

June 25 stockholders will vote on proposal that present 7% preferred stock be exchanged for new 4½% issue. Alternative plan would be the refunding of the issue through sale of other securities.

American Bosch Corp.

April 16 reported that Alien Property Custodian may shortly ask for bids on 535,000 shares (77.24%) of the stock of the corporation. Probable bidders include Glore, Forgan & Co. and Lehman Brothers (jointly), and Blyth & Co., Inc., and Merrill Lynch, Pierce, Fenner & Beane (jointly).

American Broadcasting Co., New York

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 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.

● Baltimore & Ohio RR.

Company has invited bids on June 26 for the purchase of $4,060,000 of equipment trust certificates maturing in one to ten years. The issue will cover approximately 80% of the cost of 900 steel box cars and 900 Evans loading devices.

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.

● Bangor Hydro-Electric Co.

June 11 stockholders approved plans to retire 21,799 shares of 6% preferred stock through exchange for new 4% preferred.

● Beam (James B.) Distilling Co.

June 30 reported company planning some new financing with F. S. Yantis & Co., Chicago as probable underwriter.

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 voted to change 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 Electric & Gas Co.

June 11 stockholders voted replacement of the authorized but unissued 50,000 shares ($50 par) $2.25 preferred stock with an equal number of new no-par $2 preferred stock with a stated value of $50. Initially it is planned that 35,000 shares of the latter stock will be issued. Company plans to issue an additional 175,000 shares ($1 par) common stock of which there are now outstanding 797,600 shares. Proceeds of the preferred and common stock sales are to be used to repay a $3,000,000 bank loan and to augment working capital.

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 ⅛ 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 at an early date 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 12 filed with the New York Public Service Commission petition for approval of issuance and sale of $290,000,000 first and refunding mortgage bonds, the proceeds to be used to refund $304,240,000 outstanding long-term debt. Interest rate or rates to be determined by competitive bidding or other negotiations. Probable bidders include Morgan Stanley & Co.; Halsey, Stuart & Co., Inc.; Blyth & Co., Inc.

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.

● Durez Plastics & Chemicals, Inc.

June 19 stockholders will vote on increasing authorized common from 500,000 shares (par $5) to 1,500,000 shares (par $1.66⅔) to effect a 3-for-1 split. Stockholders will also vote on increasing authorized $1.66⅔ par share to 3,000,000 shares. Additional shares would be held subject to issuance from time to time by directors.

● Eastern Massachusetts Street Ry.

July 8 stockholders will vote on approving recapitalization plan eliminating 30,498 $6 first preferred stock, series A, through issuance of $3,658,800 4½% income debentures. Debentures are to be offered to preferred stockholders in ratio of $120 par for each preferred share. F. S. Moseley & Co. will be underwriters.

● Electric Auto-Lite Co.

June 12 it was reported that company plans to offer in July to shareholders rights to purchase 298,971 additional shares of common stock in the ratio of one share for each four held. The financing, for the purpose of retiring company's V-Loan and current bank loans, also will provide, in part, for company's postwar expansion program and will replenish working capital already used for such purposes. Company is negotiating with a group of underwriters headed by Lehman Brothers and Smith, Barney & Co.

● Electric Boat Co.

June 11, at annual meeting, stockholders voted plan creating new preferred issue of 200,000 shares, of which 173,931 shares will be issued to common stockholders as stock dividend. The authorized balance of 26,069 shares will be available for general corporate purposes.

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.

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.

● Fidelity & Guaranty Fire Corp., Baltimore

July 26 stockholders will vote on increasing authorized capital stock from 100,000 shares to 200,000 shares (par $10). The new stock will be offered for subscription to stockholders pro rata at $40 per share. The U. S. Fidelity & Guaranty Co. (parent) has announced that it will exercise its right to subscribe to the stock to which it is entitled and has agreed to purchase at $40 per share any new stock not subscribed for by stockholders.

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.

