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Britain Views Vinson Transfer

By PAUL EINZIG

London observer reports relief in British official circles on Mr. Vinson's transfer to U. S. Supreme Court. Holds former Treasury Secretary forced a hard bargain on Britain in drawing up terms of Loan and placed Lord Keynes and present Chancellor of Exchequer in difficult position. Better Anglo-American relations looked for.

LONDON, ENG.—There can be no doubt about it that the reaction in British official circles to Mr. Vinson's transfer from the Treasury to the United States Supreme Court was one of relief. For the experience of British negotiators who had dealings with him has been anything but happy. When he succeeded Mr. Morgenthau last year there was immediately a change of attitude noticeable. While Mr. Morgenthau would have been satisfied with the acceptance of the Bretton Woods agreement by

Paul Einzig

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Pictures taken at Annual Summer Outing of the New York Security Dealers Association appear on pages 3366, 3367, 3368 and 3369.

Index of Regular Features appears on page 3396.

Outlook for Interest Rates

By M. S. SZYMCZAK*

Member, Board of Governors, Federal Reserve System

Observing outlook for sharp increase in interest rates over next several years is doubtful, Governor Szymczak reviews wartime and reconversion conditions which portend continued low interest levels. Sees inflation problem arising from goods shortages, and asserts some method should be devised to stop credit expansion. Urges Congressional study of bank credit during "breathing spell" afforded by debt retirement and concludes it may be necessary to take measures to avoid decline in long-term rates. Sees many cross currents and unpredictable factors confronting Government authorities, but immediate problem is to avoid increased bank bond holdings.

Considering the size of the public debt and the great importance of the interest cost of servicing the debt, few, if any, would be so bold as to forecast sharp increases in interest rates over the next several years. I make no claim as a forecaster, and as a member of the Board of Governors should not place myself in that position. However, I can discuss with you some of the factors which will bear importantly upon the future cost of interest rates and some of the considerations which probably will influence public policy in this matter.

M. S. Szymczak

The War Situation

The demand for and the supply of loans and investments have always been the underlying fac-

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*An address by Gov. Szymczak before the Directors and Officers of Savings Bank Trust Company and Institutional Securities Corporation, New York City, June 14, 1946.

Five-Year Plan and Russian Foreign Policy

By MELCHIOR PALYI

Economist analyzes Russia's new proposed Five-Year Plan for industrialization and rehabilitation. Contends from economic viewpoint Russia is not a first-class power when measured by American standards, and country is not capable of creating commodity surpluses in quantities to be exchanged for foreign goods. Holds decisive weapon in Russia's hands is psychological and not material, and her advantage here is unwillingness of democracies to fight. Sees possibility of a grand alliance of civilized nations, led by U. S. to resist Russian aggression.

With the usual world-wide beating of the propaganda drums, Moscow announces the birth of a new Five-Year Plan. This is the fourth allegedly epoch-making project in artificial industrialization; the third ended prematurely in 1941 when Stalin's trust was betrayed by that arch-fiend pal of Mr. Adolph Hitler. As if nothing had intervened, the Bolsheviks are back on their ideological time-table.

Dr. Melchior Palyi

On March 15, the report on the **Five-Year Plan for 1946-50** was delivered by the Chairman of the State Planning Commission, Comrade Voznessensky, before the Supreme Soviet of the U.S.S.R. It starts with big figures about munitions production during what they term the Great Patriotic War, and proceeds to enumerate the "main tasks" of the new Five-

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Th eFederal Reserve Board Proposes Inflation Curbs

In Report to Congress on credit policies it stresses inflationary dangers and proposes Board be given power (1) to place a maximum on long-term marketable securities held by banks against demand deposits; (2) to require commercial banks to hold a quota of Treasury short-term notes as secondary reserve; and (3) to raise member bank reserves above the present limits when deemed necessary to curb credit expansion. Opposes rise in interest rates and advocates a new Treasury issue of bank ineligible long-term bonds. Seeks to avoid further monetization of debt and opposes tax reductions.

In a special report on credit policies submitted to Congress on June 17, the Board of Governors of the Federal Reserve System stresses the inflationary potentialities of the present banking situation, and recommends that in order to prevent this danger, it be given greater powers over the bond-holding policies of the member banks and the authority to raise cash reserves required against demand deposits. No change was recommended in the present pattern of interest rates, but it was urged that the banks be strictly regulated regarding the amount of long-term obligations, both government and corporate, that they be permitted to hold.

The portion of the report, dealing with the Federal Reserve Board's proposals follows:

It is axiomatic that inflationary dangers exist when the supply of money in the hands of people who seek to spend it greatly exceeds the volume of goods and services available. The more the money supply exceeds the volume of goods, the greater the inflationary pressures will be. There can be no

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UN Attempting Atom Control

By A. WILFRED MAY

Baruch for U. S. and Gromyko for Soviet expound detailed inclusive plans. They disagree regarding punitive measures and veto right. American proposals viewed as deft compromise between national self-interest and international cooperation. McMahon Bill threatens our patent system.

HUNTER COLLEGE, NEW YORK, June 19.—Initiation of the Atomic Energy Commission sets United Nations activities on an entirely new plane—one of *reality*. The much-publicized and dramatized Security Council has—with the heated verbal brickbat, the walk-out, and the veto—staged dramatic performances of unrealistic old-fashioned diplomacy. The Economic and Social Council, for its part, usually seems to be conducting its pious endeavors in a dream world. On the other hand, the new Atomic Commission very evidently realizes that it must come to grips, promptly and practically, with a problem on whose determination depends the immediate and long-term future of civilization.

A. Wilfred May

Adding to the practicality and importance of the present proceedings is the fact that they really are concerned not only with the already dramatically proven bomb, but potentially with future control of still-to-be-discovered deadlier weapons. And also, as stated here today by both Messrs. Cadogan of Great Britain and Gromyko of USSR, efforts will have to be joined in the industrial field.

The keynote of the American control plan, presented by Mr. Baruch, and of the Russian proposals expounded by Mr. Gromyko here today, is "gradualism." With the Soviet anxious to share a secret which they do not possess, and with their reiterated maxim that "scientific knowledge belongs to the world at large," Moscow seems to be somewhat less "gradual" than Washington.

The two real and serious areas of disagreement between the

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Difficulties of Regulation in International Raw Material Trade

By FREDERICK HAUSSMANN

Member of Faculty, New School for Social Research

Mr. Haussman asserts past attempts to regulate raw material markets governmentally have resulted unsuccessfully. After detailing basic changes which have recently occurred, he asserts agreements of private, semi-private, and governmental nature will continue to be made for these purposes: (1) to avoid cut-throat competition as in rubber; (2) to regulate and expand production of scarce goods as wheat and cocoa; and (3) to eliminate political tensions, as in oil and tin. Warns such agreements must be divorced from monopolistic abuses. Declares an International Cartel Control Office, in lieu of International Planning Agency technique, should be created with aim of freeing and expanding raw material markets.

In the postwar economics of raw materials the conversion to peace-time conditions cannot aim at "business as usual." Fundamental political and economic changes in the relations among the Big Three Powers as well as in the status of smaller and of backward countries, require a new inventory of raw materials and a reconsideration of the disturbances and the bottlenecks in the world's balance of raw materials. At the moment no such balance has yet been drawn.

Dr. F. Haussmann

Postwar Changes in the Raw Material Markets

Many experts have predicted that postwar disturbances will stem from considerable surpluses in grains. The present catastrophic food crisis, however, and impending mass starvation in Europe and Asia reveal that there will be an immense scarcity in foodstuffs for the coming months and perhaps for years. The use of the so-called substitute materials, such as synthetic rubber, rayon and coal oil, and the increasing use of plastics, aluminum, magnesium and kindred new raw materials have basically changed the international raw material equilibrium. Moreover the widespread trend towards industrialization in new areas and the growing aversion of many countries against being too dependent on their export surpluses of raw materials has contributed to structural transformations. And behind all these problems, there loom ideological controversies about general trade principles — and behind ideological, there are practical tensions of economic and political power policy. Is there any hope for a return to a freer exchange of raw materials and to freer markets, in an era in which nations believe only in "regulated trade expansion" and even in state regulated complete "self-sufficiency" as their ultimate goal?

Not much is helped by such oversimplifications as "Reduction of tariff barriers" or "Free access of all nations to raw materials" and the newest very ambitious slogan: "Balance between international employment and unemployment in the whole world." It is also oversimplification to say that international raw materials are "inevitably" sliding into a net of general regulations. In emergency times strong regulations are inevitable, and the turbulent

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The Background of the National Advisory Council

(First of a Series of Articles by Mr. Bratter on the NAC)

By HERBERT M. BRATTER

Washington observer points out National Advisory Council on International Monetary and Financial Problems, which was set up to advise and guide U. S. agencies, also representatives on International Fund and World Bank, on foreign loans, financial, exchange or monetary transactions, has been getting a good deal of practice in negotiations of British and French loans, and cites rumors of differences within its organization. Gives background of legislation setting up NAC and Advisory Board of Export-Import Bank, and concludes NAC powers are more specific and far-reaching

I.

The NAC, or to give it its full title the National Advisory Council on International Monetary and Financial Problems, has been getting a good deal of practice since the publication of our earlier article in the "Chronicle" of Nov. 8, 1945. During the interval the negotiations of financial agreements with the United Kingdom and France have been concluded, the Bretten Woods institutions were set up at Savannah and have established themselves in Washington, and various foreign loans and lend-lease settlements have been announced.

Herbert M. Bratter

Latterly in one of the nationally - circulated Washington columns there was published a detailed and circumstantial account —and a generally accurate one, so far as can be learned — disclosing differences of opinion within the NAC as to the consideration of political factors in the making of foreign loans by American Government entities. There Secretary of Commerce Henry Wallace and Federal Reserve Chairman Marriner Eccles were disclosed as opposing the then pending credit to France insofar as it was motivated by political considerations. The NAC thereupon approved the

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Federal Debt Management and Bank Earnings

By HON. FRED L. CRAWFORD*
U. S. Congressman from Michigan

Republican member of House Banking Committee stresses importance of National Debt management as related both to commercial bank earnings and Treasury's finances. Sees no immediate action by Congress regarding changes in bank credit regulations, and notes that Treasury and Federal Reserve policies may differ. Sees Treasury holding to low interest rates as fiscal measure, and points out that Federal Reserve no longer has power to control credit as originally contemplated. Holds increased production will not offset inflationary trends, and that commercial bank earnings have now reached their peak. Reviews proposals for new bank legislation and urges their prompt and serious consideration.

Believing it is highly beneficial to the Congress and to your banking industry for us to meet together, I am here today for this informal discussion. You have a story to tell to the Congress and to the people about your industry that you should forever keep telling and of course I refer to the constructive service which you have always rendered to the public. Especially do I have in mind the signal service you rendered to the public and to the Government in the financing of the war expenditures incident to the recently ended world conflict.

F. L. Crawford

As a Member of the Congress there too is a story I wish to tell to you. I am one of those formerly and presently closely associated with banking and business gen-

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*An address by Congressman Crawford before the Pennsylvania Bankers Association, Philadelphia, Penn., June 14, 1946.

Price Inflation—A Symptom of "Give Me"

By HON. ROBERT E. HANNEGAN*
Postmaster General of the United States
Chairman, Democratic National Committee

Leading Democratic Party spokesman, asserting our labor troubles are due to disease of "give me," contends producers are operating at high profits and to maintain these profits, they are setting prices beyond the workingman's reach. Attacks opponents of price control and defends Administration's wage-price policy as well as its stand against "irresponsibles," such as reckless labor leaders and businessmen. Sees "appalling effects" if price control is removed or crippled. Says that in national interest government can force workers to end a strike and accept a settlement.

In addressing friends and fellow-workers in the Post Office, it is customary for the Postmaster General to take up problems of administration and operation of the mails, and to leave economics and politics for other occasions.

Robert E. Hannegan

I have no wish to break with that custom. Today, however, the greatest and most immediate problem in the administration and operation of the mails goes right down to basic economics, to the soundness of our national economy.

That factor—basic economics—was at the heart of the interruption of the mails a few days ago. It is our problem today. We cannot solve it alone as employees of the United States, but we can help to solve it as citizens of the United States. And unless we join our fellow-Americans in doing so,

(Continued on page 3376)

*An address by Mr. Hannegan before convention of Missouri Chapter, National Association of Postmasters, St. Louis, Mo., June 7, 1946.

Issues in Process of Registration

Statutory prohibition against trading in new issues before effective date of registration statement. Inquiries between filing and effective dates held based upon trade custom and not improper. Test of violation lies in acceptance of an order before effective hour of registration.

There has been some misunderstanding respecting the rights of underwriters relating to selling issues where the registration statement is on file with the Securities and Exchange Commission but is not yet in effect.

That question was projected into public interest by the Securities and Exchange Commission in the past and more recently it again arose in the matter of Columbia Gas & Electric Corporation.

The interdiction against dealing in securities where a registration statement is in process, but not yet in effect, is contained in the Securities Act of 1933, Section 5 (a) (1). This provides:

"Unless a registration statement is in effect as to a security, it shall be unlawful for any person, directly or indirectly—

to make use of any means or instruments of transportation or communication in interstate commerce or of

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A Fear Campaign to Perpetuate Controls

By HON. B. B. HICKENLOOPER*
U. S. Senator from Iowa

Asserting Mr. Bowles uses "smear tactics," Sen. Hickenlooper accuses him of refusing to set prices on goods which would permit maximum production. Contends OPA has spent $2½ billions on "most beguiling, misleading and extravagant propaganda," and says recommendations of Senate Banking Committee do not destroy OPA but establish sound Administrative methods.

Senator Taft has accurately stated the facts regarding subsidies and the other points he mentioned, and I assure you he is fully supported by the overwhelming evidence introduced before the Banking and Currency Committee of the Senate and other committees looking into this situation. Mr. Bowles' attack upon Senator Taft and the Banking and Currency Committee of the Senate, on last Tuesday evening, was not only viciously unfair, but it is typical of the smear tactics of those who want to establish permanent controls on our American economy. It is representative of a new technique in a fear campaign that should be exposed to the American people.

B. B. Hickenlooper

Since when have the American people been afraid of free enterprise and free markets; since when have we been afraid to turn American production loose and assure American recovery?

*Radio address of Sen. Hickenlooper over Columbia Broadcasting System June 6, 1946.

Mr. Bowles' radio talk over this network last Tuesday evening was astounding—with few exceptions his statements, sentence by sentence can be utterly disproved by the facts, and they have been disproved by the overwhelming evidence introduced before the Banking and Currency and the Agricultural Committees of both the House and the Senate and the Senate Small Business Committee.

Full production has not been attained. The main reason is that Mr. Bowles has refused to set prices on mass consumers' goods, in many cases, that permit their maximum production. Cheap shirts, underwear, house dresses and a host of other things are almost unobtainable, but luxury items and expensive merchandise seem to be plentiful. The War in Germany ended over a year ago and in Japan ten months ago. We began reconversion over a year ago, but we are still struggling with shortages of necessities, and with the delays, incompetence and stupidity of OPA.

Vital foods such as meat and dairy products are either off the market or in the Black Market at high prices although there is plenty in the country. The creameries are not producing butter and cheese because of price alone—

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BUSINESS BUZZ

"But why should I sell at 20¼—if I hold on I may get 20⅛!!"

J. Burke Knapp Gets New Post at Reserve Board

Mr. J. Burke-Knapp, who has been serving as the alternate of Marriner S. Eccles on the National Advisory Council, is now Assistant Director of the Federal Reserve Board's Division of Research and Statistics, being in charge of research on international matters.

Mr. Knapp, a Rhodes scholar, studied at Oxford during 1933-36. The next four years he spent in the investment-banking business in London, where he was connected with Brown, Harriman and Co., Ltd.

In 1940 Mr. Knapp joined the Board's division of research and statistics, a position he resigned in August 1944 to become the State Department's advisor on German economic affairs. In 1945 Knapp went to Europe as economic advisor to General Eisenhower's political advisor, Mr. Robert Murphy, working primarily in Germany.

Mr. Knapp was one of the technical advisors of the American delegation at the meetings of Fund and Bank governors in Savannah in March this year.

Fitzgerald With Merrill

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, OHIO—Lawrence S. Fitzgerald has become associated with Merrill Lynch, Pierce, Fenner & Beane, Dixie Terminal Building. He has recently been in the armed forces. In the past he was with J. S. Bache & Co.

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Bank Nationalization In Czechoslovakia

By DR. ALOIS KRAL*
Executive Director, National Bank of Czechoslovakia

Dr. Kral, although admitting the nationalization of banks in Czechoslovakia was revolutionary in view of nation's adherence to free enterprise and individual initiative, explains because of looting and disintegration of banking system by Germans and large number of provincial and communal banks in the country, step was taken to preserve banks and protect depositors. Says banking will continue to be conducted by men of experience, knowledge and character.

Czechoslavakia's banks were nationalized by a decree dated Oct. 24, 1945. Joint Stock Companies engaged in banking business were converted into independent juridicial personalities called National Institutions and the shareholders are to receive compensation for the value of their shares. Nationalized banks are to continue their activities in a commercial way, they are to register in the public books as individual business firms and their policy had to be determined by principles of commercial enterprises. The profits of their activities belong, of course, to the State, after sufficient regard had been taken for the reserve funds. A special Board of Central Management of banks was appointed

Alois Kral

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*Dr. Kral, in addition to being Executive Director of the National Bank of Czechoslovakia, is a Professor of Economics. He attended the Savannah meeting of the governors of the International Monetary Fund and the International Bank.

by the Government with the Head Manager of the National Bank of Czechoslovakia — this being the Central Bank of the country—as the Chairman of said Board.

The nationalization move seems to be a very revolutionary one if thought of in terms of the general theory of nationalization as known from both scholarly writings and political aims of socialists. Hardly ever has there existed a more typical representative of free enterprise in a society ruled by the laws of supply and demand, price, money and interest, than a bank president. With good business knowledge he has to combine a wise foresight and especially a sound, reliable and trustworthy character. Is it conceivable that an experienced, sound and loyal banking be taken over by the Government outside the reach of this private initiative and experience to which it owes its origin and growth?

Let us ask, however, whether leading bankers of any country with all their personal abilities faced the problems caused by major economic crises of this century alone without concerted efforts of the whole system of banks and without a support of their Governments? Let us further ask whether in any country banks are

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Trend Toward Higher Stock Prices

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

Market Analyst holds stock market psychology remains essentially bullish and that from a seasonal point of view, market is entering traditional summer rise. Says it is logical to anticipate rails discounting future earnings in a vigorous fashion.

Stock Market Psychology

Gradually firming tendencies in the stock market during the past week demonstrated once again that the trend of least resistance is in the direction of higher levels. Veto of the Case Bill carried a somewhat ominous meaning to investors but as usual the market took this bit of disappointment in its stride and assayed correctly, we think, future events by resuming its forward movement, under the leadership of the rails. Then, too, little attention was paid to the various estimates of the amount of red ink being splattered on the second quarter reports now in the making and which will be appearing within another month or so. Then there were the reports that lack of steel would handicap automobile production for the balance of this year, and even for next year, thereby forcing downward revision of projected automobile production schedules—to say nothing

Gordon Y. Billard

of the story that Government economists are now convinced that deflation and not inflation will be the big problem to be faced within the not-too-distant future.

Stock market psychology nevertheless remains essentially bullish. Pressure of idle funds seeking investment, on the one hand, is as great as ever. On the other hand, there is a natural reluctance on the part of present holders of common stocks to convert into cash when cash is as abundant as it is. Even many hard-headed investors who occasionally see opportunities to get into small businesses, figure that they are far better off under present conditions by keeping money invested in good-grade securities which offer reasonably adequate return and at the same time provide capital appreciation prospects, along with a certain degree of liquidity.

In short, the basic market outlook remains bullish, and we anticipate that selected stocks will eventually command higher prices.

Traditional Summer Rise

From a seasonal point of view

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Robt. Holt V.-P. of Blair & Co., Chicago

CHICAGO, Ill.—Blair & Co., Inc. announce that Robert L. Holt has been elected Vice-President in charge of their Chicago office, 135 South La Salle Street. Holt was associated with A. C. Allyn & Co., Chicago, for 16 years and was released from active Army duty in December 1945 with the rank of Lt. Colonel.

Shaskan Summer Branch

Shaskan & Co., members of New York Stock Exchange, announce the opening of their Summer branch office at the Nautilus Beach Club, Atlantic Beach, Long Island.

Need Nine Months More of OPA To Prevent Price Boom

Administration economist sees no need for drastic cut in purchasing power in view of increasing production.

WASHINGTON, D. C., June 19—That the virtual disappearance of price control this summer will be followed by rapidly rising prices will be the result of speculative buying rather than the interaction of natural demand and supply, according to an Administration economist who is closely concerned with Government price policy. Preferring to speak off the record, this economist stated to the "Chronicle" that production of many manufactured articles has been rapidly improving, as indicated in CPA's report for May. Were present price controls permitted to continue another nine months or a year, when in any case, they would surely have been removed by the Congress, a speculative price boom such as is now inevitable could have been avoided.

Someone ought to think of the social consequences of a cost-of-living increase of, say, 25% or more during the next nine months, the "Chronicle" was told. The effect on people with fixed incomes is likely to be drastic. Consider for example, among things fixed in terms of dollars, the personal exemptions and credits in the income tax. These are supposed to have some relationship to the cost of living. Soaring living costs will tend to make the tax system oppressive on lower income groups.

Illustrative of production progress, this reporter was told, is the

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Production Record Is Excellent

By CHESTER BOWLES*
Director of Economic Stabilization

Mr. Bowles, in support of his statement that production and retail sales are zooming, cites increased output of cotton cloth, shirts, men's suits and building materials. Lays shortages to "terrific" pent-up demands for goods and heavy consumer spending. Says record, in face of crippling strikes and labor shortages "has been excellent," and predicts by Christmas tight situation will be removed. Denies OPA price control is holding up production and asserts "as a general rule you don't get more production from higher prices."

In the ten or twelve minutes I'm going to be with you this week, I want to take up some of our postwar production problems in detail—and give you some idea of where America stands in this job of getting out the washing machines, the vacuum cleaners and refrigerators—men's shirts and suits and tires—and some of the other products most of you are trying to buy.

Chester Bowles

I know a lot of you have made some pretty disappointing shopping trips lately. You've gone down to your local stores—and asked the usual questions about a blouse or a slip or nylons or a man's shirt—only to have the clerk say, "We had some just a little while ago, but they're all gone."

But production on most items is stepping up steadily. The best proof is the way store sales are zooming. You've noticed that yourselves.

According to the New York "Times," average sales in May for some of the country's leading mail-order companies and chain stores were more than a third again as high as a year ago—and several stores showed increases of from 50 to 75%.

Last year, according to another report I saw the other day, department stores, specialty shops, chain stores and mail-order companies piled up the greatest dollar volume of business ever recorded in the whole history of retail selling. One mail-order company reported sales of over $1.45 billion. And, from all indi-

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*Radio talk by Mr. Bowles over the American Broadcasting Company network, June 15, 1946.

Economic Tendencies Affecting Retailing

By DR. ROBERT C. SHOOK*
Director of Research, Inter'l Statistical Bureau, Inc.

Asserting within next several months retailers will face a severe transition period due to drastic changes in price and quality relations, Dr. Shook contends despite strikes, civilian production is now exceeding prewar level. Sees danger of repetition of 1920-1921 cycle, accompanied by a buyers' strike in 1947. Looks for heavy mark-downs; a drop in the average sale, and a higher cost of merchandising. Says prices in 1946 will advance between 15 and 25%.

Let's talk a little first about the coming transition period.

Some time in the future, probably in 1947, retailers will have to go through a period of change. This change will be from previous conditions that were very favorable to retailers, to new conditions that will be different but will still be quite favorable.

Robert C. Shook

It may sound to you like a paradox, to talk of a change from something good to something good. Let me assure you that it isn't.

I know that all of you have had your daily problems. But the fact remains that it has required no great genius for the average department store to achieve high sales volume and profits throughout the war period, right up to the present moment. Conditions, in short, have been very favorable.

What about the future, the post-reconversion period?

Mr. Murray Shields, Vice-President and Economist of the Bank of Manhattan Company, is to discuss the potentialities and problems of this period for you on Wednesday evening. I need only say this:

That retail sales and business activity will continue high during a post-reconversion period lasting for several years.

In short, after the present inventory replacement boom and whatever reaction follows it are completed, conditions will again be favorable to retailers.

But at that point the similarity between the two periods ends.

In the early period, retailers could hardly help having large sales and making large profits.

In the later period, retailers will find that their profits once again will depend on real merchandising ability. Retailers will have to handle a much larger physical volume of goods to achieve the same dollar totals.

This implies:

1. That buyers will again have to become buyers in the true sense of the word. They will have to

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*An address by Dr. Shook before the Controllers Congress Convention, Chicago, Ill., June 17, 1946.

Prosperity in Handcuffs

By HON. KENNETH S. WHERRY*

U. S. Senator from Nebraska

Contending Mr. Bowles is "using tricky statistics and misleading charts" and his policy is a "handcuffed economy," Senator Wherry lays blame on OPA for shortages and black markets. Points to meat shortage in face of larger cattle supply as example of producers inability and unwillingness to sell at established ceiling prices. Holds cost to public of "holding the line" on meat is $2 billions annually, paid into the black market. Accuses Bowles of squeezing profits so government can take over.

The American people, including veterans will not get the goods and services they must have through Mr. Bowles' demagoguery over the radio. They must get it from the factories and the farms of America.

Sen. K. S. Wherry

Under the Bowles price fixing system that production we should have had has been torpedoed. That means shot full of holes.

Mr. Bowles has repeatedly stated that since V-J Day production has risen. This is typical Bowles propaganda. The war ended more than nine months ago, but I ask you—

Where is the butter?

Where are the automobiles?

Where are the shirts, the shorts, and the hosiery?

Where are the tires, the radios, and the washing machines and the stoves and the one hundred and one other things consumers so badly need.

The true test of maximum production cannot be found in the tricky statistics and misleading charts of Chester Bowles. Production can only be found in a supply of those commodities in the market places.

The housewives of America today are asking—

Where can I get a loaf of bread?

Where can I get a pound of meat?

Where can I get shirts for my husband?

Where can I get clothing for my children?

Where can I get all the things I need for my home?

And the returning veteran is asking—

Where can I get a home?

The vital need of this nation is not new doses of Mr. Bowles' economic bilge water. It is production, and more production, and more prdouction. Failing to get this production America faces chaos.

The public is tired of paying $1.50 for a 60¢ lunch;

Tired of having to pay $7.50 for a sport shirt instead of a $2.00 white broadcloth shirt;

And tired of being unable to buy even a board with which to fix a front step.

For the first time, we are witnessing in this country housewives with money having to stand in bread lines, and meat lines.

Mr. Bowles' philosophy of a handcuffed economy has done that to America. This is the kind of economy he asks the Congress to perpetuate upon the American people.

Mr Bowles asserts that if the present recommendations of the Senate Banking and Currency Committee finally become a part of the law, all price ceilings and subsidies will be removed from meat. Further on he said and I quote:

"This action would leave the cattle raiser, the cattle feeder, the hog producer, the meat packer, the meat wholesaler and the retailer each free to charge all the traffic will bear. If the result isn't 40% to 50% increase in meat prices, the first of September, I miss my guess."

Now, what is the fact?

80% of the meat sold in America today is passing through the blackmarkets at prices ranging up to $1.25 a pound.

Under Mr. Bowles' punitive policies the blackmarkets set the going price.

(Continued on page 3359)

*Radio address by Sen. Wherry over Columbia Broadcasting System, June 6, 1946.

Officials of Fund and World Bank

(Ninth of a Series)

A. Z. B. SAAD

Executive Director of the Fund

Ahmed Zaki Bey Saad speaks for the Near East on the Fund, having been elected executive director at Savannah by the governors of Egypt, Greece, Iran, Iraq, Ethiopia, and the more distant Philippines. The 2,890 votes which Mr. Saad thus swings constitute 3.49% of the Fund's total.

A. Z. B. Saad

Mr. Saad has always worked for the Egyptian Government. Born in Cairo in 1900, Mr. Saad got his formal education at the University of Cairo and the University of Paris, where he specialized in economics and finance. He became consul at Genoa in 1929, consul-general at Hamburg in 1931, and consul-general at Liverpool in 1933. In 1938, with war clouds commencing to rise in Europe, Saad was brought home and put in charge of the Department of Passports and Nationality, a position of importance from the standpoint of international security.

In 1944 Saad served for a few months as director general of the postal administration, moving from that position to that of permanent under-secretary of state for finance. He attended the Savannah meeting in March 1946 as Egypt's governor of the Fund and Bank. While holding his present position on the Fund he is on leave of absence from his Finance Ministry position. Mr. Saad expects from time to time to avail himself of the privilege of leaving his Fund duties temporarily to visit his country. With the speedy travel facilities offered nowadays by airlines, Mr. Saad looks forward to a long weekend in Cairo before many months have passed. Cairo is only about 40 hours away from this country now, and as jet planes develop, may be brought still closer.

NASD Board of Governors Notifies SEC It Is Willing to Discuss Allotments Rule With It

The matter now squarely in lap of SEC. The NASD feels problem—if it is one—is only temporary in character and SEC must take initiative if any action is to be taken. NASD willing to compromise issue by sending out a "warning letter" to its members.

The Board of Governors of the National Association of Securities Dealers has notified the Securities & Exchange Commission that it is willing to enter into a discussion with it on the question of the allotment of new stock issues to "insiders."

It is consequently now up to the SEC to make the next move in the matter.

The SEC is reputed to understand fully the NASD's attitude toward the SEC's proposed rule X-15C2-3 which would prohibit all participation by partners, officers and key employees, and their close relatives, of underwriting and distributing firms in new stock offering and so would have to take the initiative, it is believed, in any action to be taken.

The NASD, although admitting that there may have been some abuses along the lines seen by the SEC, feel that the problem—if it is a problem — is purely temporary in character and that a rule which would have the effect of a permanent law should not be adopted at this time.

The NASD, which has shown an inclination to go along with the SEC on controversial issues, however, intends to get the SEC, if it pushes the matter, to agree to a compromise whereby the NASD would send out a "warning letter" to its members in lieu of the adoption of any restrictive rule.

Time is very much in its favor, the NASD feels. Future events will show that the rule is unnecessary, it believes.

Appointed to ABA Committee Post

E. Jack Sitgreaves, Assistant Vice President of the Bankers Trust Company, New York, has been appointed as a member of the Subcommittee on Model State Banking Code of the Committee on State Legislation of the American Bankers Association, it was announced on June 18 by Frank C. Rathje, President of the ABA.

This committee, the ABA report continued, is carrying on research which will lead to the writing of a model state banking code. Seventeen states are contemplating the revision of their banking laws, and it is the purpose of the subcommittee to draft a suggested code which will retain the fundamental principles of sound and conservative banking practice and at the same time have sufficient elasticity to permit modifications necessary to meet the requirements of any state, the report added.

The work being done on a model state banking code is a part of the broad ABA program to preserve and strengthen the dual banking system.

Public Utility Securities

California Electric Power

California Electric Power Company is currently doing some new financing. Earlier this year the 5¼% convertible prior preferred stock was retired by conversion into common stock (or by redemption of the final balance). The company is now refunding the $16,000,000 First Mortgage 3½s and issuing 169,636 shares of additional common stock. Assuming SEC approval of the new financing, capital structure should be about as follows:

New First Mortgage Bonds, due 1976	$16,000,000
$3 Preferred Stock ($50 par)	5,248,150
Common Stock ($1 par)	1,357,089

The book value of the common stock, based on the Dec. 31 balance sheet adjusted for retirement of the convertible prior prefererd stock, was $7,747,029; this is equivalent to $6.58 a share (which might be increased slightly after sale of the additional stock). Including an estimate of proceeds of the additional stock, common stock equity may approximate $9,750,000. On such a basis the capital structure would be roughly 52% debt, 17% preferred stock and 31% common stock equity.

With taxes adjusted to the 1946 basis of 38%, estimated pro forma share earnings have shown excellent growth:

1945	$.87
1944	.78
1943	.76
1942	.63
1941	.47

For the first four months of 1946 26¢ a share was earned, adjusted to the pro forma basis.

Pro forma coverage for the new bonds in 1945 is estimated at 5.65 before taxes, and 4.05 after taxes.

The common stock has been selling recently on the Curb around 13¼, and presumably the new stock may be offered somewhere in the neighborhood of that price. The current dividend rate is 60¢ making the yield at that figure about 4.50%. Using the estimated pro forma earnings for 1945 (87¢) the stock is selling at about 15.2 times such earnings.

California Electric Power serves electricity to an extensive area of southern California and also to sections of Nevada and Arizona. Most of the communities served are relatively small but the extent of the area served leads to considerable industrial diversification, plus substantial sales for irrigation pumping. In 1945 electric sales amounted to 75% of revenues, ice 15% and telephone and telegraph 10%. Of the electric revenues 24% was residential, 9% rural, 19% commercial, 38% industrial and 10% miscellaneous.

The company owns 8 hydroelectric generating stations with 47,700 kw capacity and owns or leases other steam, hydro and internal combustion units of relatively small capacity. The company is inter-connected with other utility and public agencies which provide some 57,500 kilowatts of additional power available to the company under certain conditions, and in addition is allotted 20,000 kw capacity from Boulder Dam under contract with the Federal Government. In 1945 the company generated a little over half of its requirements, took about 46% from Boulder and purchased about 10%.

The company's average residential revenues per kwh in 1945 were 3.43¢ (below the national average) and average residential sales were 1,370 kwh.

While the company has had a rather irregular past record (the old common stock sold as low as ⅞ a few years ago) the financial position has been greatly improved as a result of refundings and other changes. Utility plant account represents original cost (estimated where not known) to the persons first devoting such properties to public service; and the depreciation reserve is about 22% of plant account, which appears satisfactory.

The Present Buying Splurge Cannot Last

By R. C. HABERKERN*
Vice-President and Purchasing Agent,
R. J. Reynolds Tobacco Company

Industrial executive lays blame for reconversion difficulties on Administration's policy of encouraging higher wages while retaining price controls. Says OPA has been delinquent and dictatorial and is largely responsible for industrial shutdowns and shortages. Holds present control system is eliminating many small producers, and contracting for supplies by manufacturers is hampered by uncertainties. Asserts production will increase as prices advance but competition will prevent a lasting splurge of buying and price advances. Warns of exhaustion of natural resources and of breakdown of moral fabric due to idea "that government owes us a living."

After V-J Day, the Administration, prompted by theoretical thinkers and fact finders, made a wrong guess that deflation would follow cessation of hostilities, with a corresponding drop in employment, production, prices, and income. To counteract that anticipated emergency and cushion the shock, our President encouraged labor to make demands for big increases in hourly rates of pay and ordered the cancellation of many Government controls. Industry was told it would be possible to raise wages 30% without necessitating an increase in the ceiling price of industry's products. Labor was adroitly led to believe their "take-home" pay should be equalized with the "straight-plus-overtime" wages paid during the war period to enable them to enjoy a "decent" standard of living, already incomparable to that enjoyed by workmen anywhere.


R. C. Haberkern

The slump did not materialize; Labor accepted the Administration's 30¢ cue; industry found it impossible to meet this fantastic increase, and a long strike followed immediately in the steel, motor, and electrical industries, resulting in increases in wages of around 18½¢ per hour. These increased wages put increased pressure on prices, making price control more difficult.

(Continued on page 3362)

*An address of Mr. Haberkern before the 31st Annual Convention of the National Association of Purchasing Agents, May 27, 1946.

Disaster Without Price Control—Wallace

Commerce Secretary visions a rocky future for business "if we let down our guard against inflation," but visions the most profitable period in business history if "we can avoid rocking the economic boat right now." Says inflation will destroy small business.

Secretary of Commerce Henry A. Wallace on June 19 issued the following statement:

"If we can avoid rocking the economic boat right now, American business in my opinion can enjoy the most profitable period in its history during the years just ahead.


Henry A. Wallace

"On the other hand, I am equally convinced that business faces a rocky future if we let down our guard against inflation. If we can rely on history to tell us anything, we must recognize that to weaken or destroy price and rent control now would be to ask for the same kind of boom and bust that began at just about this time after the last war.

"Inflation is as damaging to business—and especially to small business—as it is to other economic groups. A period of rapidly rising prices invariably means chaotic speculation. In such an atmosphere no businessman can rationally plan his future operations. With prices rising rapidly, millions of small businessmen—including many thousands of veterans who are just getting new enterprises under way—will come out second best in the wild scramble for raw materials and finished goods. Their small reserves simply won't survive an inflation. Those who are able to hang on, with driblets of merchandise being delivered, will find themselves suddenly receiving large deliveries at just about the time prices have reached their peak.

"It was at just about that moment after the last war when the bubble burst, catching thousands of small businessmen with high-priced inventories. The inevitable result was heavy indebtedness or bankruptcy.

"The larger businesses with their greater reserves can survive such a boom and bust longer, and even come through with a whole skin. But in the meantime, thousands of smaller enterprises are squeezed out. The net result is only to encourage monopoly with prices out of the reach of the American people.

"Right now production is at the highest rate in the peace-time history of the country and is continuing to rise. Wholesalers' profits last year were 131% above the 1936-39 average, and retailers' profits were 190% higher than during the prewar period. Both figures are *after* taxes. Retail sales right now are more than 30% higher than they were a year ago. Manufacturers' profits were set back temporarily during the transition period from war production but are again on the increase.

"Business as a whole has done well under price control, and the prospects for the future are bright—if price and rent controls are continued until production gets somewhere nearly in balance with the unprecedented demand we have today. As long as business cooperates with the whole effort to stabilize our economy, it cannot be accused of profiteering as it was after the last war. But if price controls are weakened or destroyed the old charges of profiteering will be echoing around the country again during the next few months. I know that this is a matter of deep concern to every forward-looking business leader.

"During the war years, the vast majority of businessmen through unselfish and willing cooperation in the war effort achieved tremendous new prestige. Only a small handful are willing to jeopardize that prestige and the nation's economy by throwing price and rent controls overboard now in an attempt to reap quicker and even greater profits."

Philippines Trip Is Canceled by President

The White House announced on June 10 that President Truman's plans for a visit to Manila for the inauguration of Philippine independence on July 4 had been canceled, as the President believed Congress would still be in session on that date. The Associated Press report from Washington added that Mr. Truman had designated Secretary of the Interior Krug to represent him at the inauguration.

H. D. Smith Resigns As Budget Director

Becomes Vice-President of World Bank. Successor not yet appointed.

WASHINGTON, D. C., June 19—The White House announcement today of the resignation of Budget Director Harold D. Smith was followed by the World Bank announcement that Smith had been selected as Vice-President of that institution. This selection was made probably by Eugene Meyer, the bank's President. In the statutes under which the bank operates there is no specific mention of a Vice-President, but the President, operating under the general supervision of the Executive Directors, has wide powers to build his own staff. The salary of Mr. Smith's post has not yet been announced, but it is assumed that it is ample to make his surrender of the $10,000 Directorship of the Budget Bureau worth while. All World Bank salaries are before deduction of taxes.