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.

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.

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 of shares will be at market but at not less than $5 per share.

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.).

● KLM Royal Dutch Airlines

June 12 it was reported that new financing by company is contemplated within the next 30 to 60 days. It is understood that conversations have already been started with underwriters.

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.

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.

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.

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

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Pacific Affiliates' ownership of all stock in Pepsi-Cola Bottling Co., of Los Angeles.

• Pacific Lighting Corp.

June 7 directors authorized the management to prepare plans for refunding the corporation's 200,000 shares (no-par) cumulative $5 dividend preferred.

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.

• Public Service Corp. of New Jersey

June 11 it was reported that corporation soon may be ordered by the Securities and Exchange Commission to file a reorganization plan to meet the simplification standards of the Public Utility Holding Company Act.

• Radio-Keith-Orpheum Corp., New York

June 10 it was reported that an early filing with the SEC was expected covering 1,000,000 shares of common stock, now owned by Atlas Corp. Probable underwriter, Lehman Brothers.

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 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.

• Spiegel, Inc.

June 12 it was stated that shareholders are expected to be issued rights to buy an additional share of common for each five shares in the near future. Proceeds will be earmarked for investment for development as the company expects to add more retail units. In addition, Spiegel believes it may need to add new mail order plants in various parts of the country to effect lower distribution costs and faster consumer service. Glore, Forgan & Co., may be 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. Reported Morgan Stanley probable underwriter.

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 Oil 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.

• Texas Co.

June 7 it was reported that the company which recently announced plans to retire two outstanding debenture issues totaling $100 million with a new issue, is understood to be exploring the possibilities of placing the new bonds with insurance companies, rather than marketing them publicly. No decision has been made it is said. If public offering is made Dillon, Read & Co., are expected to head underwriting group.

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 Gas System, Inc. (Kansas)

Under provisions of merger plan of Union Gas System, Inc. (Delaware) and Union Gas System, Inc. (Kan.) latter has completed negotiations to sell through Kansas underwriters to residents of Kansas only $500,000 5% preferred stock (par $100) at $103 per share.

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 Light & Railways Co.

Is advising stockholders of its former parent, United Light & Power Co., that July 1 is the final date for exchanging their holdings under terms of the dissolution plan which went into effect in March, 1945. The plan provides that Railways common stock be issued in exchange on the basis of five shares for each Light & Power preferred share, and one-twentieth share for each A and B common share of Light & Power. The Railways common stock not taken in exchange will be sold after July 1. Proceeds will be distributed to the Light & Power stockholders who have not tendered their securities in exchange.

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 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.

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.

Wabash Railway

May 1 it was reported that company may possibly refund its $47,000,000 first mortgage 3¼s of 1971 with a lower coupon issue. Possible bidders include Halsey, Stuart & Co., Inc., and Kuhn, Loeb & Co.

• Waitt & Bond, Inc., Newark, N. J.

June 12 it was reported company has under consideration a refinancing program. Announcement expected at early date.

Western Maryland Ry.

May 22 reported company working on plans to refinance $44,901,000 first mortgage 4s. Probable bidders include Kuhn, Loeb & Co., and Halsey, Stuart & Co. Inc.

Western Pacific RR.

April 11 ICC conditionally authorized company to issue $10,000,000 first mortgage bonds, series B, due Jan. 1, 1981, proceeds to be used to refund a like amount of first mortgage 4% bonds due Jan. 1, 1974, and held by RFC. Interest rate to be specified in bids. The directors have rejected the conditions attached by the ICC but the company on May 27 filed a petition for reconsideration and oral argument. Probable bidders include Blyth & Co., Inc.; Bear, Stearns & Co.; Halsey, Stuart & Co., Inc.; Merrill Lynch, Pierce, Fenner & Beane; Shields & Co., and Glore, Forgan & Co.

Wiggins (E. W.) Airways, Inc.

June 4 reported company plans to sell 1,000 shares of its capital stock at par ($50) a share. Proceeds would be used for purchase of machinery, working capital, etc.

Wisconsin Public Service Co., Milwaukee, Wis.

May 20 it was reported that Standard Gas & Electric Co. expected to sell at competitive bidding some time in June its holdings of 1,099,970 shares of common stock. Probable bidders include The Wisconsin Co.; The First Boston Corp.; Harriman Ripley & Co.

Yonkers (N. Y.) Electric Light & Power Co.

Jan. 21 company and parent Consolidated Edison Co. of New York, Inc. applied to New York P. S. Commission for authority to issue $9,000,000 30-year debs., int. rate not to exceed 2¾%, to be guaranteed by parent. Issue to be sold through competitive bidding. Possible bidders include Halsey, Stuart & Co., Inc.; Morgan Stanley & Co.; Lehman Bros., Harriman Ripley & Co. and Union Securities Corp. (Joint); Blyth & Co., Inc.; Shields & Co. and White, Weld & Co. (Joint); W. C. Langley & Co.; Merrill, Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly).

Our Reporter's Report

Complications surrounding the sale by Columbia Gas & Electric Corp., in competitive bidding, of 1,530,000 shares of common stock of Dayton Power & Light Co., under provisions of the Public Utility Holding Company Act, proved the highlight of recent public offerings.

The Securities and Exchange Commission, which was asked by interested parties to refuse clearance of the deal, was itself on something of a "spot," to use the vernacular, since the entire transaction was carried out under its Rule U-50 which provides for competitive bidding in all such instances.

It was another of those situations in which banking groups doing the bidding had nothing in the way of price basis to help them decide on fair value since the stock of Dayton Power up to now has not been listed on any public market. They had only the available company financial data on which to go.

That there was considerable difference of ideas was apparent when bids were open. Two major groups made the competing tenders and the high bid was $33.639 a share, involving some $51,470,000. This United Corp., as holder of 2,000,000 shares of Columbia Gas contended, was at least $10,000,000 too low.

Yet there was a spread of some $4,500,000 between the two bids, the tender of the second group having been about $3 a share less. Whatever the merits of the move to have the SEC refuse clearance to the sale, it doubtless proved helpful to those marketing the issue.

Priced at $35.75 a share to the public the stock has since ruled at a premium of a point or more, having been quoted at 38 bid 38½ asked soon after the books closed and being quoted currently at 36¾-37¼.

Beating the Gun

Tuesday's large outpouring of new offerings of which American Airlines $40,000,000 of 3% sinking fund debentures, due 1966, and 400,000 shares of 3½% cumulative convertible preferred stock was by far the largest, got a good reception.

The roster for the day included 100,000 shares of $1 par common of Michaels Bros. furniture stores; 23,444 shares of 4¾% cumulative preferred $100 par and 56,267 shares of $1 par common of Miles Shoe Co.; 20,000 shares of Taylorcraft Aviation Corp., common and 50,000 shares of new 4½% cumulative convertible preferred and 60,000 shares of common of Franklin Simon & Co., Inc., were all well-taken.

Some dealers were moved to remark, at the close of the day, that these offerings had caught the market just right, that is before news of President Truman's veto, supported by the House, of the Case Bill.

This action had been expected, but the market which was higher in the forenoon, turned quite sharply lower on late selling which was generated by the development.

Common Stock Issue

Joining the ranks of companies which are taking advantage of the current situation marketwise, The Electric Auto-Lite Co., is planning to offer around the middle of next month, 298,971 shares of additional common stock.

Proceeds will be used to repay a V-loan and current bank debts and provide, in addition, funds for expansion through addition to working capital.

Just what part, if any, of this issue will reach public offering remains to be seen since stockholders will be given rights to subscribe for the new stock in the ratio of one share for each four held.

The company, however, is negotiating with a banking group to underwrite the offering and is preparing the necessary registration for filing with SEC.