Harold D. Smith

In the Budget Bureau Mr. Smith's place will be taken, for the present, at least, by Paul Appleby, once with the Agriculture Department and an associate of Secretary of Commerce Henry Wallace.

Hunter With Chas. A. Day

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS.—Douglas E. Hunter is now with Chas. A. Day Co., Inc., Washington at Court Street, members of the Boston Stock Exchange.

Halsey, Stuart Offers Gulf States Util. Bonds

An underwriting syndicate headed by Halsey, Stuart & Co. Inc. are offering today $27,000,000 of first mortgage bonds, 2⅝% series due 1976, of Gulf States Utilities Co. at 101.49% and accrued interest.

The net proceeds, together with a $2,000,000 bank loan, will be used to redeem $27,300,000 of 3½% first mortgage and refunding bonds, series D, due 1969.

Dealer-Broker Investment Recommendations and Literature

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

Advantages of Listing—Booklet discussing advantage accruing to the corporation that lists its securities on a national exchange and to the investor in those securities as well—President's Office, New York Curb Exchange, New York 6, N. Y.

Auto Prospects in Coming Years—Surveying of the investment prospects of the automobile industry—Delafield & Delafield, 14 Wall Street, New York 5, N. Y.

California — Short story of its past and its future in brochure form—with interesting investment recommendations — Nelson Douglass & Co., 510 South Spring Street, Los Angeles 13, Calif.

Current Quotations and Topics — Memorandum on several situations—Rauscher, Pierce & Co., Inc., Mercantile Bank Building, Dallas 1, Texas.

Distilling Industry — Study of the attractive position and outlook —In the **Fortnightly Market and Business Survey**—E. F. Hutton & Company, 61 Broadway, New York 6, N. Y.

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.

"Off Board" Market — Clear, concise, easy-to-understand description of the "Off Board" or "over-the-counter" market, explaining the major phases of the market and containing analyses of thrity-eight companies as well as six pages on unlisted common stocks, preferred stocks and bonds, including working capital, current assets, long-term debt, net sales and net income—Address Department "7"—Merrill Lynch, Pierce, Fenner & Beane, 70 Pine Street, New York 5, N. Y.

Rilroad Trends—Summary of I. C. C. Comment—Vilas & Hickey, 49 Wall Street, New York 5, 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.

Arkansas-Missouri Power Corp. —Memorandum in the current issue of the **Preferred Stock Guide** containing quotations on unlisted public utility preferred and common stocks—G. A. Saxton & Co., Inc., 70 Pine Street, New York 5, N. Y.

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

Also available are memoranda on **W. L. Douglas Shoe Co.; General Tin; Hartford Empire; Lanova Corp.; Mohawk Rubber; New Jersey Worsted; Oil Exploration;** and **Taylor Wharton Iron & Steel.**

Berkshire Fine Spinning Associates — New analysis — Scherck, Richter Company, Landreth Building, St. Louis 2, Mo.

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.

Cities Service Company—Study of situation and outlook—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

Also available is a summary of current **Railroad Reorganization Developments.**

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.

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.

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

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.**

Midland Utilities Company and **Midland Realization Company** — Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Also available is a survey of **Northern Indiana Public Service Co.**

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.

National Terminals Corporation — Circular — Adams & Co., 231 South La Salle Street, Chicago 4, Ill.

New Bedford Rayon—Circular on attractive situation—F. H. Koller & Co., Inc., 111 Broadway, New York 6, N. Y.

Also available is a circular on **Delaware Rayon.**

New England Lime Company—Descriptive circular — Dayton Haigney & Co., 75 Federal Street, Boston 10, Mass.

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

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

Rangely Oil Field — Memorandum on developments—Harry J. Newton, Cooper Building, Denver 2, Colo.—In the current issue of his "News Commentator" also containing news on certain other mining and oil situations.

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 Securities 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.**

Seaboard Finance Company — Late report—Kaiser & Co., Russ Building, San Francisco 4, Calif.

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.

Sundstrand Machine Tool Company—Study—Graham, Parsons & Co., 14 Wall Street, New York 5, N. Y.

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

Upson Co. — Descriptive Circular—Seligman, Lubekin & Co., 1 Broad Street, New York 4, N. Y.

Also detailed circulars on **Tennessee Products; Wellman Engineering Co.; Shatterproof Glass; Temple Coal.**

York Corrugating Company — Analytical study—Floyd D. Cerf Company, 120 South La Salle Street, Chicago 3, Ill.

Bruce With Fred Fairman

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—I. S. Bruce has become associated with Fred W. Fairman & Co., 208 South La Salle Street, members of the Chicago Stock Exchange. Mr. Bruce in the past was in charge of the Kansas City office of Alexander & Co. of Chicago.

Allyn Adds Snyder

CHICAGO, ILL.—A. C. Allyn and Company, Inc., 100 West Monroe Street, have added James E. Snyder to their staff. He was previously in the U. S. Army.

Walter Rice Dead

Walter T. Rice, partner in Daniel F. Rice & Co., Chicago, died on June 8.

Curb Exchange Drafting Reply to Mr. Cornell's Note Requesting Data on Kaiser-Frazer Shares

Lawyers expected to have letter ready for mailing to Chief of the Ohio Division of Securities by tomorrow. Importance attached to Mr. Cornell's statement that a full statement on the matter would make "a hearing unnecessary." Issue has arisen because Mr. Cornell feels second offering of the Kaiser-Frazer shares at an increased price was "unfair" and that Curb Exchange's action tends to nullify blue sky laws.

Lawyers are preparing a reply for the New York Curb Exchange to a letter received on Wednesday from Ernest Cornell, Chief of the Ohio State Division of Securities, requesting an explanation of why the Curb Exchange decided to list the common shares of the Kaiser-Frazer Corp. when it knew that the shares at the second offering price could not be registered in Ohio.

Edwin Posner

Ernest Cornell

Edwin Posner, President of the Curb Exchange, told the "Financial Chronicle" yesterday he thought the Curb Exchange would be ready to forward the information sought by Mr. Cornell through the mails sometime tomorrow.

Considerable importance and significance is believed to be attached by the Curb Exchange to the concluding words in Mr. Cornell's letter in which it is pointed out that "a full and complete statement from you, may make it unnecessary to call a hearing and take such action as may be permitted under Sections 8624-3 and 8624-16 of the General Code of Ohio."

In a statement which Mr. Posner issued on the matter and which is printed below, he made particular reference to this portion of Mr. Cornell's letter, practically quoting the entire sentence.

The Ohio Division of Securities could prohibit dealings by Ohio brokers with the Curb Exchange in either the Kaiser-Frazer shares or in all securities. However, not since the establishment of the Ohio securities act in 1913 has an exchange been suspended from Ohio trading.

Mr. Cornell's letter was written after the Curb Exchange itself had notified him of the action it had taken with regard to the Kaiser-Frazer stock offering. The Curb Exchange's note, dated June 13 and written by Martin J. Keena, pointed out that the Exchange had approved the listing application of the Kaiser-Frazer Corp. though it had not ignored the fact the stock had not been successful in qualifying for a second offering in Ohio.

The claim being made by Mr. Cornell is that "the listing of an unseasoned security without earnings as are the Kaiser-Frazer shares would tend to destroy the regulatory provisions of our blue sky laws."

The shares under dispute number 1,800,000 and were offered in January at $20.25 a share after 1,700,000 original shares had been offered and approved in Ohio for sale at $10 a share in September, 1945. It is Mr. Cornell's position that the second offering was grossly unfair since the company hadn't earned any money to justify the price increase.

The texts of the Curb Exchange's first letter to Mr. Cornell, Mr. Cornell's letter in reply, and the statement issued by Mr. Posner on the matter follow:

NEW YORK CURB EXCHANGE

June 13, 1946

Hon. Ernest Cornell,
Chief of Division
Division of Securities
614 Ohio Dept. of State Bldg.
Columbus 15, Ohio

Re: Kaiser-Frazer Corporation

Dear Mr. Cornell:

Our files indicate that in June, 1945, and again in April, 1946, we corresponded with you concerning the listing on this Exchange of stock issues which had previously run into difficulties in qualifying for sale under the Securities Laws of your State.

Now we have another case, which is that of Kaiser-Frazer Corporation. As we informed you in our previous letters, we require each applicant for listing to furnish us with details of any applications for "Blue Sky" qualification which it may have made, and the action taken thereon. The "Blue Sky" questionnaire submitted by Kaiser-Frazer Corporation in support of its listing application discloses that in connection with the original offering of 1,700,000 shares in September, 1945, the stock was qualified for sale in 29 States, including Ohio.

In connection with the second offering of 1,800,000 shares in January, 1946, the stock was qualified in 28 States, but the application in your State was withdrawn. As called for by our requirements, the corporation has furnished us with copies of the correspondence exchanged with your Division leading to the withdrawal, including a copy of the letter which Mr. Van Heyde of your Division wrote to Messrs. Jones, Day, Cockley & Reavis on Jan. 8, 1946, which letter sets forth the reasons why the application in your State could not be approved, viz., the fact that the second offering was being made at a substantially higher price than the previous offering without "an intervening improvement in the financial status of the application corporation to justify qualification of its common stock" at the higher price.

We can readily understand and appreciate your viewpoint in this regard, but this brings us to the same point discussed in our previous communication to you, referred to above, which is that the approach of a stock exchange to a listing application differs somewhat from the approach of a securities commission, in that while the price to the public is probably the principal factor in your calculations, when the application comes before the listing committee of a stock exchange the exchange is being asked to provide a market place for an issue which has already been sold and distributed, and will find its own level in a free and open market on the exchange.

After considering all factors in the Kaiser-Frazer case from the viewpoint of our usual approach to listing applications of this type, the New York Curb Exchange has approved the listing application of said corporation. However, we felt that we should write to you informing you of this action and letting you know that the fact that this stock had not been successful in qualifying in your State was not ignored in our determination to approve the application, but was given serious consideration. We believe that our decision will cause no inconvenience or difficulties in so far as it may affect the enforcement of your regulations in your State, since the entire 1,800,000 shares which were the subject of the offering last January have been sold.

If any questions regarding this or any other cases should present themselves, do not hesitate to communicate with us.

Colonel Lockwood has asked me to transmit to you his kindest personal regards.

Very truly yuors,
MARTIN J. KEENA,
Director.

DEPARTMENT OF STATE, DIVISION OF SECURITIES
Columbus, Ohio

June 17, 1946

Mr. Martin J. Keena
Director, N. Y. Curb Exchange
New York City, N. Y.

Dear Mr. Keena:

I wish to acknowledge the receipt of your letter of June 13, 1946, advising that the common shares of the Kaiser-Frazer Corporation have been approved for listing upon the New York Curb Exchange. Your decision in this matter renders these shares exempt from registration under the Ohio Securities Act and any and all licensed dealers may now buy, sell and trade freely in these securities.

Of course, you have a right to reach such a decision as you have with respect to the listing of these shares, but it would seem to us that the listing of an unseasoned security without earnings, as are the Kaiser-Frazer shares, would tend to destroy the regulatory provisions of our Blue Sky Laws. Your Exchange, by listing certain unseasoned securities without earnings, is misleading the general investing public who are not afforded the protection contemplated by our Legislature when they exempted securities from registration, which were listed upon certain stock exchanges, including the New York Curb Exchange.

Inasmuch as this is a matter of vital public interest to the citizens of the State of Ohio, we wish you would give us complete details and the various steps you took and the reasons why you listed the common shares of the Kaiser-Frazer Corporation, when you knew such shares at the second offering price could not be registered in Ohio. A full and complete statement from you may make it unnecessary to call a hearing and take such action as may be permitted under Sections 8624-3 and 8624-16 of the General Code of Ohio.

Very truly yours,
ERNEST CORNELL,
Chief of Division.

POSNER'S STATEMENT

Edwin Posner, President of the Curb Exchange, issued the following statement regarding the foregoing letter:

"Mr. Ernest Cornell, Chief of the Ohio Division, requests in his letter complete details, the various steps and the reasons why the Exchange listed the shares. He states that a full and complete statement from the Exchange may make unnecessary the calling of a hearing and the taking of action under the general code of Ohio. Such a report will be prepared and forwarded at the earliest possible moment."

Customers Brokers Nominating Committee

A nominating committee was selected at the quarterly meeting of the Association of Customers' Brokers, to present a slate to be voted on at the annual meeting in September.

Members of the Committee are: Alfred Borneman, Kidder, Peabody & Co.; George E. Deming, Craigmyle, Pinney & Co.; Alex Hayes, Smith, Barney & Co.; Al Heitzman, Fahnestock & Co.; John S. McLean, Shearson, Hammill & Co.; Edward Morgan, Eastman, Dillon & Co.; Anthony Smith, G. H. Walker & Co.; and W. A. Winslow, Merrill Lynch, Pierce, Fenner & Beane.

Members voted to raise the annual dues to $10.

Hill Bros. Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO.—George H. Erker has been added to the staff of Hill Brothers, 319 North Fourth Street, member of the New York and St. Louis Stock Exchanges. He was previously in the U. S. Navy.

Charles L. Todd Opens

BOSTON, MASS.—Charles Lee Todd, Jr. is resuming his investment business from offices at 53 State Street. Mr. Todd in the past was a dealer in Boston.

Riegel Textile Corp. $4 Pfd. Stock Offered

Dillon, Read & Co. Inc. today are offering 50,000 shares of $4 preferred stock, series A, of Riegel Textile Corp. at $100 per share, plus accrued dividends from June 15, 1946.

The net proceeds are to be applied to the repayment of $2,000,000 of 90-day notes held by Central Hanover Bank & Trust Co., New York, and the remainder will be added to working capital.

Michigan Brevities

Continental Motors Corp. is laying plans for the sale of $12,000,000 of converitble preferred stock to finance expansion and modernization of its Muskegon plant and to provide funds for possible acquisition of additional manufacturing facilities and working capital needs, C. J. Reese, President, has announced.

* * *

Kaiser-Fraser common stock will soon be making its appearance on the N. Y. Curb ticker tape. The firm's 4,000,000 shares of $1 par value have already been approved for listing and admission of the total shares outstanding 3,500,000 are now held publicly and the balance by Kaiser and Graham Paige interests.

* * *

Detroit Aluminum and Brass Corporation has filed a registration statement with the SEC covering 181,440 shares of $1.25 par value common stock. Baker, Simonds & Company will head the underwriters. The shares will be sold for the account of certain holders at $10 per share.

* * *

Alex J. Innes, Assistant Cashier for the National Bank of Detroit has left for Rutgers University, New Brunswick, N. J. to enter the Graduate School of Banking conducted by the ABA.

* * *

Ford plants, down since May 8, are calling back around 65,000 workers this week. It is estimated that final assembly lines will not be in full operation until June 24. The Lincoln plant, still beset by supplier difficulties, is yet unable to open.

* * *

In a move to gradually curtail all its activities except the manufacture of automobiles, Ford Motor Company sold an additional 25,000 shares of its stock in Detroit's Manufacturers National Bank at $200 a share. This leaves the company holding some 9,000 shares as compared with its original holdings of 82,000 shares.

Watling G. Lerchen of the local investment house, Watling, Lerchen & Co., which handled the sale said that the firm is getting out of the banking business same as GM did.

On the heels of the Ford sale, directors of the Manufacturers Bank have called a meeting of shareholders for June 17 to vote on a proposal to increase the capital of the bank by the issue and sale of 20,000 shares of $50 par stock at $150 a share.

If approved, each shareholder will receive rights for the subscription of one new share for each four shares now held.

* * *

National Stamping Company stock has been admitted to trading on the Detroit Stock Exchange while the application of Davidson Bros., Inc., to list 853,850 shares of $1 par value common stock was approved by the board of governors. Trading in the latter issue is expected to start sometime around July 1. The firm operates 12 stores in the Detroit area.

* * *

May trading on the Detroit Stock Exchange reached 401,191 shares, having a value of $5,445,656. This brings the five months total so far this year to 2,758,524 shares as compared with 2,125,194, in the like 1945 period. At the same time the exchange reported a sale of a stock exchange seat for $4,500, up $1,000 over the previous sale in February and the highest price paid for a seat since 1937.

* * *

McDonald-Moore & Co. purchased $30,000 Ecorse Township School District No. 8 1¼% Bonds. The issue matures March 1, 1947-1951.

* * *

Detroit City Ice & Fuel Company, a unit of City Ice & Fuel Co., announced the filing of a registration statement with the SEC covering an issue of $12,000,000 of 2¾% sinking fund debentures, due June 1, 1966 and 114,827 additional shares of common stock.

* * *

Decker Manufacturing Co., of Albion, has filed an application with the Michigan Corporation and Securities Commission to validate for public sale 112,670 shares of $1 par value common stock. Underwriters are Lytle & Co., Inc., and C. G. McDonald & Co.

* * *

Andrew C. Reid, past President of the Detroit Stock Exchange, has announced the formation of his own firm, Andrew C. Reid & Co. with offices in the Penobscot Bldg. Other partners in the firm are Roy W. Neil, Elmer C. Schroeder and Fred W. Huber. All have been in the securities business here for the last 20 years and are well known in financial circles.

* * *

Eugene W. Lewis, President of the Industrial National Bank, has announced the purchase of a former bank building in the northwestern section of Detroit to open another branch office.

* * *

Directors of Universal Products Co., Inc., have called a special meeting for July 16 to vote on a proposal to boost capital from 100,000 shares of no par value stock to 300,000 shares of $10 par stock. The plan calls for issuance of two new shares for each share presently outstanding.

National Gypsum Co. Common Stock Offered

An underwriting syndicate headed by W. E. Hutton & Co. and Blyth & Co., Inc., are offering today 275,000 shares of common stock, $1 par value, of National Gypsum Co. at $29.50 per share.

The net proceeds are to be used to pay additional costs of two new plants at Baltimore, Md., and Kimballton, Va.; to pay for additions to its rock wool plants and for additions and improvements to plants at Mobile, Ala.; Clarence Center, N. Y.; Kalamazoo, Mich.; Garwood, N. J., and New York City.

With Barret, Fitch & Co.

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, MO.—Wesley L. Clark has become affiliated with Barret, Fitch & Company, Inc., 1004 Baltimore Avenue. He was previously in the U. S. Army.

NSTA Notes

NSTA ADVERTISING YEARBOOK NEWS

Your National Advertising Committee wishes to thank the regional chairmen for their splendid cooperation and assistance given the Financial Chronicle salesmen. Also, we are happy to give credit to George McCleary of the Florida affiliate for urging all members at their Convention the latter part of last month to send in their photographs and to Tony Bottari of the San Francisco Traders Association, whose affiliate, by the way, has practically 100% of their photographs in the hands of the "Chronicle," for the cooperation extended.

In order to expedite our gigantic task, may we suggest that all members who have photographs of themselves send one directly to the "Chronicle" (25 Park Place, New York 8, New York), together with their name and firm connection on the back of the photograph if they have not already done so. The size of the photograph does not have to be considered but we are asking your cooperation in this initial work.

At the present time, over $9,000 in advertising is in hand and we are pleased to recognize our old friend Phil Clark of Denver who has developed over three times the number of ads we have ever had out of his affiliate.

May we ask all the officers of the affiliates to cooperate with us in getting these photographs in and in lending what assistance they can when the photographers are in their cities, also aiding their regional chairmen with advertising. It would be a big help if an official in each affiliate were to call each member and urge him to send in a photograph if he has not already done so. At this writing, it looks as though the deadline for pictures will be August 1st and for advertising approximately the 5th of August.