Municipal Market Perks Up

Under present-day circumstances, with available yields more than ever in the range appealing only to institutional investors, the municipal market shows signs of perking up.

One of the largest such issues brought out recently, Philadelphia's offering of $29,100,000 of serials maturing from Jan. 1, 1947 to 1996, attracted bids from two banking groups.

The winning bid fixed a 1.59% net interest cost to the city while the second tender set a figure of 1.6216%. The successful group proceeded with reoffering fixing a basis of 0.30% yield on the shortest maturities and yields of 1.75% to a price of 99 on the longest.

The City of Boston was slated to open bids at noon today on an issue of $20,000,000 of Commonwealth notes dated June 19 and due May 22, 1947 with interest payable at maturity on a 360-day basis. This of course, was strictly banking paper.

Roosevelt Pre-Pearl Harbor Talk With Stark Confirmed

The special Congressional Pearl Harbor Investigating Committee on May 31 received an extension of time for submission of its report to July 10 by vote of the Senate and House just before the earlier fixed deadline of June 1, when it was learned that Fleet Admiral Harold R. Stark was in touch with President Roosevelt on the eve of the Japanese attack, a fact which had not been established before the formal hearings closed. According to the earlier testimony of Admiral Stark, who was Chief of Naval Operations at the time, he could not recall his actions on the night of Dec. 6, 1941, but his flag lieutenant, Captain Harold D. Krick, stated that the Admiral had had a telephone conversation with the White House late on the night in question and had said afterward that President Roosevelt had indicated "that conditions in the Pacific were serious — that connections with Japan were in a serious state."

The additional testimony was brought forth as the result of a conversation between Admiral Stark and Captain Krick recently in which it is stated the latter reminded the Admiral of the events of the December evening in 1941 and persuaded him that he had had a telephone talk with the White House even though he could not recall what was actually said. If the Chief Executive mentioned the Japanese message, Admiral Stark said, according to Associated Press advices from Washington, he could only assume that he had "thought it was nothing that required any action from me, and I took none. If he had said anything about the imminence of war or anything requiring action, it would have stirred me into action."

Senator Barkley (D.-Ky.), Committee Chairman, specially reopened the hearings on May 31 for the purpose of presenting Admiral Stark's additional evidence written to him in a letter by the Admiral, and Captain Krick's testimony.

President Planning No Early Trips

President Truman has no traveling plans for the month of June according to a statement on June 3 by his press secretary, Charles G. Ross, who added on being questioned that any plans for the President to go to Manila for the inauguration of Philippine independence on July 4 were "extremely tentative." Mr. Truman had earlier told his news conference, the Associated Press advised from Washington, that he hoped to take the Pacific trip but that it depended on the legislative situation. As far as Congress is concerned, Senate Majority Leader Barkley has remarked that he sees little likelihood of adjournment before July 15 or 20.

Nonfarm Real Estate Foreclosures in First Quarter 1946

In contrast with the worst days of 1933 when a rate of 1,000 cases a day was reached, foreclosures averaged only a little over 1,000 a **month** in the entire United States during the opening quarter of this year announced the Federal Home Loan Bank Administration in an announcement May 23 which further said:

"Data on the number of nonfarm foreclosures are available only for the last 20 years; however, it is highly probable that, in relation to the number of mortgages outstanding, foreclosures are currently at the lowest level in our Nation's history."

Cotton Export Subsidy

Exports of cotton will continue to be subsidized by the Agriculture Department until July 1, 1947, according to a Department announcement released on April 25 and reported from Washington by the Associated Press. The subsidy, applying to both Government-owned cotton sold to exporters and to cotton bought in the open market for export, is designed to make it possible for exporters to compete in world markets with cotton grown in other countries, as American cotton is priced higher than that of most competitive sources.

The Department's report stated that since the beginning of the subsidy program in November of 1944, 1,884,935 bales had been exported, of which most was purchased from the Government at 4 cents a pound below domestic price. Exporters receive a cash payment of 4 cents a pound on the remainder bought in the open market.

DIVIDEND NOTICES

COLUMBIA GAS & ELECTRIC CORPORATION

COLUMBIA SYSTEM

The Board of Directors has declared this day the following dividends:

Common Stock
No. 45, 10¢ per share
payable on July 15, 1946, to holders of record at the close of business June 20, 1946

Cumulative 6% Preferred Stock, Series A
No. 79, quarterly, $1.50 per share

Cumulative Preferred Stock, 5% Series
No. 69, quarterly, $1.25 per share

5% Cumulative Preference Stock
No. 58, quarterly, $1.25 per share
payable on August 15, 1946, to holders of record at close of business July 20, 1946.

DALE PARKER, Secretary
June 5, 1946

Exide BATTERIES — THE ELECTRIC STORAGE BATTERY COMPANY

183rd Consecutive Quarterly Dividend

The Directors have declared from the Accumulated Surplus of the Company a dividend of fifty cents ($.50) per share on the Common Stock, payable June 29, 1946, to stockholders of record at the close of business on June 17, 1946. Checks will be mailed.

H. C. ALLAN, *Secretary and Treasurer*
Philadelphia 32, June 7, 1946

THE GARLOCK PACKING COMPANY

June 11, 1946

COMMON DIVIDEND No. 280

At a meeting of the Board of Directors, held this day, a quarterly dividend of 25¢ per share was declared on the common stock of the Company, payable June 29, 1946, to stockholders of record at the close of business June 20, 1946.

R. M. WAPLES, *Secretary*

LOEW'S INCORPORATED

"THEATRES EVERYWHERE"

June 11, 1946

THE Board of Directors on June 10th, 1946 declared a quarterly dividend of 37½c per share on the outstanding Common Stock of the Company, payable on the 29th day of June, 1946 to stockholders of record at the close of business on the 18th day of June, 1946. Checks will be mailed.

CHARLES C. MOSKOWITZ, *Vice President & Treasurer*

DIVIDEND NOTICES

RADIO CORPORATION OF AMERICA

RCA

Dividend on First Preferred Stock

The Directors have declared, for the period April 1, 1946 to June 30, 1946, a dividend of 87½ cents per share on the outstanding $3.50 Cumulative First Preferred Stock, payable July 1, 1946 to holders of record at the close of business June 17, 1946.

A. B. TUTTLE, *Treasurer*
New York, N. Y., June 7, 1946

THE TEXAS COMPANY

TEXACO

175th Consecutive Dividend paid by The Texas Company and its predecessor.

A dividend of 50¢ per share or two per cent (2%) on par value of the shares of The Texas Company has been declared this day, payable on July 1, 1946, to stockholders of record as shown by the books of the company at the close of business on June 7, 1946. The stock transfer books will remain open.

L. H. LINDEMAN, *Treasurer*
May 24, 1946

OFFICE OF LOUISVILLE GAS AND ELECTRIC COMPANY

The Board of Directors of Louisville Gas and Electric Company (Delaware) at a meeting held on June 7, 1946, declared a quarterly dividend of thirty-seven and one-half cents (37½c) per share on the Class A Common Stock of the Company for the quarter ending May 31, 1946, payable by check June 25, 1946, to stockholders of record as of the close of business June 17, 1946.

At the same meeting a dividend of twenty-five cents (25c) per share was declared on the Class B Common Stock of the Company, for the quarter ending May 31, 1946, payable by check June 25, 1946, to stockholders of record as of the close of business June 17, 1946.

G. W. KNOURER, *Treasurer.*

New York & Honduras Rosario Mining Company

120 Broadway, New York, N. Y.

June 12, 1946.

DIVIDEND NO. 375

The Board of Directors of this Company, at a meeting held this day, declared an interim dividend for the second quarter of 1946, of One Dollar and Fifteen Cents ($1.15) a share on the outstanding capital stock of this Company, payable on June 28, 1946, to stockholders of record at the close of business on June 18, 1946.