Harold B. Smith, Chairman
NSTA Advertising Committee
Collin, Norton & Co., New York, N. Y.
A. W. Tryder, Vice-Chairman
NSTA Advertising Committee
W. H. Newbold's Son & Co., Philadelphia

P. S.—Al Tryder, your Vice-Chairman, was most helpful while the photographers were in Philadelphia in lining up the members before the camera.—Harold Smith

First Boston Preparing to Poll Stockholders On Merger of Mellon Securities Into Firm

Executive Committee is reported preparing a presentation of proposition for consideration by Board of Directors. Fate of proposal likely to be decided by stockholders by July 31. Negotiators have not yet come to an agreement on valuation of assets of two firms. New merged firm would exist under name of First Boston Corp. and would be largest corporation of its kind in world.

Officers of the First Boston Corp. are making arrangements to take a poll of the stockholders of the corporation not later than July 31 on the question of absorbing the interests of the Mellon Securities Corp., another underwriting and securities distributing concern, into the firm, it has been learned.

At the moment, the executive committee of the First Boston Corp., under the chairmanship of H. M. Addinsell, is reported preparing a presentation of the proposition for consideration by the board of directors when it meets again, very likely sometime within the next month.

The ballots to be sent to the holders of the corporation's 450,000 shares will be worded in such a way, it is understood, that, if consent is given to go ahead with the proposition, the proposed merger will become effective without delay under certain very definitely stipulated terms.

Since the stock of the Mellon Securities Corp. is owned principally by Richard T. Mellon and his sister, Mrs. Sarah Scaife, both residents of Pittsburgh, assent to the proposition from that corporation is considered a certainty even before formal action by the board of directors and vote of the stockholders, though, of course, favorable board action and vote by the stockholders must materialize before the merger can be completed.

The new merged firm—if it is authorized—will exist under the name of the First Boston Corp., it has been announced, though the Mellon family will retain a substantial interest in the company which will be the largest corporation of its kind in the world.

Negotiators have not as yet come to any agreement as to the value of the assets of the respective firms. On the basis of the 1945 annual report of the First Boston Corp., however, the 450,000 shares of the corporation, at $32.20 a share, are worth $14,490,000. The net assets of the Mellon Securities Corp. are also believed to approximate $8,000,000.

It is possible that the First Boston Corp. may issue as much as 150,000 new shares of its own to exchange with the Mellon Securities Corp. for its securities. It is likely also that the new issues would be non-voting stocks, thus assuring the present management of the First Boston Corp. of continuity in the new organization.

The New York office of the Mellon Securities Corp., which is staffed by only twenty persons, will most likely be absorbed by the larger New York office of the First Boston Corp. if the merger takes place. The Pittsburgh main office of the Mellon Securities Corp. would continue to be maintained, however, as it would give the firm desired coverage in western Pennsylvania and West Virginia. The Pittsburgh office would have both a buying department and a selling organization.

The First Boston Corp. was formed 14 years ago as an outgrowth of national banking legislation. Previously, it had been the securities affiliate of the First National Bank, Boston. The Mellon Securities Corp. was formed in 1935 mainly to handle the Mellon family interests, it was understood then. However, the Mellon Securities Corp. soon became an important underwriter.

Connecticut Brevities

On June 11, the City of Meriden sold $100,000 Street Improvement bonds dated June 1, 1946 and maturing $10,000 each year June 1, 1947 to 1956 inclusive, to Laidlaw & Co. at 100.03777 for bonds carrying a ¾% coupon rate. Other bids were submitted for a 1% coupon rate. The bonds were reoffered to the public at prices ranging from a .40% to .75% basis.

The First Boston Corporation recently purchased $800,000 Town of Westport School bonds. The issue carried a 1% coupon and matured $40,000 annually from one to twenty years. Reoffering prices ranged from a .40% to a 1% basis.

* * *

Putnam & Co. of Hartford headed a group of underwriters who recently offered 49,500 shares of the Plastic Wire & Cable Corporation at $6 a share.

The company, located in Jewett City, Connecticut, was incorporated in October 1943 under the laws of the State of Connecticut. The company is engaged in the manufacture and sale of plastic-covered wire and cable, plastic-insulated electrical cords, including molded plugs and parts, and in the development and manufacture of other products featuring extruded plastic composition or covering.

From the beginning of operations in December 1943 until August 1945, the corporation was engaged exclusively in the manufacture of insulated wire for military purposes. V-J Day in August brought cancellation of war contracts totalling some $2,500,000. In September 1945, the company converted to peacetime activities and sales aggregated $33,391; in October, $98,513; November, $110,019; December, $143,785; January, 1946; $179,750; February, $128,837; March $194,720; and April, $209,475, bringing the total for the eight months to $1,098,490. As of the end of April 1946, unfilled orders amounted to approximately $1,320,000.

For the first six months of the fiscal year ended March 31, 1946, net profit was $10,004. For the year ended Sept. 30, 1945 net profit was $68,707, compared with $24,315 for the preceding fiscal year.

* * *

The Southern New England Telephone Company of New Haven has registered with the S. E. C., 100,000 shares of $100 par value capital shares and 400,000 warrants. Holders of record of June 25 of the capital stock, are to be given the right to subscribe to the new stock at $120 a share on the basis of one new share for each four shares held. Subscription rights will expire on July 16, 1946.

* * *

For the 20 weeks period ended May 19, Veeder-Root, Inc. showed net earnings of $302,580 or $1.51 a share, after charges and taxes. This compares with $237,843 or $1.18 a share for the similar period of last year.

During this period, earned surplus increased by $202,580 to a total of $2,683,374. For the corresponding period last year earned surplus was $137,843, bringing the total to $2,401,590.

For the month of May, United Illuminating reported sales of 52,139,287 k.w.h. compared to 57,213,715 k.w.h. in May 1945. Sales in the New Haven area increased 6.1% while sales in the Bridgeport district declined 16.5%.

* * *

On June 12, it was announced by the SEC that Derby Gas & Electric Corp., together with three of its subsidiaries, Derby Gas & Electric Co., Danbury & Bethel Gas & Electric Light Co., and Wallingford Gas Light Co., had filed a petition to grant permission to issue additional securities. Proceeds from such sale would be used to finance cost of additional facilities for subsidiaries.

The parent company plans to issue $500,000 debentures and 20,066 additional common shares, the former to be sold to an institutional investor, and the latter offered to the company's stockholders.

* * *

Segal Lock & Hardware Co. is offering its holders of common stock, 7% preferred, and $2.50 preferred, the right to subscribe at $4 a share, to one share of common stock for each two shares of any class of stock held. Offer is made to holders of record June 13; rights will expire July 2.

Kenneth Gosman Joins Wahler, White & Co.

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, MO.—Kenneth W. Gosman has become associated with Wahler, White & Company, Dwight Building. Mr. Gosman has recently been with the Reconstruction Finance Corporation. Prior thereto he was with Harris, Upham & Co. and Auerbach, Pollak & Richardson.

With Stern Bros. Co.

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, MO.—Raymond F. Davis and Jack E. Kempton have been added to the staff of Stern Brothers & Co., 1009 Baltimore Avenue, members of the Chicago Stock Exchange. Both were previously in the armed forces.

Missouri Brevities

A public offering was made on June 13 of 11,531 shares of no par value common stock of Union Wire Rope Corp. of Kansas City, Mo., at $15.50 per share. These represented the remainder of an original issue of 42,000 shares initially offered to stockholders at the same price. The principal underwriter is P. W. Brooks & Co., Inc. of New York City. Burke & MacDonald, of Kansas City, Mo., registered dealer under the Missouri Securities Act, participated in the offering. The Union Wire company intends to use a part of the proceeds (approximately $250,000) for increased inventory to be placed in warehouses and in stocks consigned to distributors, so that, to as large extent as possible, wire rope will immediately be available for sale. The balance of the proceeds will be used to increase the cash working capital of the corporation.

Current assets as of Dec. 31, 1945, amounted to $1,693,567, while current liabilities totaled $819,602. Net income of Union Wire Rope Corp. for the year 1945 was $476,434 after Federal taxes, which compares with $354,529 for 1944 and $267,489 for 1943. In each of the three years, dividends totaling $104,000, or $1 per share, were paid.

* * *

An underwriting group on June 14 offered $667,400 of Great Bend, Kansas, school bonds, carrying 1%, 1½% and 1¾% rates and due from one to 20 years, at prices to yield from 0.60% to 1.30%. The underwriters, composed of Stern Brothers & Co., Baum-Bernheimer Co., Soden-Zahner Co. and Lucas, Farrell & Satterlee, all of Kansas City, Mo., and Seltsam & Company, Inc. of Topeka, Kansas, paid par for the bonds.

* * *

The Laclede Steel Co. has declared a dividend of 25 cents per share, payable June 29 to stockholders of record June 22, the same rate as in the previous quarter. Knapp-Monarch Co. will pay 40 cents per share on the common stock July 1 to holders of record June 21, the same as disbursed on Jan. 29, last. Clinton Industries, Inc. (formerly National Candy Co.) will pay 25 cents on July 1 to stockholders of record June 15, the same as paid on April 1, last. New definitive engraved stock certificates representing capital stock of Clinton Industries, Inc. are now ready for delivery in exchange for all presently outstanding certificates representing stock of said company.

The directors of the Kansas City Southern Ry. on June 14 declared a dividend of $1 per share on the $4 preferred stock, payable July 15 to holders of record June 29. A similar payment was made on Jan. 15 and April 15 of this year.

* * *

The Elder Manufacturing Co. reports a net income of $249,593 after reserve for contingencies of $75,000, for the fiscal year ended April 30, 1946. This was also after Federal taxes amounting to $561,274, which included excess profits taxes of $367,754. In the preceding year, the net income amounted to $211,656, after contingency reserves of $100,000. Lionel Kalish, Jr., has been elected a director of the Elder company to succeed the late Ben S. Pearson. Alfred P. Rowan, a Vice-President, was also elected Treasurer and Arthur C. Schick Assistant Treasurer, was also elected Secretary both succeeding Mr. Pearson, who had been Secretary and Treasurer.

The usual quarterly dividends of 25 cents per share on the common stock and $1.25 per share on the 5% cumulative participating class A stock were declared, both payable July 1 to holders of record June 20.

* * *

Paul J. Neff, executive assistant under the current trusteeship of the Missouri Pacific RR. Co., has been elected President and a member of the board of directors of that road, to succeed the late Lewis Warrington Baldwin who died in St. Louis, Mo., on May 14.

On June 14, the MOP and the Pennsylvania and Texas & Pacific railroads announced that they will begin operation, on July 7, next, of a complete train daily between the Eastern seaboard and points in Texas, a service which, it is pointed out, has long been advocated by Robert R. Young, Chairman of the Chesapeake & Ohio Ry., and in advertisements sponsored by the C. & O. lines.

Mr. Young asserted that "St. Louis, the natural gateway to the Southwest, gains in importance and prestige by this move, and it is hoped that non-stop service from the East to West Coast can be promptly provided through St. Louis."

Real Estate Securities

It is interesting to see the different schools of thought of what properly constitutes a fair reorganization.

In the 61 Broadway reorganization in the Federal Courts, where the equity owners were cut off entirely and where the junior bondholders were almost entirely wiped out, the Securities & Exchange Commission advanced the theory that the doctrine of a fairness of a plan requires that the holders of senior securities be fully compensated before junior security holders may participate in the reorganization and unless the debtor's assets exceed the amount of its liabilities, stockholders must be excluded from a plan. Similarly, junior mortgage bondholders may not participate unless there is an equity above the claim of the first mortgage or that there are free assets not subject to the first mortgage.

In the Chanin Building reorganization just approved in the New York State Courts, the allocation of earnings was changed but no security holder was cut off and the owners were permitted to retain their interest in the equity. This property has a first mortgage leasehold bond issue of $6,059,500., second mortgage bonds of $2,962,500. and third leasehold bonds of $2,500,000., — a total indebtedness of $11,522,000., while the value set for the property by the Court's appraiser in the reorganization was only $7,100,000. The theory advanced for not disturbing the present debt structure was that, providing there is a prospect of earnings over and above that necessary for the fullest protection of senior interests, thus insuring their absolute priority, it should then become fair and equitable to identify reorganization valuation with a debt structure that earnings can service rather than to use the market value of a debtor's assets, which would determine a cut off point of junior securities.

Speculators in hotel bonds might do well to check into the earning situation of their investments very thoroughly. Labor contracts expire very shortly and the Unions are asking for a 30% increase in wages plus a reduction of working hours from forty-seven to a forty hour week. Should the Union be successful in their demands it will seriously affect the earnings of many hotels in New York.

As a matter of fact, this writer believes it would be prudent not to extend contracts on the majority of real estate bond issues. This type of investment has had a steady rise and somewhere along the line it should level off.

Unfortunately, not many people realize that the cost of operation of real estate is continually rising without much prospect of relief from OPA rent ceilings.

Another situation that should be considered is the probable cost of modernization to compete with new buildings, such as air conditioning, etc.

Gibson, Morse, Hannah Named to Labor Posts

President Truman on June 7 nominated as Assistant Secretaries of Labor John W. Gibson of Michigan, David A. Morse of New Jersey, and Philip Hannah of Ohio. Mr. Gibson, Associated Press Washington advices added, was at one time Congress of Industrial Organizations director in Michigan. He was appointed Second Assistant Secretary in the Labor Department last July, and has been serving as First Assistant since the resignation of Daniel W. Tracy. He is said to have been taking a major part in representing the Labor Department in most of the postwar labor disturbances.

Mr. Morse is stated to have been practicing law in Newark and has been general counsel of the National Labor Relations Board, and served during part of the war as a Lieutenant Colonel in the Army in charge of Military Government work in European areas.

Mr. Hannah is described as the only direct representative of the American Federation of Labor in the Labor Department administration. He has been Secretary-Treasurer of the Ohio State Federation of Labor.

No announcement has yet been made of the selection of an Under-Secretary of Labor, called for under the Labor Department reorganization program which includes establishment of three assistant secretaryships instead of two as at present.

Snyder Confirmed

After unanimous approval by the Senate Finance Committee on June 10, the appointment of John W. Snyder as Secretary of the Treasury was confirmed by the Senate the following day by voice vote without objection, according to Washington advices from the Associated Press. Mr. Snyder, who has lately been Director of the Office of War Mobilization, succeeds in the Treasury post Fred M. Vinson, who has been nominated Chief Justice of the United States Supreme Court.

Germany Must Be Established As Single Economic Unit

Current failure to follow Potsdam Plan threatens to foist Germany on foreign suppliers, and to block her revival permanently—according to conclusions of research study by Institute of World Affairs.

The Potsdam plan for Germany is not only workable, but contrary to a widely spread view "the plan is the only cooperative one thus far devised which offers a realistic solution of the German problem," according to a study by the Institute of World Affairs of the New School for Social Research.

Dr. E. Hamburger

Dr. Alvin Johnson

The findings of the study are contained in an article "The Economic Problem of Germany" by Dr. Alvin Johnson, President of the Institute of World Affairs, and Dr. Ernest Hamburger, research associate. The article will appear next week in the June issue of **Social Research**, quarterly publication of the Institute and of the Graduate Faculty of Political and Social Science of the New School.

Conceding that for the immediate future, the outlook is dark, the

(Continued on page 3373)

Broker-Dealer Personnel Items

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — **Robert W Jenkinson** has become associated with **Detmer & Co.**, 105 South La Salle Street.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — **James R. Saxton** and **John S. Weatherston** are now with **Graham, Parsons & Co.**, 135 South La Salle Street. Mr. Saxton has recently been serving in the U. S. Army. Mr. Weatherston was with Blyth & Co., Inc.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, OHIO—**John P. Bura** is now with **The First Cleveland Corporation**, National City Bank Building.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH.—**Horatio N. Cannon** is now affiliated with **McDonald-Moore & Co.**, Penobscot Building.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH. — **George Begg, Jr.**, has become affiliated with **Wm. C. Roney & Co.**, Buhl Building. In the past he was with P. A. Hastings & Co., and D. M. Woodruff & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—**Howard N. MacKellar** has joined the staff of **Edgerton, Wykoff & Co.**, 618 South Spring Street.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—**Louis R. Aragon** has become connected with **First California Company**, 650 South Spring Street.

(Special to THE FINANCIAL CHRONICLE)

MIAMI, FLA.—**James C. Culver** is with **Daniel F. Rice and Company**, Ingraham Building.

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, MINN. — **Geo. M. Cawcutt** and **Irene M. Vollbrecht** are with **John G. Kinnard & Co.**, Baker Arcade.

(Special to THE FINANCIAL CHRONICLE)

OAKLAND, CALIF.—**James N. White** is now with **C. N. White & Co.**, Central Bank Building.

(Special to THE FINANCIAL CHRONICLE)

OMAHA, NEB.—**Lloyd D. Mathews** has become associated with **Kirkpatrick - Pettis Company**, Omaha National Bank Building.

(Special to THE FINANCIAL CHRONICLE)

PALM BEACH, FLA.—**Willard A. Patterson** is now with **Merrill Lynch, Pierce, Fenner & Beane**, Bassett Building.

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, MAINE—**Howard L. Cousins, Jr.**, has joined the staff of **R. M. Horner & Co.**, 30 Broad Street, New York City, after serving in the U. S. Marine Corps.

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, MAINE—**William H. Chapple, Jr.**, is with **Timberlake & Co.**, 191 Middle Street.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—**Edwin C. Callan** and **Harold A. Lare** have been added to the staff of **Brush, Slocumb & Co.**, 1 Montgomery Street.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—**Wesley P. Craig** and **William S. Fleharty** are with **Dean Witter & Co.**, 45 Montgomery Street.

(Special to THE FINANCIAL CHRONICLE)

WORCESTER, MASS.—**John J. Timon** is with **Hanrahan & Co.**, 332 Main Street.

(Special to THE FINANCIAL CHRONICLE)

WORCESTER, MASS. — **Sophie A. Kolodziek** is with **H. L. Robbins & Co.**, 390 Main Street.

China Is Taking Steps to Restore and Improve Its Transportation Facilities Damaged by War

A new transportation system is being developed for Yangtze River region with help of American engineers and skilled mechanics. Chinese dock yards are being rebuilt with American surplus war equipment. China also maps plans to improve railroads and highways. Import-export trade is reported on increase at Shanghai. American pre-fabricated homes to be used to relieve housing shortage in large cities.

The Chinese Government is taking steps to improve as well as to restore the transportation facilities of China which were badly damaged or crippled during the war, according to articles appearing in the issue of the "China Trade News", published by the China-America Council of Commerce & Industry, Inc., scheduled to be distributed to readers tomorrow.

Announcement is made, for instance, that several score American engineers and skilled mechanics have been engaged on the American west coast during the past few weeks to help rehabilitate traffic on the Yangtze River, China's greatest transportation artery. A large fleet of American war surplus vessels, including LST's, LSM's, LCT's, LCM's and LCV's, which China has acquired, will be the basis upon which these men will develop a vast, integrated transportation system for moving freight to and from Shanghai at the mouth, it is said.

Chinese dock yards destroyed during the war will be rebuilt with $50,000,000 worth of American dock yard equipment, now scattered among various Pacific islands, being sold to China under an agreement concluded on May 16, it is also reported. However, the following ports are said to be open now to ships of those nations having treaties of reciprocity with China: Shanghai, Ningpo Yungchia, Amoy, Swatow, Tientsin, Chinwangtao, Haishow, Chefoo, Yinghow, Canton, Foochow and Keelung.

The Canton-Hankow Railway which was badly damaged during the war is also expected to be ready for through traffic by the end of this month though repair work is being impeded by a shortage of sleepers and rails, it is pointed out.

(China is keenly aware of her inadequate railway facilities and has great plans for the development of her railroads, an article in the July issue of the "China Trade News" will say. It is shown for example, that eight of the 26 provinces in China with a total area of 1,692,000 square miles are still without railroad facilities. Of all the agricultural products marketed by China in pre-war years, it is pointed out, only 5% were transported by railways and automobile trucks while 45% were carried by man-driven junks and hand carts and 50% by human carriers. Now that the system of extraterritoriality has been abolished, it is said, China has control of her own roads and, although she will need large foreign loans and credits, she is for the first time in a position to plan railway development in a coordinated manner.)

(The May issue of the "China Trade News" revealed that the Chinese Ministry of Communications has drawn up a plan calling for the construction of 60,000 kilometers of new highways in China within the next five years. The added mileage will give Chinese highways a monthly capacity of 500,000,000 passenger-kilometers and 144,000,000 ton-kilometers of freight traffic, it is estimated.)

Indications are also given that the import-export trade is reviving at Shanghai. During the January-March quarter, imports there are listed as totaling approximately $32,000,000 and exports, $6,000,000. Of the imports, 85% were shipments of UNRRA material. The exports consisted chiefly of raw silk, yarn, thread, plaited and knitted goods, towels, clothing, straw hats, straw braid, fruits, mushrooms, blankets, chinaware, tungsten and other characteristic Chinese products.

Exports of tung oil from China are expected to total about 25,000 short tons this year as against the pre-war average of 89,000 tons. The Fushun and Fushin coal mines in Manchuria have also resumed production, it is said. The Fushun mines are producing 5,000 tons of coal a day, one-fifth of the former output. The Fushin mines are yielding 3,000 tons a day.

The Joint Head Office of the Four National Banks has approved a loan amounting to $10,000,000 in American currency to aid in the recovery of the silk industry in the Kiangsu-Chekiang-Anhwei area which was long under enemy occupation and suffered thorough devastation, it is revealed.

Between 1,000 and 1,500 prefabricated housing units will arrive in Shanghai from the United States this year, according to a statement attributed to C. H. Chang, general manager of the newly-organized Prefabricated Housing Investment Corporation. The houses are three-room units manufactured for the U. S. Army during the war by Montgomery Ward & Co. American prefabricated housing units will be used extensively in Shanghai and other Chinese cities, it is said, to relieve the acute housing situation.

Business Man's Bookshelf

Analyzing the Cost Factors of Instalment Lending — Consumer Credit Department, American Bankers Association, 12 East 36th Street, New York 16, N. Y.—Paper.

Need Nine Months More of OPA To Prevent Price Boom

(Continued from page 3346)

production of radios, now at about prewar levels; tires, which are now being produced at far above prewar levels and are still coming up, etc. So, in all likelihood if the nation waited another nine months before lifting price control as Congress is now doing most of the steam would be let out and we would get away with very little more postwar price rise when we lifted the lid. Thus, there is a great difference between an objectively-created price rise and one headed by speculation. The latter will go to a much higher peak, last longer and come down more sharply and further, this economist observed.

That sort of price behavior, the Administration believes, will harm a large segment of the population. It probably will set off another wage-price turmoil later on, especially with the ending of food-price controls. The whole famine-relief program is harmfully affected, because the Administration has been trying to improve the supply of grains for human consumption by altering the ratio between animal and feed prices, so as to divert grain to human use.

Asked whether drastic monetary measures such as have been used in Europe would be an answer to the main inflation problem this country faces, this economist replied in the negative. You don't need a drastic cut in purchasing power, because production is catching up, he said. The supply of purchasing power is a temporary problem. How much of the wartime savings represents merely delayed purchases is a matter on which opinions differ, but most of the savings are in the hands of the wealthier segment of the population. The June Federal Reserve Bulletin, just out, shows the top 10% of the spending units of the country—meaning people living in the same family under the same roof—hold 60% of the liquid assets other than currency. The top 20% hold 77% of the liquid asset holdings, while the top 30% hold 87%.

Railroad Securities

Early last week it had begun to look as if the railroad reorganization picture might be clearing up. In a sweeping decision in the Denver & Rio Grande reorganization the Supreme Court again upheld powers of the Interstate Commerce Commission under Section 77. It held, in reversing the Circuit Court of Appeals, that any gain or loss after the effective date of the plan was a benefit or an injury to the new securities. The Circuit Court had earlier ruled that while the new capitalization should not be set up on the basis of war earnings, the benefits from these earnings (improved finances, property betterments, and retirement of senior claims) should inure to the benefit of the old junior security holders.

The Supreme Court also upheld, for the first time, the right of the Commission and the courts to confirm a reorganization plan over the adverse vote of one class of security holders. Finally, the right of the Commission to eliminate valueless securities in reorganization was reaffirmed. The Court recognized that there had been considerable criticism of reorganization under Section 77 but pointed out that no new legislation had been passed since its earlier upholding of the present law in the St. Paul and Western Pacific cases.

On the same day as the Rio Grande decision was handed down the Supreme Court refused to grant a writ of certiorari to the debtor corporation in the St. Louis-San Francisco reorganization proceeding. With these two decisions it was felt that the opposition to the two plans had exhausted their legal possibilities for preventing consummation. It was also felt that any hopes for sending the Chicago, Rock Island & Pacific plan back to the I. C. C. for reconsideration and revision had received a serious blow. Optimism over the fairly rapid consummation of at least these three plans was based on the belief in most quarters that the large amount of vital and controversial legislation facing Congress militated against the passage in this session of any new reorganization legislation.

The new hopes for expeditious reorganizations for at least three of the railroads now in bankruptcy received a serious blow late in the week when the Senate passed the so-called Wheeler Bill. At the time of this writing the full details of the bill in the form in which it was passed by the Senate are not available. Press reports from Washington, however, indicate that as written it will exclude the Denver & Rio Grande Western and that even if the legislation is enacted into law that reorganization can be consummated. All the other major reorganization roads, however, would presumably be turned back to the old stock holders to work out voluntary plans of capital readjustment.

It is now up to the House to act. From present indications there appears to be little question but that that body will approve some similar new reorganization bill. Agitation for such legislation had attracted a large measure of support a long time ago when Senator Wheeler was still the strongest proponent of drastic railroad reorganizations. It is possible that the House bill will be even more radical than that of the Senate. In any event, a compromise bill drastic enough to perpetuate unsound railroad capitalizations now seems to be in the cards.

One major dissatisfaction with Section 77 in the eyes of Congressional spokesmen has been the interminable delays. Certainly new legislation will not speed up the process of reorganization or readjutment. It will presumably be highly successful in keeping reorganizations in a state of turmoil for at least another couple of years. Certainly the various provisions of any new legislation will be subject to exhaustive tests as to constitutionality and the prosecution of an untold number of cases right through to the Supreme Court can be taken for granted. In the meantime, there will presumably be a continuation of the wild speculation in the old stocks by people hopeful that value can be legislated where there is no normal earning power.

Material Progress Lacks Spiritual Development

By EMIL SCHRAM*

President, New York Stock Exchange

Mr. Schram, in stating main problem for new generation is to develop a spiritual condition where men can live together in peace of mind, lays down specific problems to be faced as: (1) cooperation of labor and capital; (2) replacing prejudice and passion by reason and tolerance; (3) making democratic government function; and (4) making individuals as well as society moral. Holds to "profit motive" as mainspring of progress, but sees highest satisfaction in contribution to human values. Says industry is in strait-jacket and free market no longer exists.

It is often said that everyone talks about the weather, but that no one does anything about it. Our generation has talked a lot about the need for spiritual development, but has done little about it. The weather, in spite of our neglect, has got neither better nor worse, but, because of our neglect, the soul of society has become steadily less competent to assimilate the environment which material progress has brought.

Emil Schram

The main problem of this new generation, whether it likes it or not, is to develop the souls of individual men and women to a spiritual condition where human being will be able to live toge.her in a complicated society and have peace of mind.

What are some of the specific problems which face those who must live in the second half of the Twentieth Century?

Read the daily press, listen to the radio, take note of your casual conversations with friends. Everyone seems to be thinking about the same things.

How can we demonstrate anew our capacity for self-governmen.?

How can we control atomic energy? How can nations live together closely, as they must in these days of quick and easy communication, and get along peacefully without wars or threats to peace?

How can labor and capital cooperate without friction to produce the things the world needs?

How can reason and tolerance in human relations replace prejudice and passion? Oh, how society is poisoned by hate!

How can democratic government function efficiently under stable and just laws and at the same time maintain popular discipline? How can the electorate in a democracy be trained to do unpleasant things for the common good? How can a continuity of policy be developed when the people change their attitude every time they go to the polls?

How can humanity continue its conquest of disease without sacrificing freedom in the medical profession?

What shall we do with the expanding leisure which the development of machinery and shorter working hours have brought? How can we make our leisure not only satisfying but productive of richer lives?

And, finally, what can we do to make men conscious that individuals as well as society must be moral?

Have we forgo.ten that the ethics of society cannot be any better than the consolidated moral principles of the men and women who constitute it? Have we ever thought that social immorality is a contagious infection that logically should be treated like any other pestilence?

All of these problems, if you stop to analyze them, involve human a.titudes rather than material factors. In the broad sense of the word, they are spiritual problems rather than economic problems.

And so we go back to the main point of all I am saying. In the first half of the Twen.ieth Century, scientific and inventive progress has complicated the

(Continued on page 3379)

*Part of an address by Mr. Schram at the Commencement Exercises of the University of Vermont, Burlington, Vt., June 17, 1946.

More on Prospects for Stocks and Bonds

By ROGER W. BABSON

Mr. Babson discusses outlook for paper, petroleum, steel, rubber and transportation stocks. Holds only corporation bonds that look good are those selling at a high yield or that are convertible or due in few years. Concludes well selected stocks are best investment and such issues should sell later at higher prices.

Once every six months I prepare a brief summary of the leading industries. Half of these, I discussed in this paper last week; I am now completing this summary.

Roger W. Babson

Paper Stocks — The outlook for the paper industry is good. Just now it is handicapped by a scarcity of pulp; but this should be remedied as soon as the pulp mills of Europe get into full swing.

Petroleum Stocks — Although these have been behind the rest of the market, they may be one of the best purchases. Readers, however, should buy the stocks of companies having large oil reserves rather than the stock of the distributing companies.

Public Utility Stocks — These are destined for public ownership. This means that stockholders will be compelled to turn in their securities for cash at a time when cash may not be worth much.

Railroad Equipment Stocks — The railroads are in great need of new equipment of all kinds from spikes to locomotives. It seems as if such companies should do well for the next few years.

Rubber Stocks—The rubber industry has completed its re-conversion problems and earnings for the next two or three years should be satisfactory. Furthermore, the existence of large synthetic plants should make the industry more stable than in the past.

Steel Stocks—This country cannot enjoy prosperity without the steel industry benefiting therefrom. Therefore, the investments in the better-grade steel stocks appear justified. Steel plants, however, may especially be subject to bombing in the next war.

Tobacco Stocks — The tobacco stocks have many things in their favor but, of course, are much affected by taxation.

Transportation Stocks — Every month the railroads are showing declining earnings compared with the same months of previous years. I don't like this trend. Bus companies, both interstate and local, continue to do well.

Government Bonds—Everyone should have enough cash or Government bonds on hand as a good reserve for emergencies or market breaks and to pay estate taxes upon death; but otherwise I see little advantage in Governments or "cash in the bank" at this time. This is especially true of those who are in high income tax brackets. It is very clear to me that unless the world has a spiritual awakening we are headed for another world war which would bring tremendous destruction to the United States. The net result of this could be the printing of currency to pay up all, or most, of the Federal debt. Bondholders would get their money; but it wouldn't have much if any purchasing power.

Municipal Bonds—Most municipal bonds should be as safe as Government bonds and, at the present time, are non-taxable; but, of course, are selling at a very low yield. The long-term issues will be paid when due; but may be paid in money which will not buy much. This also applies to many other investments founded upon debt and distant future payment to be received from life insurance companies.

Corporation Bonds — The only corporation bonds that look good to me are those selling at a high yield, or due within a reasonably short period of time; or which are convertible into stock on some attractive basis. Holders of long-term, low-interest rate bonds are headed for a severe licking in my humble judgment. Insist that your corporation bonds pay 5%.

Stocks — I continue to believe that well-selected stocks are the best investment at the present time (both for safety and yield). Furthermore, as investors look into the situation, carefully and impartially, they will come to similar conclusions. As the supply of good stocks is distinctly limited, this means that they should sell for higher prices than at present. I believe that the stocks of certain companies that yield only 3% may be safer over the longer term than the bonds of the same companies.

Conclusion — Of course, much care should be exercised in selecting both industries and individual companies. Do not invest too much of your funds in companies that have most of their assets in large cities — especially large coastal cities. The safest stocks are among those of companies that have their assets distributed throughout the nation, especially in small communities.

Wall Street Soft Ball League Scores Reported

The teams representing Hirsch & Co. and the New York Curb Exchange in the Wall Street Softball League continued their winning streaks during the week ended June 15th to maintain top positions in the two divisions of the league.

Hirsch & Co. captured both ends of two double headers during the week, the first from the New York Security Traders 4 to 3 and 10 to 5 and the other from Orvis Bros. 10 to 3 and 11 to 2, taking an imposing lead in the Longs division. Other games in this division saw Harris, Upham & Co. take a twin bill from Merril Lynch, Pierce, Fenner & Beane by 5 to 3 and 9 to 4 scores and DeCoppet & Doremus win twice by default from the Security Traders of New York.

In the Shorts division the Curb Exchange defeated Goldman, Sachs & Co. twice, 5 to 4 and 17 to 4. The New York Stock Exchange Bond Brokers won the first contest of their twin bill from Carlisle and Jacquelin 9 to 1 and dropped the second 3 to 1. Carl M. Loeb, Rhoades & Co. bested F. V. Foster 9 to 8 in a game which was protested.

LEAGUE STANDINGS

"Shorts" Division

	W.	L.	Pct.
N. Y. Curb Exchange	5	0	1,000
C. M. Loeb, Rhoades	3	1	.750
F. V. Foster	2	2	.500
N.Y.S.E. Bond Brokers	2	3	.400
Carlisle & Jacquelin	2	3	.400
Goldman, Sachs & Co.	0	5	.000

"Longs" Division

	W.	L.	Pct.
Hirsch & Co.	8	0	1,000
Harris Upham & Co.	4	2	.667
DeCoppett & Doremus	4	3	.571
Security Traders of N. Y.	2	5	.285
Orvis Bros.	1	4	.200
Merrill Lynch, P. F. & B.	1	6	.143

John Getz V.-P. of E. H. Rollins & Sons

The election of John G. Getz, Jr., investment banker, as Vice-President of E. H. Rollins & Sons, Incorporated, 40 Wall Street, New York City, has been announced. Before entering the Army, where he served in both European and Pacific theatres, Mr. Getz was for many years an associate of Charles S. Mott, the Michigan capitalist, and served as an officer and director of United States Sugar Corporation, Celotex Corporation, St. Louis County Water Company and other companies.

John G. Getz, Jr.

Tax Court Holds Dividends on Short Sales Income Tax Deduction

Doubtful whether decision applies to ordinary investors and a Treasury appeal is expected

Dividends on short sales are an income tax deduction to stock market traders under an important decision just handed down by The Tax Court of the United States, according to J. S. Seidman, certified public accountant and tax authority.

"This decision," Mr. Seidman explained, "overturns the contention of the Government that dividends on short sales are not deductible as regular expenses, but merely adjustments of gain or loss when the stock is ultimately covered. As a regular expense, the deduction is taken when the dividends are made good by the short seller, and can save him up to 86% on taxes. However, figured as an adjustment of gain or loss, the expenditure is allowable only when the short position is covered and the tax saving is limited by the special rules that apply to profits and losses on securities and other capital assets.

"The case was that of Wiesler, cited as 6 T.C. No. 144," Mr. Seidman added. "Wiesler was a stock trader; that is, one in the business of trading in stocks. It is doubtful whether the decision applies to ordinary investors. Furthermore, the Government is likely to challenge, by appeal, whether the decision is correct even as to traders."

Mutual Funds

Results of Professional Investment Management

"The first public offering of **Incorporated Investors** was made in December, 1925, at $100 per share. Through stock dividends an investor who bought 100 original shares for $10,000 now has, as a result of stock dividends and split-ups, 480 shares worth as of May 31, 1946, $33.89 per share, or a total of $16,267. During the period he has held his stock, he has received cash distributions totaling $10,398—which is more than his total original investment."—From a recent letter of the Parker Corporation.

"A Dash of Cold Water"

The Trustees of the **George Putnam Fund** in their June Portfolio Review quote from two industrial leaders who have recently sounded a note of warning over the generally optimistic interpretation of what our huge money supply will do in the way of guaranteeing prosperity. Chairman of the U. S. Steel Finance Committee, Mr. Voorhees, recently warned that: "The enormous pile of paper claims — hand money, bank deposits, Government bonds, etc.—in the hands of our citizens and corporations is not a criterion, for that great pile was accumulated in creating goods and services which were destroyed and hence were never available for exchange against the paper. We do not yet know what that pile of paper will do to our economy."

In a similar vein W. C. Mullendore, President of the Southern California Edison Co., made the following observations: "Notwithstanding this upward trend in business. I cannot refrain from again directing your attention to the danger of too favorable conclusions drawn from current business statistics. The free, not to say frenzied, spending for such goods and services as are available in the markets ("black" as well as "white"), while creating a feverish activity, does not mean that the country is achieving either a balanced prosperity or a sane and sound reconversion or recovery from war's maladjustments."

New Horizons and Velocity

National Securities & Research Corp. has just released two attractive new folders on its **Industrial Stocks Series** and the **Low-Priced Common Stock Series.** "New Horizons for the Investor" is the title of the folder on the Industrial Stocks Series. It lists many of the new products which are just over the horizon, and describes them as "Investment Opportunities in the Making."

The folder on the Low-Priced Common Stock Series stresses the "velocity" which stocks in this category provide. "Low-Priced Stocks are the fastest movers percentagewise. They characteristically fluctuate more than the average."

* * *

In the current issue of National Notes this sponsor reports that over 63% of all shareholders of **National Securities Series,** own shares in two or more of the Series. The conclusion is that: "This figure discloses an ever-growing investor need for multiple investment objectives!"

Fundamental Stock Split

Hugh W. Long & Co., in a recent letter and folder explains the 100% stock distribution which **Fundamental Investors** will make on June 22. This stock dividend is tax-free and need not be reported as a dividend in the usual manner.

Shareholders who bought stock around $20 per share—as recently as three short years ago — now have twice as many shares as were purchased — and each new share is worth approximately as much today as the old share was when acquired.

Favored Industries

The June Investment Report to the Board of Directors of **Group Securities** by the Investment Research Department of **Distributors Group** emphasizes the relative attractiveness of the heavy industries.

"It is primarily in the 'heavy' industries that the investor can find long-term under-valuation i.e., assurance of maintenance of earning power which is high in relation to present prices of common stocks. It will be several years before there will be enough steel, railroad equipment, industrial machinery. It may be 10 years before the imminent building boom reaches its peak. Selected stocks of these heavy industries and of the railroads (which always prosper when heavy industries prosper) are the outstanding investment values available today.

"Aviation is a growth industry which no investor can afford to overlook; chemical stocks are outstandingly attractive to the investor who is willing to relinquish generous current return for steady long-term growth. Stocks of the type held by LOW-PRICED SHARES should continue to provide greater-than-average market movement."

Signal

In the current issue of Abstracts, **Lord Abbett** refers to the interpretation by the New York Investment Advisory Firm of Mansfield & Staff of the recent penetration by the Dow-Jones Industrial and Rail Averages of their previous bull-market highs.