W. C. LANGLEY, *Treasurer.*

UNITED FRUIT COMPANY

DIVIDEND NO. 188

A dividend of fifty cents per share on the capital stock of this Company has been declared payable July 15, 1946 to stockholders of record at the close of business July 1, 1946.

LIONEL W. UDELL, Treasurer.

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.

Export-Import Bank Expansion to Be Requested

WASHINGTON, D. C., June 12—The $1¼ billion expansion of the Export-Import Bank's lending authority foretold in the President's annual budget message and subsequent Administration statements will be formally requested of Congress within a few days when an implementing bill is introduced. Even with that amount, the loan requests which the Bank faces or is likely to face during the next 12 months will exceed the Bank's total resources, unless the World Bank now being established takes hold of the problem in a large and vigorous manner. The countries of the world which are not now recipients of or applicants for Ex-Imp credit can be counted on one's fingers. Even such remote countries as Afghanistan and Ethiopia have their hands out and George A. Blowers, American governor of the State Bank of Ethiopia, has been negotiating with the United States Government in Washington for an Ex-Imp loan.

Whether the new bill will simply call for the $1¼ billion expansion, or will include other matters is not yet decided, according to one well-informed official with whom the writer discussed the matter. There are one or maybe more matters which the Ex-Imp itself might like to have included in the legislation and perhaps which other Government agencies also might like to see included.

For one thing, under the Corporations Control Act passed by Congress last Fall, the Ex-Imp—like others—will be outlawed unless it applies for Federal incorporation and gets it by June 30, 1948. This might be done in the imminent bill, or it might be left for the next Congress. It is assumed that Ex-Imp will want to remain in the lending business after June, 1948.

Various amendments to the Ex-Imp Bank legislation are under consideration. A minor one suggested to the National Advisory Council by William McChesney Martin, Jr. would designate the Federal Reserve Banks to act as fiscal agents of the Ex-Imp in collections.

A much more important question which has arisen on numerous occasions in the work of the National Advisory Council concerns the degree of independence which Ex-Imp is intended by Congress to have. This subject will be discussed in a subsequent issue of the "Chronicle." Suffice it for the present to say that various members of the NAC would welcome guidance from Congress so as to avoid continuation of past differences of opinion.

The last Ex-Imp law Congress passed set up a special interdepartmental committee to counsel with Ex-Imp. The personnel of that committee is identical with that of the NAC, which was set up in the BW enabling act. Only the chairman is different. In fact, the NAC alone has functioned as such, and the gavel has never passed around the table.

W. N. Watson Pres. of Estate Planning Corp.

Wallace N. Watson has been appointed President of the Estate Planning Corporation, New York, which since 1925 has planned estates for individuals with a total wealth of more than two billion dollars. Mr. Watson, whose appointment was announced today, was previously manager of employee benefit plans for the Eastern Massachusetts Agency of the Mutual Benefit Life Insurance Company.

The Estate Planning Corporation, whose offices are at 40 Wall Street, specializes in planning estates on a fee basis, cooperating with attorneys of their clients and with trust companies. The corporation is wholly owned by Fiduciary Counsel, Inc., which supervises investments for 85 leading American families, whose funds average over $5,000,000 each and total over $500,000,000.

The principal owners of Fiduciary Counsel, Inc., also own Management Planning, Inc., financial advisors to 87 corporations in 30 different industries.

With Betts, Borland & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—**Benjamin B. Bryan, Jr.**, and **William B. Cudahy** have been added to the staff of **Betts, Borland & Co.**, 111 South La Salle Street. Mr. Bryan in the past was with Winthrop, Mitchell & Co.

Joins Robert F. McMaster

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—**Lindsay W. Leach** has become connected with **Robert F. McMaster & Co.**, 135 South La Salle Street.

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