This group concludes:

"The market has spoken its piece, plainly and with massive authority. After several months of digesting the reconversion progress, including what must have been a tough job of balancing severe near-term uncertainties against an attractive long-range outlook, the average have recorded a major continuation signal. This action indicates that most investors now feel satisfied as to the future, and that they are backing their optimistic attitude with their cash.

"Thus the primary trend upward has been renewed; the major bull market, although now over four years old, remains in full force and effect, its vitality unimpaired either by the extent or duration of the rise to date, or by the economic difficulties of the last several months. That the trend will remain upward over the next several months cannot, in our judgment, be subject to any reasonable doubt."

The Money You Don't Spend!

"The money you don't spend," writes Walter Morgan, President of **Wellington Fund,** "is your estate whether you have $1,000 or $100,000."

How to protect this estate, have it produce a reasonable rate of income, and increase it without undue risk, is the subject of a revised booklet by this sponsor. Copies may be had by writing to Wellington Fund, Hospital Trust Building, Philadelphia 7.

* * *

Another attractive little booklet just released by Wellington Fund, discusses background and growth, investment procedure, and includes short biographical sketches of the management.

How to Plan Your Investment Program

For investors who are in a quandry as to what to do next, we recommend the new **Keystone** booklet, **"How To Plan Your Investment Program."** This booklet (referred to recently in this column) makes a careful analysis of the problems of investing, and explains how to "Build Your Own Ideal Program." Copies of this booklet may be had by writing to the Keystone Company of Boston, 50 Congress St., Boston 9.

* * *

In a current issue of Keynotes, this same sponsor presents a table showing how a balanced investment program for $50,000 might be set up as of today. Under its "Formula Plan Balance" 65% of the program is made up of defensive securities and 35% of aggressive securities.

Investment Company Reports

Manhattan Bond Fund, Inc.—In the six months ended April 30, 1946, Manhattan Bond Fund achieved further growth. Total net assets rose to $24,456,805 at the end of the period and the number of stockholders rose to 12,100.

Scudder, Stevens & Clark Fund, Inc.—Reports net assets of $26,031,047 on June 10, 1946, equal to $119.96 per share on the 216,991 shares outstanding on that date. This compares with total net assets of $21,373,443 on June 9, 1945, equivalent to $104.65 per share on the 204,234 shares then outstanding.

Mutual Fund Literature

Calvin Bullock — A new folder giving a brief outline of **Bullock Fund;** also a current memorandum pointing to the emphasis on growth in the management of this Fund. . . . **Hare's Ltd.** — A new folder on **Stock & Bond Group Shares;** also a current memorandum on "The destructive inflationary forces which are making money worth less." . . . **Distributors Group**—Revised folder, "The Stock Market is Many Markets"; current issue of Railroad News, "Outlook For Rail Stocks Now Brighter"; revised portfolio card on **Railroad Stock Shares**; special month-end price comparison on all classes of Group Securities. . . . **New York Stocks** — Revised prospectus dated May 20, 1946. . . . **Selected Investments Co.**—Portfolio Memorandum showing diversification of **Selected American Shares** as of May 31, 1946. . . . **Lord, Abbett** — Composite summary folder giving data on Lord, Abbett funds as of June 1; supplemental information folder to **Union Trusteed Funds** prospectus; current investment bulletin on **Affiliated Fund** comparing market performance with that of 20 individual securities. . . . **Keystone Co.**—Current data folder for June on **Keystone Custodian Funds**. . . . **National Securities & Research Corp.**—Current information folder for June on National-sponsored Funds; revised folder on **National Bond Series**. Current issue of Investment Timing containing a list of 80 convertible bonds and preferred stocks; memorandum showing portfolio changes in all National-sponsored Funds during May. . . . **Wellington Fund** — Revised prospectus dated June 1, 1946. . . . **George Putnam Fund**—Current issue of Portfolio News.

Prosperity in Handcuffs

(Continued from page 3347)

The plain fact is — and Chester Bowles knows this just as well as anybody else — that if the price ceilings were taken off, meat would sell in the open legitimate market at much less than it is selling today in the blackmarkets.

The people are being defrauded. They are being deceived. They think they get meat at the ceiling prices Mr. Bowles talks about. What they are actually having to do is to buy their meat in the blackmarkets at the prices the blackmarket racketeers see fit to charge them.

As Senator Hickenlooper has pointed out, with the force of 48,000 people Chester Bowles now has under his control, if he would devote half as much energy to wiping out the blackmarket as he does trying to bulldoze Congress, the American people would be able to buy meat in the legitimate markets at fair prices which would insure a continuing adequate supply for all.

You wonder why the meat counters are empty, and why, if you want meat, you have to know some bootlegger before you can buy it?

It is because of maladministration by the OPA. Government estimates for 1946, show a meat supply this year of 150 pounds per capita, the largest amount available to consumers since 1911, and about 20% more than the 1933-1939 average.

On April 5, 1946, the Secretary of Agriculture said, and I quote:

> "There need be no scarcity of meat . . . The cattle population is sufficient to supply all the meat we need."

Speaker Sam Rayburn on May 3, 1946, said and I quote:

> "I fell that I know that with 80,000,000 cattle in the United States, there is a number and production that is sufficient."

Why then can we not buy meat?

In the first place, the producers and feeders of cattle cannot produce them and feed them under the increased costs and sell them within the price ceilings established by the OPA.

Think of it, with ten million more cattle in the United States this year than the average ten-year period before the war, the producers, the feeders, and the processors of meat cannot put that meat on the American family table through the legitimate markets at a price which will give them back their costs.

The proof of this is that more than 25,000 black market slaughterers have moved in and taken over the business that 1,500 legitimate packers or processors did before the war.

Now, let's consider the processors:

No one can deny that a countrywide, scandalous blackmarket in wheat and livestock does exist today, and that Government wartime controls that have been imposed upon the meat and slaughtering industries over a four-year period have been in a large measure responsible for that blackmarket.

Law-abiding slaughterers have been forced to close or curtail their operations.

Retailers are also caught in this squeeze. If they are to stay in business, they must pay illegal wholesale prices, for a large percentage of their meat. The evidence adduced is that more than 83% of the retail stores from coast to coast, and from border to border, are forced to sell meat above ceiling prices and make overcharges at the rate of $1,250,000,000 annually.

When you add to the $1,250,000,000 the consumers are now paying in excess of ceiling prices to the $750,000,000 paid in meat subsidies, which Senator Taft just discussed, and the cost of administering OPA, it is clear that the cost of maintaining the fiction "that the line is being held on meat" is costing $2,000,000,000 annually.

This is ample evidence that meat is costing the consumers much more than it would cost with the ceilings lifted.

In addition to this cost, there is the loss through the blackmarket wastes of meat, hides, bones, offal and grease worth many millions of dollars annually. The farmer or the consumer must absorb this loss. The blackmarketeers must waste these by-products because they have no way to process them.

In addition to these costs and wastes, there are grave dangers to the American people involved. Many blackmarket slaughterers are killing and dressing livestock in uninspected plants, in barns, sheds and fields, lacking adequate refrigeration or other sanitary equipment. They are grading their own meat and are selling ungraded, contaminated, and in some instances diseased meat. A large percentage of blackmarket meat is wholly unfit for human consumption.

Mr. Bowles carefully refrains from any comment on the dangers to the fathers, the mothers and the children of this country who are being compelled to eat meat which endangers their health.

The whole situation is summed up by Secretary of Agriculture, Clinton P. Anderson in response to questions from the Majority leader Alben W. Barkley of the Senate in hearings before the Senate Banking and Currency Committee on May 1, 1946.

Senator Barkley asked this question:

> "These statements that come to me all head up to the suggestion finally that the way to cure this whole situation in meat is to take off all controls and ceilings on the theory that meat might run up for 30 days in price but it would level off, so that there would not be any of this artificial situation. I do not know whether that is the answer or not. I am seeking the answer."

In reply, Secretary of Agriculture Anderson said: I quote—

> "I would say that about as far as I have been able to persuade myself to go is to regard this present period, when we are trying to reestablish slaughter controls as about the last effort to see if it will work. If with slaughter controls and with the increased force that OPA is now putting on we are not able to direct these cattle back into decent channels, if we are not able to persuade people that they have got to buy in compliance, and if we are not able to get food for the American people at decent prices, then we surely ought to try something else; the only other 'something else' is an abandonment of these controls."

The Secretary of Agriculture put the controls specified into effect the first week in May. They have now operated five weeks. Last week the legitimate packers processed less meat than they did the week prior to Secretary Anderson's testimony. That obviously brings us to the "something else," and that "something else" as Secretary Anderson stated is an abandonment of these controls.

The Senate Banking and Currency Committee of which Senator Taft and Senator Hickenlooper are members has made a recommendation to take all price ceilings and controls off meat. This is squarely in line with Secretary Anderson's recommendation.

The time has come when Congress must reassert itself through legislation.

The American people cannot make pot roasts out of propaganda. Neither can they churn butter out of trick charts. Mr. Bowles in his quest for power is always ready to brand as greedy anyone who disagrees with him. His one purpose, however, is to squeeze the profits out of private enterprise so that government can take over, that he may achieve the power he apparently craves.

We are perfectly willing to rest our case with the housewife, the farmer, and the laborer of America. I ask of each of these groups, can we, who have been raised to expect meat and bread upon our tables—who have accepted as our free heritage a living standard second to none—live on statistics and propaganda? These are the only commodities on which I will admit production is in high gear and in which the supply exceeds the demand.

We need food for the American people. The only way to get it is by maximum production and no price fixing program that is an impediment to that production should be tolerated by Congress or the American people.

Equitable Securities To Open Dallas Branch

DALLAS, Tex.—Equitable Securities Corporation of Nashville, will shortly open a large branch office in Dallas. Jack S. Garland, formerly of Nashville, who headed the firm's Birmingham, Ala. office from 1934 until he entered the Army Air Forces, and who has been with Equitable since 1931, will be in charge of the new office. Formal announcement of the new branch shortly.

Equitable Securities Corp., of which Brownlee O. Currey is President, was established fifteen years ago, and has recently acquired ownership of Farm and Land and of Holland's Magazine, and has a large interest in Continental Trailways.

Brooke L. Wynkoop Promoted to Colonel

While on terminal leave, **Lt. Col. Brooke L. Wynkoop** has been promoted to the rank of Colonel. On May 1 he became associated with Fahnestock & Co., 65 Broadway, New York City, members of the New York Exchange and other leading Exchanges.

Lewisohn to Admit Jacquin

Lewisohn & Co., 61 Broadway, New York City, members of the New York Stock Exchange, will admit Max Jacquin, Jr. to partnership on July 1.

Bank and Insurance Stocks

By E. A. VAN DEUSEN

This Week—Insurance Stocks

Best's "Insurance News-Fire & Casualty Edition" for June 1946, carries some interesting tabulations on underwriting by classes from 1941 to 1945, by stock fire insurance companies. The classes reported are fire, motor vehicle, inland marine, extended coverage, and tornado.

In the fire group, figures for 35 companies are shown for 1941 (Pearl Harbor year) 1942, 1943 and 1944 (war years), and for 1945 (victory year). Total net fire premiums written in 1941 by these companies amounted to $288,731,000; in 1942, $312,365,000; 1943, $334,684,000; 1944, $356,203,000, and 1945, $383,611,000. The last figure represents an increase over 1941 of $94,880,000, equivalent to 32.9%.

The company which showed least growth of fire business over the period was North River, which wrote $4,825,000 in 1941 and $4,906,000 in 1945, only 1.6% more. Swiss Reinsurance, on the other hand, wrote $10,586,000 in 1945, compared with $5,832,000 in 1941, an increase of 81.5%. Other companies whose expansion of fire writings were substantially greater than the group increase of 32.9% were: Aetna, American, Franklin, Glens Falls, Home and New Hampshire. At the other end of the scale, the following companies show an expansion substantially lower than 32.9%, viz.: Automobile, Fire Association, Great American, Niagara and North British.

The trend in loss experience over the five years has not been favorable, due to the heavy nation-wide rise in fire losses during the war. In 1941 the average loss ratio of the 35 companies was 43.5%; it dropped to 42.1% in 1942, but rose to 49.7% in 1943, 51.5% in 1944 and 52.8% in 1945.

In the motor-vehicle group, 35 companies also are reported on; the names, though, are not identical in the two groups, nevertheless 21 names are common to both. The trend of premium business in this class has been the reverse of that in fire, declining from $178,468,000 in 1941, to $88,275,000 in 1942, and $79,194,000 in 1943. Since 1943, however, business has turned moderately upward, reaching $83,945,000 in 1944 and $99,670,000 in 1945. The latter figure is 44% below the 1941 volume. Twenty-five companies report lower volume in 1945 than in 1941, while ten companies report greater volume. The latter are: Allstate Fire, American Automobile, Automobile Insurance, Employers' Fire, Fidelity & Guaranty, Firemen's, General of America, Great American, St. Paul and Travelers. American Automobile and Employer's Fire wrote approximately 50% more automobile business in 1945 than in 1941. On the other hand, Home reports a terrific decline from $26,082,000 in 1941 to only $4,767,000 in 1945.

Loss experience in motor-vehicle writings over the period has been erratic. In 1941 the average loss ratio for the 35 companies was 59.0%; the ratio dropped to 44.4% in 1942 and 41.2% in 1943; in 1944 it rose to 59.4% and in 1945, to 69.0%.

Inland marine business increased consistently and substantially, year by year, from 1941 to 1945. Here again, 35 companies are reported on. In 1941, total premiums written in this class amounted to $42,229,000 and in subsequent years as follows: 1942, $48,734,000; 1943, $55,808,000; 1944, $66,444,000; 1945, $75,433,000. The last figure represents an increase of approximately 78.5% over the 1941 total. The average loss ratio in 1941 was 47.5%, 46.3% in 1942, 53.3% in 1943, 52.4% in 1944 and 52.8% in 1945.

Extended coverage is an interesting class of underwriting that has shown steady and substantial growth, though as yet it has not reached very large volume. Again figure for 35 companies are given, and their volume totaled $24,636,000 in 1941; in 1942 the volume was $32,274,000, in 1943 it totaled $37,374,000, in 1944 it jumped to $45,438,000 and in 1945 it reached $54,344,000, or 120% above 1941 premium volume. This class of business has been generally profitable throughout the period, except in 1944, when the average loss ratio was 65.5%. In other years the ratio was comfortably below 50%, as follows: 1941, 37.3%; 1942, 39.0%; 1943, 47.7% and 1945, 44.2%.

The fifth class of underwriting covered is "tornado insurance." In 1941 the total volume of 35 companies amounted to $14,028,000; it dropped to $13,068,000 in 1942; $12,677,000 in 1943; $12,595,000 in 1944 and $11,901,000 in 1945. The shrinkage over the period is $3,127,000, equivalent to 22.2% of the 1941 total. Loss experience has not been favorable since 1941, in which year the average loss ratio for the 35 companies was 44.6%. In 1942 the ratio rose to 55.9%, in 1943 it was 62.1%, in 1944 it jumped to 71.9% and in 1945 it declined to 65.4%.

Five-year averages of the annual averages of the 35 companies in each group were as follows: Fire, 48.3%; motor vehicle, 54.1%; inland marine, 50.9%; extended coverage, 48.5% and tornado, 59.1%.

The year of highest losses for fire insurance and for motor vehicle was 1945; in the case of inland marine, extended coverage and tornado, however, it would appear that the loss trend may have already turned downward, for their peak loss-ratios occurred in 1943 and 1944. Fire losses in 1946 are still running high and also motor vehicle losses. It is believed that this may prove to be the peak year of the current cycle for both these classes.

Economic Tendencies Affecting Retailing

(Continued from page 3346)

stop merely signing orders and accepting allotments. They will have to select merchandise to meet the price and quality requirements of the consumer.

2. That effective promotion and advertising will again be necessary to sell goods in a highly competitive market.

3. That costs, particularly selling costs, will increase sharply as the physical volume of goods increases. Retailers will have to study every element of their store layout, merchandise handling and selling methods, if they are to handle the large unit volume at a profit in a competitive market.

A large supply of consumers goods is being produced right now. The supply will be still greater by the end of this year.

The time is coming when the public, however much it wants this supply, will not be able to absorb it at the current price level.

The time is coming when many retailers will be liquidating heavy stocks of undesirable merchandise, at the same time that they are compelled to buy new merchandise—better styled, of better quality, at a lower price.

That is what I mean by transition period — a sudden, major change in existing price—quality relations.

Sudden or Gradual Transition

It may seem banal to point out that the supply of some items will catch up with demand much earlier than others. Many people are hopeful that manufacturers will begin to restore quality as soon as this occurs. Many people believe that retailers, in view of their present heavy commitment position, will become more selective and conservative in their buying.

These people hope that the transition will be a gradual one, that one item at a time will complete its own readjustment, that the shock to the wholesale markets and to retail sales will be minor.

I hope it works out that way, but I have learned not to accept favorable prospects on mere faith. Many current developments point to a repetition of 1920-1921.

The first of these is the high level of current demands. This puts pressure on retailers to assure themselves of an adequate merchandise supply.

The second factor is the strong position of sellers. It also involves the anticipation of higher prices and the general willingness to accumulate inventories.

A third factor is the market distortion of distribution at the wholesale level, particularly in textile apparel lines. These distortions involve mill integrations and various sorts of tie-ins, which conceal from many buyers the actual increase in supply that has already occurred.

A fourth factor is the relative inexperience of many buyers. There is a steady mortality rate in any profession, and retailers during the war years had to recruit new buyers and to train them in wartime sellers' markets. Many of the buyers that are coming into today's markets are wartime products, who have never done anything but sign orders. This is not their fault; but the fact remains that they have simply had no experience with periods in which the buyer could bargain with the seller; in which the buyer selected the merchandise he wanted and ordered it for delivery when he wanted to receive it.

A final factor involves the intricate personal relationship between department store management and its merchandising personnel. Buyers and merchandisers as a group are not analytically minded or economically trained. If they were they probably would be very poor merchandise people. They are a group of merchandise-minded people, who think mainly in terms in selling goods rather than of buying it, who are alert to competition at their own level, and who take great pride in the sales performance of their own departments.

Theoretically, it sounds all right to say that department store management, when it becomes disturbed about the level of its inventories, or the volume of its outstanding commitments, or the quality of the merchandise the store has been receiving, can put on the brakes. As a practical matter, however, if it puts on the brakes too hard it may do more harm than good: it may ruin the morale of its entire merchandising staff.

On a practical basis, therefore, department store management cannot immediately reverse its liberal buying policies of the past few years. It can only change its policies slowly and selectively, over a period of six to 12 months.

Pious hopes that the transition will be a gradual one do not prove that it will be. And of course, the points I mention here do not prove that it won't be. But they do indicate some of the difficulties.

Retail management, I believe, must seriously consider the possibility that a buyers' strike, such as occurred in 1920, will again climax the present rising trend of prices and production.

One of the most important problems, therefore, is to consider the possibility of a consumer buying strike and when it may occur.

Buyers' Strike Not Likely in 1946

I know that each of you are watching very carefully the consumers' reaction. It is one of the things we discuss with our own clients at every opportunity.

There are many signs already that the public is taking a more critical attitude than it did during the war years. Its reaction can be summarized as follows:

1. In hard lines, the public is not too anxious to buy appliances of unknown makes. Many consumers are waiting for the well-known brands to come back on the market.

2. In soft lines, there has been increasing resistance to poor quality goods. In most cases people will pay a higher price for better quality merchandise as it becomes available. Recently, for the first time, we have received scattered reports of active price resistance in a few departments, notably children's wear.

The fact remains, however, that despite strikes and work stoppages, the public has continued to buy at record rate. Enough important items are still sufficiently scarce so that the public can be frightened into buying excessively from time to time. Belief that prices will be higher has encouraged some hoarding. High incomes, the existence of accumulated savings, the relatively low level of instalment debt, and the high level of current savings, have all been simulating forces.

In attempting to time a possible buyers' strike, I believe we must look at the financial position of the public in relation to the increasing value of supplies that are becoming available. Since V-J Day, income payments have declined slightly below last year's levels. Sales, however, have continued to rise. There is a logical explanation for this, which also throws light on future prospects.

Considering 1946 as a whole it looks now as if income payments would be about the same as in 1945. Personal income taxes will show a decrease of around $3 billion, which can be added to expenditures. Savings from current income can easily drop from $35 billions last year to $18 or $20 billions this year, giving an additional $15 to $17 billions that can be added to expenditures. Allowance of several billion dollars must also be made for inventory increases and net exports. All told, this implies that an increase of at least $25 billions in the value of consumers' goods production will be necessary before the high rate of curernt savings is reduced to a more normal level.

Such an increase is not in sight before the end of this year. But every price advance of 10% will add almost $10 billions to the value of suplies. Compound one or two such increases with a gain of 10% to 20% in unit volume in the last half of this year, and you will have a tremendous dollar volume of merchandise.

In my opinion, there is not too much risk of a general buyers' strike in 1946.

But one question should be raised:

When the public receives the bills from its Christmas 1946 buying spree; when it faces the income tax deadline next March 15; when it sees the high price and low quality of much of the goods that will be displayed on retailers shelves next January and February; what will its reaction be?

Volume of Supplies

We have become so accustomed to reading about reconversion difficulties, shortages of parts, and strikes in basic industries, that it is easy to believe that production has been at a practical standstill since V-J Day, ten months ago.

This is far from being true. The unit volume of production is reported at 60 to 65% above the prewar level. If allowance is also made for the wartime advance in prices, which has now speeded up, the dollar value of goods at the manufacturing level is not far out of line with current high income.

Not all of this merchandise has filtered through as rapidly as it should to the retailer and the ultimate consumer. In some cases production of the finished items has been delayed by the lack of one or two parts. In some cases shipments have lagged behind production, a typical symptom when higher prices are to be expected. Actual or prospective changes in Government regulations, particularly price regulations, have caused temporary holding back of goods. However, I believe one point should be emphasized.

Despite reconversion problems and strikes, retail inventories generally have managed to keep pace with a record level of sales during the first part of this year. There has been an increase of at least $1 billion in the value of all business inventories. This seems to me to be a remarkable performance during a ten-month period in which industry has, according to the newspapers, been practically crippled by strikes and reconversion difficulties.

Invisible Supply Changes

Some of the increases in the supply of textile and apparel items have been concealed from many buyers by vertical integrations and various tie-in arrangements between mills and cutters.

The mechanics of price control, operating in scarcity markets, have made it profitable for mills to finish their own gray goods rather than to sell it to the independent converter. There has been a further profit in having the finished goods manufactured into wearing apparel, where suitable arrangements could be made. As a result, distribution has been violated and supply increases concealed.

It is quite possible that some of your buyers have had their allotments cut by old time sources of supply, who have always been dependable and honest in their dealings with you in the past. This may imply absolutely nothing about the total supply, going in one way or another to your competitors and to the consumer.

The manufacturer you buy from may have been obtaining his finished goods from an independent converter, who has lost out because he previously bought gray goods from a mill that now does its own finishing. You are not getting your share of the increase, not because it isn't there, but because some one else is getting it.

The extent of some of these concealed increases can be partially measured by the number of new mnufacturers in some apparel fields:

There are 190 new manufacturers making corsets, girdles and braissieres;

The number of manufacturers making women's blouses for the New York market has grown from 95 to 400. These illustrations are extreme but significant. They are repeated, to a greater or lesser degree, all down the line.

If the total supply of fabrics for these lines has decreased, where are these new manufacturers obtaining the necessary working materials?

It is plain that the current flow of supplies, like a deep river approaching its outlet to the sea, is spreading out thinly over an increasing number of resources. The fact that the flow is shallow when measured at one point tends to conceal the large volume that is pressing forward from primary sources.

The Trend of Prices

No one at this time, who must prepare remarks to be delivered 24 hours or more later, dares be too specific about the future of price control legislation. One thing, however, should be plain: regardless of details, price control has become rapidly less effective since the war ended; price advances from now on will be more rapid until the crest of the present cycle is reached.

Between now and the first quarter of next year, the advance in official price indexes is likely to be at least 10 to 15%. The actual advance in price including black market prices and quality changes that don't appear in official indexes, will probably be closer to 15 to 25%.

An excess of purchases over sales will increase profits during the remainder of the year.

However, such a policy, while it will turn the rising price level to the advantage of the individual businessman, will naturally contribute to the pressure that is forcing prices upward.

Moreover, it cannot be applied uniformly to all commodities. Some prices will begin to decline well before the peak for "average" wholesale prices has been reached.

Finally, such a policy is frankly speculative. It accepts a small risk now in order to avoid a greater risk later. Unless it is accompanied by something more, or if it is continued too long, profits made now will be offset by losses incurred later. Consequently: (a) Retailers should plan to increase inventory turnover and reduce the length of commitments within the next six months. (b) Retailers should not over-estimate postwar demand on the basis of current demand. The average consumer is paying a much higher price for soft-line items than he will be able to pay when appliances, automobiles and new homes are freely available.

The Trend of Costs

It seems to me that your lease-on-life, so far as costs and profit margins are concerned, is a rather short term affair.

For this year at least, possibly for a part of next year, your high average sale will cover up the advance in a multitude of cost factors. Elimination of the excess-profits tax, of course, gives most of you a thick cushion of security. But here again, it is not the current trend but the future prospects that are important.

Not for a long time, if ever, will you be able to hire help at the wages you paid before the war.

I'm not so sure that this is entirely a bad thing. Retail wage scales were so low before the war that the industry was losing out in its competition for talented young people who wanted to build a future. That is a bad condition for any industry to be in. Nevertheless, wages high enough to attract high-grade personnel create an entirely new cost problem.

The test will come during the transition period.

1. Mark downs will be heavy.

2. The average sale will drop sharply, though remaining above prewar levels.

3. Your higher-salaried merchandising force will have to handle a much larger physical volume of goods if your dollar volume is to be held at a reasonably high level.

Now, I have great respect for your ability to **sell** goods. I do believe, however, that you can learn a profitable lesson from manufacturing industry in the efficient **handling** of goods.

I wonder whether any of your cost studies have bee nable to isolate the actual amounts you spend in moving merchandise around, from one place to another, in your warehouses and stores, from the time it comes in until the time it goes out to the ultimate consumer.

There is one spot, I feel certain, where you could save a great deal.

Conclusions

The time has come to sum up.

It was O. W. Holmes, Jr., who said—"Any two Philosophers can tell each other all they know in two hours."

When I recall that, I become embarassed if I find myself talking steadily for more than 20 minutes.

But I recall also another remark, which unfortunately may be descriptive of many of us.

"We like to continue to believe what we have been accustomed to accept as true. . . . The result is that most of our so-called reasoning consists in finding arguments for going on believing as we already do." (James Harvey Robinsen)

An antidote to mental stagnation of this sort, it seems to me, can be found in a good, rousing difference of opinion.

The opinions I have expressed today are not, I assure you, merely what I "have become accustomed to accept as true." They are the outcome of joint efforts of those working within my own organization. And they have had the test of being battered around in practical discussions with our own clients and friends. Boiled down, they are simply this:

1. The peak of the present price cycle and inventory replacement boom will probably come in 1947.

2. There is at least a good chance that a consumer buying strike will climax the present advance.

3. The first quarter of next year will provide an important test of the consumer's attitude.

4. Drastic changes in price-quality relations will occur during the transitions period.

5. Dollar sales will continue high for several years after this transition, but competition will be intense.

Melville Sachs Dead

Melville F. Sachs, partner in Sachs & Toplitt, New York brokerage firm, died at Memorial Hospital at the age of forty-six. Mr. Sachs became a member of the New York Stock Exchange in 1929. He was floor member for the firm of Neuhut, Plohn & Co. until it was dissolved in 1937. For five years he traded independently and then founded Sachs & Toplitt.

Chefford Master Stock Offered by Cruttenden & Co.

Cruttenden & Co. headed an investment banking group which on June 17 offered 40,000 shares of cumulative convertible preferred stock, $25 par, and 40,000 shares of common stock, $4 par, of Chefford Master Manufacturing Co., Inc. of Fairfield, Ill. The preferred is offered at par and the common is priced at $10.50 per share. Each share of preferred is convertible into two shares of common at the basic conversion price of $12.50 per share.

The company's principal business is the manufacture and sale of more than 1,000 automobile replacement parts and accessories and of bicycle electric generators and lamps. Trade names under which products are sold are: Airtex, Pee Cee, Lubro-Life, Master and Make-A-Lite.

Proceeds of the new financing will be used in part to discharge bank loans and machinery purchase notes and to purchase additional machinery and equipment. The balance, amounting to approximately $759,694, is to be used for additional working capital.

Associated with Cruttenden & Co. in the underwriting are Newhard, Cook & Co., Julien Collins & Co., A. G. Edward & Sons and Bateman, Eichler & Co.

Edward de Cernea Dead

Edward de Cernea, Assistant Vice-President of the Marine Trust Company of Buffalo, and head of its municipal department in New York City, died after a short illness. Mr. de Cernea joined the Marine Trust Company in 1920 and was transferred to New York in 1928. He became Assistant Vice-President last January.

The Present Buying Splurge Cannot Last

(Continued from page 3349)

Man-made laws were substituted for the law of Supply and Demand. Industry was then confronted with a situation where Government assumed the direction of business to the extent of establishing wages and prices on which the life blood of business depends.

OPA Delinquent and Dictatorial

As a result, there has been serious criticism of the Office of Price Administration. Admittedly, that Office rendered a very valuable service to the Nation during the War, but, with Reconversion coming far in advance of expectations, their policy of not adjusting or releasing prices to meet the encouraged advance in wages has, unfortunately, in many cases, been delinquent and dictatorial.

Fundamentally, under the American plan of the free competitive markets, price control has no permanent place in our peacetime system of operation. It can only breed inefficiency, unfairness, and disregard of law and order.

At the same time, the immediate elimination of price control on commodities essential to our basic standard of living can prove hazardous. I, therefore, take the position, and I am not at variance with Mr. Chester Bowles' repeated statement that our Government should move promptly to eliminate the last vestige of price restrictions in those industries when the supply of any particular commodity comes into balance with demand.

When production restores a semblance of balance between supply and demand, and on articles not important to the cost of living or critical for reconversion and expansion of civilian production, then a firm and definite policy of de-control should be immediately adopted.

Under the American system of free economy, industry is not expected to, and cannot, operate without a reasonable profit. Without embracing that fundamental truth, any recovery program is impossible. The present base period used by the OPA in considering applications for price increases are the four sub-normal of 1936 to 1939, in one of which, the records show, with the exception of the years 1931 to 1934, steel production was the lowest since the depression of 1921. I ask: Is that a fair basis of comparison if industry is to employ, operate, and produce? In their consideration of appeals for price increases the OPA should adopt a more liberal formula than that now being generally used.

A recent survey showed 60% of the companies from coast to coast have been forced to abandon production of certain goods in strong public demand and more than 41% to sell one or more articles below cost because of present prevailing ceiling prices.

Cases of Shut Downs Because of OPA

Several weeks ago, when attending an open forum meeting of purchasing agents, representing many responsible industries, I encountered repeated instances where textile mills, manufacturing goods essential to the everyday walks of life, had been shut down for weeks because they could not afford to take a loss on basis of present ceiling prices, with cotton at 27½¢ per pound.

Another reported finished products, requiring both hot and cold rolled steel. The former was available within two or three months because it was a fairly profitable item to the mills at prevailing ceiling prices, while the cold rolled steel, not being a profitable item to the mills, was scheduled to eight months' delivery because the mills found it necessary to run a larger proportion of the profitable item to balance off the unprofitable. This necessitated, on the part of that manufacturer, the use of uneconomical substitutes at increased manufacturing and production cost to balance production and turn out a finished product.

Utility companies, unable to meet urgent demands for industrial and civilian expansion, for want of transformers, motors, lead, and copper.

Foundries on curtailed schedule, for want of white pine for patterns and flour for cores. Without these, you cannot have cast iron and cast iron makes soil pipe, radiators, and bath tubs, for low cost homes, as well as machinery for ranges, trucks, and automobiles.

Industrial expansion programs retarded during the war, confronted with a shortage of building material, lumber, brick, and plumbing fixtures. California's Senator Knowland predicts this year's expert allocation of lumber will aggregate one billion feet. In 1945 we exported 427 million feet sufficient for 50,000 homes. Today we export lumber to 23 foreign countries, while Knowland insists Germany's forest resources alone could supply Europe's immediate construction needs and the Philippines the emergency needs fo all Pacific areas. With present ceiling prices and restrictions on lumber, is there any wonder this is one of our most virrulent Black Markets? To cope with this particular inconsistency, political and professional partisans are asking that a $600,000,000 subsidy on building materials be foisted on American taxpayers.

I found many small textile convertion reporting inability to secure yarn with which to produce items badly needed in our civilian life because larger producers seeking to secure yarn for their own production, had bought or merged with the little man's former sources of supply. Latest reports indicate that almost two-thirds of our production of rayon and cotton are now being converted by producing mills instead of being sold to established converters.

Lithographers, with years of service and invaluable reputations, no longer able to supply their customers for want of paper, because the mills formerly supplying them have been absorbed by larger and more powerful publications, even to the extent of acquiring timber resources.

Retail food chains now manufacture their own line of food products.

Policy Injures Small Business

This trend toward absorption by intergration will have a fundamental effect upon the future of U. S. industry. It will eliminate many small, independent merchants and manufacturers, and make the newcomer's task more difficult.

Responsibility for this trend can only be attributed to material shortages and price control.

We read and hear much about the protective hand of our Government fostering and stimulating small industries, while, at the same time, that same hand, through control and price ceilings, exerts a strangle hold on those same little industries which, in the end, can only spell the extermination of one monopoly for the other.

What America needs is production—swift, unrestricted, mass production and production is only possible through a common-sense, unselfish, realistic, approach to this problem of reconversion.

Thousands of letters to Senators and Congressmen, prompted by hysterical propaganda, are pouring into Washington, pleading for retention of price control and with the hope of keeping down the cost of living. The writers of those letters remind us of the proverbial ostrich with his head in the sand, and it is difficult to believe that they are ignorant of the fact that when production is restricted because of strikes or because prices are unprofitable, due to our misleading wage control formula, there will continue to be shortages in the face of present day demands. No doubt, their letters would have proven more effective if directed to those fundamentally responsible for our present state of uncertainty.

Production Will Increase with Price Advances

You can rest assured there will be no retreat from the 18½¢ scale of wage increase and corresponding cost increases are inveitable and inescapable. I question if there is a purchasing agent in America today who believes that the retention of controls will encourage production while holding prices down, or one, who is not definitely of the opinion that, with the relaxation of control, prices will advance and production increase.

Let us be realistic. Prices are going to advance and will continue to do so in ratio as production begins to fill the gap between spending power and demand. Then, let competition take its course.

Thomas Edison wrote his friend Marks, under date of April 7, 1891: "There seems to be a law in commercial things, as in nature. If one attempts to obtain more profit than the general average, he is immediately punished by competition."

That law has not changed.

Naturally, there will be speculators and rapacious parasites who will try to mulct the public for every cent the traffic will bear. Black markets demonstrate that today. But their reign is only temporary.

On the other hand, the majority of American people are a sensible people and American industry, whose performance during and before the war period has established for them an enviable and unquestionable reputation, from the standpoint of production, efficiency and fair dealing, is not going to take temporary advantage of a situation which can only react to their undoing.

I speak of those industries, my fellow purchasing agents, with whom you have enjoyed long years of mutually pleasant and profitable business relations. They need you as badly as you need them. Whether or not they are taking care of you to the extent of their ability, when material is more difficult to secure than at any time during the past decade, depends largely upon your past relationship. That relationship is either paying you a dividend today or it is not. Your annual statement shows no greater asset than their goodwill and personal interest. They have an obligation to their country, to you, and to themselves, and industry can be depended upon to assume that responsibility.

Buyer and Seller Uncertainties

I should like to say a word here about prices. I doubt if there is a purchasing agent to day who is not confronted with expenditures of considerable magnitude for capital equipment or material, or one whose company is not confronted with corresponding sales on which they are unwilling to make a firm price for delayed delivery, under existing uncertainties regarding controls, material, and labor costs.

Under the circumstances, neither the buyer nor the seller can criticize the other for asking for price protection. Numerous escalator clauses are being used for the protection of each and, while these clauses may prove reasonably effective, the real answer lies in the integrity of the company supplying the merchandise and your past relationship with them. Business today is done largely on the basis of faith, again emphasizing to each the importance of buyer and seller relationship.

It is unfortunate that Administrative Officials in Washington do not have the same confidence and respect for industry, who rendered such unparalleled service during the war and now hold in their hands the solution of our reconversion program, that we have for each other.

Subsidies

Subsidies, the "problem child" or War Production and the "Prodigal Son" of Reconversion, we have been told by Chester Bowles are essential to price fixing. I take the position that Government subsidies should only resorted to in cases of extreme emergency where payments are made to marginal producers to encourage production of scare materials. During the war it was argued that Subsidies were necessary to raise production and hold wages in check. Today, we are told that Subsidies are necessary to keep prices down and from reflecting the higher wages.

During the fiscal year 1946, over $1.7 billion will be spent out of the U. S. Treasury on the cost of living subsidies, which serve only as a camouflage to cleverly hide the true price of the product. The burden of these subsidies push up Government expenditures which, in turn, are reflected on the general body of taxpayers rather than on consumers of the subsidized products.

The most serious objection; however, to subsidies is the instability they will create when the price control program is finally abandoned. Our Government is paying over $50 millions per year to South American countries for the production of coffee; over $700 millions per year to farmers and packers for meat; and over $500 millions per year for dairy products. When controls are decontrolled and Uncle Sam is no longer a "Sugar Daddy," there will be an increase in the price of coffee of from 3¢ to 4¢ per pound; on meat from 4¢ to 10¢ per pound; and on butter 13¢ per pound.

Today, the Administration is asking us to eat less and, at the same time, through food subsidies, is helping us to eat more by paying a part of our grocery bill.

Why not remove those subsidies now when the national income is at on all-time peak, with a minimum disturbance to our economy, rather than involve large price adjustments later that will be extremely upsetting to business.

For too many years the American people have been taught to depend upon their Government for a living. It has unintentionally destroyed their independence and self-respect and forced them to live beyond their income.

Subsidies should be discontinued as rapidly as possible, not only because they intensify our physical and monetary problems but because the longer they survive the more inherent will be the vested interests in their perpetuation.

Inflation

Today, inflation is a stark reality.

The primary inflationary force is, of course, the wartime expansion of our money supply in relation to the supply of goods for civilian use. Cash available for spending by business and individuals amounts to $175 billions, as compared with $31 billions in 1919. Liquid savings of individuals is estimated at $145 billions against $27 billions after World War I.

To neutralize this expanded spending capacity, production is the only safeguard that will relieve the pressure for still higher prices.

Of particular interest to purchasing agents, and with a decided inflationary aspect, is their inability to purchase standard articles of pre-war merchandise because the manufacturers, restricted by present controls and ceiling prices, have been forced to discontinue manufacture; whereas, newcomers in the field, with little previous experience and limited manufacturing facilities, can, and are, by adding a few useless and unnecessary gadgets, supplying an inferior article at considerably higher cost. The net result is the elimination of recognized sources of quality merchandise and the substitution of inferior makeshifts, for which the consumer pays a higher and inflated price.

I wonder how many of you have succeeded in buying any considerable quantity of our estimated $15 billions of surplus war material; or if, as in my case, after repeated attempts, you have been sent from pillar to post, told that your inquiries are being "screened" or that the material in question is needed elsewhere, or

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has been sold to some agency with a higher priority.

Urges Supply Stocks Be Sold

If production is the answer to inflation and there is a recognized shortage of material, due to crippling controls, strikes, and ridiculous pricing theories, it would be most helpful if this surplus material were made available now when badly needed and with a minimum of red tape, and not held until it becomes unsalable or a liability to our productive program when it gets into full swing.

The labor situation is the most serious condition facing our productive program today. Over one thousand strikes, an all time high, are now scheduled with the War Labor Board.

The responsibility for this condition lies primarily with the Government which practically dictated the wage goal and also the prices of goods. Many Unions are already demanding that their wage contracts be abrogated or reopened if controls are relaxed and prices advance. The result will be the slowing of production, delay in output of goods to fill the urgent needs, higher costs, and higher prices.

Unfortunately, under the Wagner Act, industry is subject to penalties for failure to bargain collectively and there is no provision to prevent unions from maintaining their monopolistic power. That same statute, however, does not impose a similar obligation on employees or their unions, and, as in the case of the coal strike, the union can refuse to negotiate, causing hardships which lead to irresistible pressure by the Government upon employers to grant the union's demands.

The demoralizing effect of these strikes is clearly shown in the first quarter deficit statements of General Electric, General Motors, Bethlehem, U. S. Steel, and hundreds of smaller companies, substantiating their position of inabality to maintain earnings and pay higher wages in the face of increased wages and prevailing or inadequate ceiling prices, notwithstanding Government and Labor's spokesman's statements to the contrary.

A Change Will Come

The anwser is the swing of the pendulum. Time marches on. Aroused public opinion will eventually demand action on the part of our legislators who hazard election penalties by offending labor, with utter disregard of the good of the Nation.

Unfortunately, however, public opinion is unlikely to be aroused until dire consequences have inflicted serious damage to our reconversion program.

Another problem confronting you will be the use of, or the return to, substitutes or synthetics. Vast improvements have been made in both during the war period and the permanent adoption of these can prove both effective and profitable.

Your inventories will require close watching because of rapidly changing costs in both material and labor. Due to our enormous productive capacity, necessitated through war expansion, many basic materials—steel, brass, and aluminum—will be available in quantity earlier than anticipated.

This present splurge of buying cannot last forever. Increased prices will provoke "buyers strikes." Concealed inventories will appear, as after World War I, and you cannot afford to be caught at a price level that will prevent your participation in the inevitable competition that will follow. We are told that within six months after the mills get into full operation, steel backlogs will be wiped out and a highly competitive market will develop. In this frenzied buying orgy, thousands of consumers are duplicating orders with different sources of supply. When merchandise becomes available, a large proportion of these orders will be cancelled.

Exhaustion of Natural Resources

Another serious problem confronting industry and the purchasing profession is the exhaustion of our natural resources, after having supplied the major part of the material to prosecute two World Wars.

While our total iron reserves are ample to meet domestic requirements for a long period, we are told by William E. Wrather, Director of the U. S. Geological Survey: "The cream has largely been skimmed off our richest and most advantageously located mineral deposits and, with increased labor and equipment costs, low grade foreign ores can be concentrated and delivered to the United States at prices that will be competitive in many cases with domestic products."

Of the original three billion tons of commercial grade iron ore in the Lake Superior Region, nearly half has already been mined. For many years the United States has been supplying 60% or more of the world's petroleum requirements. The only answer is improvement in methods of mining, refining, treating, and transportation; or import enough iron to sustain our industrial economy.

The same condition applies to copper, lead, petroleum, lumber, and many other strategic minerals.

Numerous guesses have been made by statisticians and economists as to the length of time required by industry to catch up with domestic consumer demands. Whether it be three years or five years, we might as well face the fact that the time is not far distant when American producers must meet international competition for international trade. Foreign nations are clambering at our doors for loans in astronomical figures. The money to be received against those loans will be used largely for capital goods expenditures — machinery necessary to produce steel, textiles, shoes, and other commodities we will eventually meet in worldwide competition.

The late Lord Keynes, in a speech before the House of Lords, on the subject of the British Loan, said: "The United States is rapidly becoming a high-living and a high cost country. Their wages are roughly 2½ times ours."

A logical question, therefore: Can the United States, after it has supplied its pent-up, war-restricted demand for consumer goods, with a national debt of $300 billions, a wage scale of $1.25, the highest standard of living enjoyed by workmen anywhere, an indifferent, arrogant, selfish people, meet in worldwide competition the workers of the low-cost nations, backed by a desire to work, men and women who have passed through the tortures of hell and are satisfied with little?

These are some of the buying conditions you will face in the year ahead but, fortunately, they are only temporary.

Of greater significance, however, is the breakdown in our moral fabric. Largely, we have become a loose and easy-living people. The fundamentals of rugged individualism, self-reliance, initiative, and imagination, are no longer instilled in us, for we have been led to believe that our Government owes us a living.

Having participated successfully in two World Wars, the commanding position in which we now find ourselves has made us forgetful of those virtues on which our Republic was founded — unselfishness, honesty, restraint, tolerance, fair dealing, and other homely Christian virtues. Without these, no people or nation can succeed or survive.

Baltimore Stock Exch. Officers & Committees

BALTIMORE, Md.—The Baltimore Stock Exchange has announced the election of J. Dorsey Brown as President at the annual election. Mr. Brown has conducted a brokerage business under his own name and has been a member of the 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.

At the organization meeting of the Exchange on June 10, John Redwood, Jr., Baker, Watts & Co., was elected Vice-President; Edward J. Armstrong, Stein Bros. & Boyce, Treasurer; Mrs. Helen P. Garrett, Secretary and Assistant Treasurer, and Miss Jessamine Johns, Assistant Secretary.

Members of the governing committee of the Exchange are:

Term Ending 1947

John Marshall Boone; John Redwood, Jr.; Harry M. Sheely, Harry M. Sheely & Co.

Term Ending 1948

Edward J. Armstrong; W. Carroll Mead, Mead, Miller & Co.; Walter M. Weilepp.

Standing Committees

Arrangements: Philip L. Poe, Chairman, Philip L. Poe & Co.; J. Dorsey Brown; Howard S. Schwarz.

Admissions: F. Grainger Marburg, Chairman, Alex. Brown & Sons; John Marshall Boone; Wm. V. Elder, Jr.; Howard S. Schwarz; Howard R. Taylor.

Listing: John Redwood, Jr., Chairman; Edward J. Armstrong; John Marshall Boone; Wm. J. Price, 3rd, Alex. Brown & Sons; Walter M. Weilepp.

Finance: W. Carroll Mead, Chairman; J. Dorsey Brown; John Redwood, Jr.

Delivery of Securities: Leo Kriegal, Chairman; Edward J. Armstrong; Harry M. Sheely.

Business Conduct: Chas. W. L. Johnson, Chairman; Walter W. Abell, 2nd; Thomas S. Blocher; Lee E. Daly; W. Carroll Mead.

Commissions & Quotations: Walter M. Weilepp, Chairman; Leo Kriegel; Philip L. Poe; Herbert W. Schaefer, Herbert W. Schaefer & Co.; Howard R. Taylor.

Law: Chas. W. L. Johnson, Chairman; Henry Lay Duer; F. Grainger Marburg; Shirley C. Morgan, Frank B. Cohn & Co.; Harry M. Sheely.

Chas. Moran Appointed By N. Y. Curb Exchange

Charles Moran, Jr., a partner in the firm of Francis I. duPont & Co., has been appointed a member of the executive committee of the New York Curb Exchange, Edwin Posner, Andrews, Posner & Rothschild, President and Chairman of the board, announced. Mr. Moran is a governor of the Curb Exchange and a member of the general committee on outside supervision and the committee on member firms.

R. M. Horner Opens Washington Branch

WASHINGTON, D. C.—R. M. Horner & Co. announces the opening of a Washington office in the Willard Hotel, under the management of Louis A. Starling.

Five-Year Plan and Russian Foreign Policy

(Continued from first page)

Year Plan, such as to increase industrial output by 50% over the pre-war level, to ensure a "high rate of socialist accumulation of capital," **"to raise further the defensive power of the U.S.S.R.** and to supply the armed forces of the Soviet Union with the most modern military equipment." Enhanced military preparedness is necessary because "monopolistic capitalism is capable of breeding new aggressors." (Private monopolies are the gist of all capitalism, according to the Bolshevik primer.)

"Rehabilitation" is mentioned in passing, but the production figures of the Plan all compare the future with the pre-war, implying that much of the reconstruction either already has taken place or is just a minor job to be taken in stride. Maybe, after all, the "fascist hordes" did not destroy as much as we have been led to believe. Or could it be that the tremendous Russian loot from Central Europe, plus the sweat of millions of war prisoners and other slave workers—their total number estimated between 12 and 20 millions—have gone a long way to repair the damage? At any rate, Soviet reports indicate that even Stalingrad's factories again are running at full blast. So are the "restored" Ukranian mines, the leather and shoe plants of Leningrad, etc. Also, 31,000 miles of railroad have been "rebuilt" and the equipment "renovated."

Be that as it may, by 1950 everything will be vastly ahead of 1940. Soviet experts can predict with precision even the crop for the summer of 1950. (Weather and similar factors do not enter into their equations.) Much of the comparison is given either in rubles, which mean very little, or in percentage terms, which mean less, but a few of the published data permit a glance into the miracles of Soviet planning, leaving aside the price they pay in the form of notoriously low living standards.

Coal and **oil** are fundamental in modern economy. The U.S.S.R. is rich in coal deposits which are comparable to ours. The new Five-Year Plan boasts that by 1950 the Soviet coal output will be raised "up to 250 million tons, or by 51% above the prewar level." In other words, only some 160 millions tons were mined in 1940—roughly two-thirds of the British, less than one-half of the German, and barely one-fifth of the American output. Five years hence, the Soviets expect to surpass the British. As to oil, we annually produce 1,700 million barrels; their Plan projects a goal of scarcely 260 million barrels. That may be one reason why they cast greedy eyes on the oil fields of Persian Azerbaijan, in spite of their official claim that "for the wealth of its oil deposits the Soviet Union stands first in the world."

Or take **automobiles** which include trucks and buses. For the industrialization of a country two-and-a-half times the size of continental United States, with 60 million more people, and with less than one-third of our railroad mileage, motorized vehicles in large numbers should be vital. Well, the new Plan proudly announces that by 1950 "The output of automobiles will increase to 500 thousand, or 3.4 times (the pre-war volume)." Just think: 150,000 cars a year were all Utopia could produce in 1940! We produced 5,600,000 cars in 1941 and need neither governmental planners nor even new plants to raise it to an annual rate of 7,000,000, provided no strikes and no OPA interfere. As early as 1918, in the last year of the first World War, this country managed to put 1,000,000 passenger cars on the roads, twice the number the Soviets might bring out five years hence. After thirty years of forced industrialization, the great planners will have reached 7 or 8% of our present output, less than the pre-war German or the present British capacity. One might surmise how important American lend-lease must have been for mechanized warfare in a country with such a limited industrial potential.

Another item of basic importance: by 1950, Russia's output of **steel** "must increase" to 25.4 million tons, or "35% above the prewar level." Without dictators and super-planners, we brought production up to some 90 million tons during the war; just before, it was more than 50 million as against 18 million in Russia, and over 20 million in Germany. There is no shortage of iron ores in the Urals, mind you; moreover, the newly developed ore-bearing bodies in the northern Kila Peninsula, in Russian Azerbaijan, and in the Central Asian Soviet republics of Uzbek and Kazakstan contain commercial reserves estimated at 1,680 million tons.

So far, no Five-Year Plan has accomplished what it set out to do—the Second fell as much as 20% behind schedule—but even at face value the forecasts of the new Plan are far from impressive. On a per capita basis, Soviet progress remains mediocre compared with any industrial nation in the capitalistic world. Especially so in comparison to the free economy of this country. That holds for every kind of production for which statistics are available. The Soviets promise to raise the output of **electricity** by 70%(!) to an annual 82 billion kilowatt hours; last year, we used almost three times as much, nor will we remain static. In five years' time, they expect to manufacture a total of 7,600 **locomotives** and 472,000 **freight cars**—not much more than one year's peak production in this country.

A last item should not be the least illuminating. Soviet propaganda makes a great deal of their educational accomplishments. There are now 783 institutions of higher learning in Russia, against 91 under the Czar, they claim. "In 1950", we learn, "the number of higher school students must reach 674 thousand"—about half as many as are studying presently in American schools at the college level, this in spite of a larger and more rapidly growing population than ours.

All this goes to show that **Russia is not a first-class power**—certainly not when measured by American standards. She has more manpower, more fertile land, and more natural resources. But she is short in what makes things tick: imaginative management, technical know-how, labor efficiency, reliable workmanship, cooperative organization, and individual incentive. Her inherent economic weakness is epitomized by the fact, well known to the experts, that every single industry, if not every major plant, built up by the Soviets had to rely on guidance by foreign engineers, and that throughout their regime technological improvements had to be borrowed from abroad.

Nor are they able to create commodity surpluses in large quantities to be exchanged against foreign goods. They are ahead of us in international advertising, but far behind in the rate of progress. Given the "lofty" motives and very practical ambitions of the Kremlin, it can match us only by exploiting other nations. That explains its ruthless policy of denuding smaller countries in Central Europe and elsewhere, and other methods of a crude economic imperialism. To become a real Big Power, one that can resist now and challenge some day the united front of democracies, Russia must expand. That is exactly what she is doing. "Search for Security" is another name for it.

But challenge she must, and Molotov's statement on the Paris conference, blaming British and American imperialism for the failure, clearly outlined the challenge. The dynamics of the Soviet system calls for expansion, which the logic of democracy cannot accept. The conflict expresses itself in diplomatic guerrilla warfare; in the impossibility of concluding peace treaties with the enemies or of doing "business" with one another; and in the fact that the Russians hold on to their conquests over Anglo-American protests.

On the military side, the conflict is not based on Russia's strength, as it is often interpreted. It would be more correct to say that it is due to her fundamental weakness. Her war-potential is a fraction of the Allied counterpart, and her advantage, if any, in terms of military preparedness is temporary at best. Her leaders must realize the underlying factors which brought disaster on Hitler, who was far ahead of his adversaries in war preparations, especially in aviation might, and who did not expect England and France to fight, to say nothing of the United States. No such "favorable" conditions await the future aggressor, who would have to face the greatly superior weapons of this country, and would be outnumbered at once in the air. True, geographic circumstances make it almost prohibitive to overrun the whole territory of the U.S.S.R., but that would offer little consolation for the loss of vital parts. Russian oil resources, e.g., largely concentrated as they are in the Baku area, in addition to the minor holdings in Bashkivia and newly acquired ones in Galicia, Romania, Hungary, etc., could be obliterated by bombing within a matter of hours. (The new Five-Year Plan emphasizes the production of synthetic liquid fuel, to be stepped up to an annual 900,000 tons.) Nor would the occupation of European countries friendly to the Allies insure the Russian garrisons against devastating attacks.

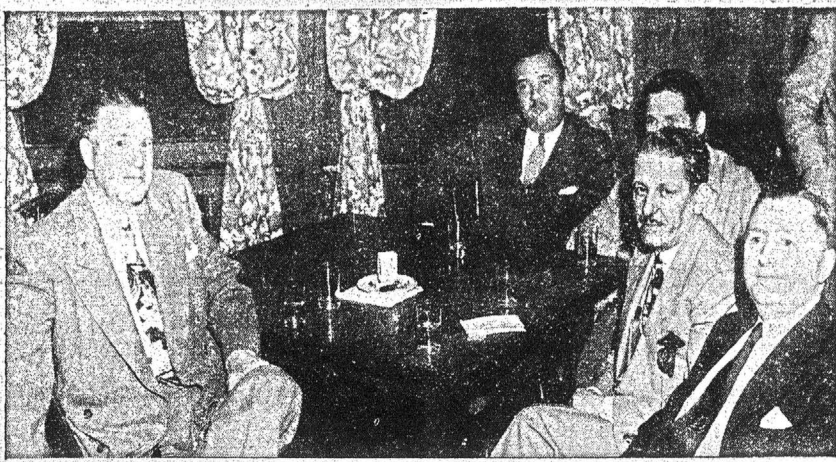
The decisive weapon in Russia's hands is psychological rather than material. It consists in the unwillingness of the democracies to fight, unless actually attacked. As long as the Russians do not trespass over the boundaries of the "sphere" which they carved out for themselves with Roosevelt's and Churchill's open or tacit consent, they have nothing more to fear—or so they must believe—than our moral indignation and the refusal of credits. They can bear both, hoping in the meantime to incorporate and arm some 140 million more people, meantime to strengthen their own system, to foment civil wars and disintegrations abroad, to profit by international dissensions and economic upheavals, and to undermine the democracies from within.

Molotov's explicit statement of May 27, and the Russian attitude all along the line, leave no doubt about their determination to get what they want. That does not inhibit the all-out pacifists and believers in "human nature" (assumed to be the same everywhere) to advocate more appeasement. The road of appeasement is one of the three alternatives from which the Allies may choose. What is at stake is, however, a hundred times more than Hitler's request for Danzig and a corridor through the Corridor, which Britain judged intolerable. At stake is the bolshevization of the whole of Central Europe from Finland to Albania, as well as of Japan and Korea. Nor do Soviet ambitions stop there, as their (in effect, successful) escapade into Iran, the pressure on Turkey and Greece, the demand for Trieste and Mediterranean footholds, the planned disruption of Germany, the protest against American bases and atom-secrets, etc., indicate. In other words, continued appeasement is bound to lead, as it did before, to new conflicts, with the solution merely postponed.

The second alternative consists in facing the problem squarely. A Grand Alliance of civilized nations, led by this country, would have to be mobilized to present a precise program to Moscow in ultimative form, risking that the "bluff" may be called. There is little doubt about the outcome if the Russians should choose to fight it out.

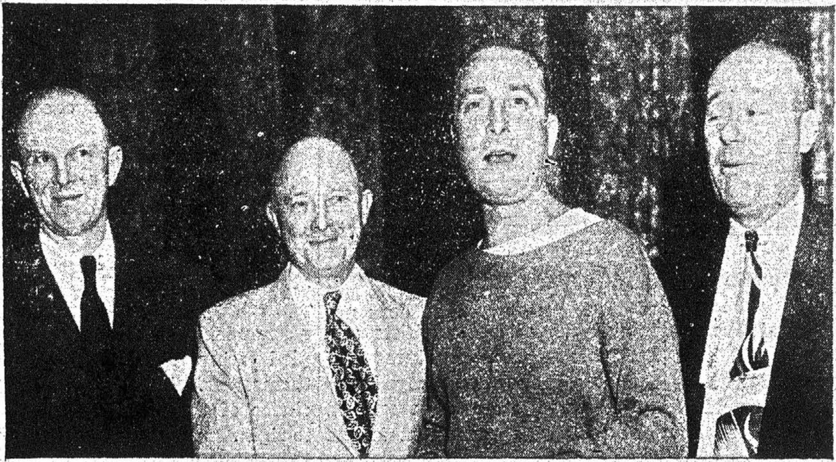
The third road is the one we actually travel: resisting here where British or American interests are involved) and appeasing there, letting things deteriorate altogether. That suits the Soviets perfectly; it gives them time to accomplish their aims in the occupied areas and to strengthen themselves. It leaves them the choice of the propitious moment to fight.

New York Security Dealers Association

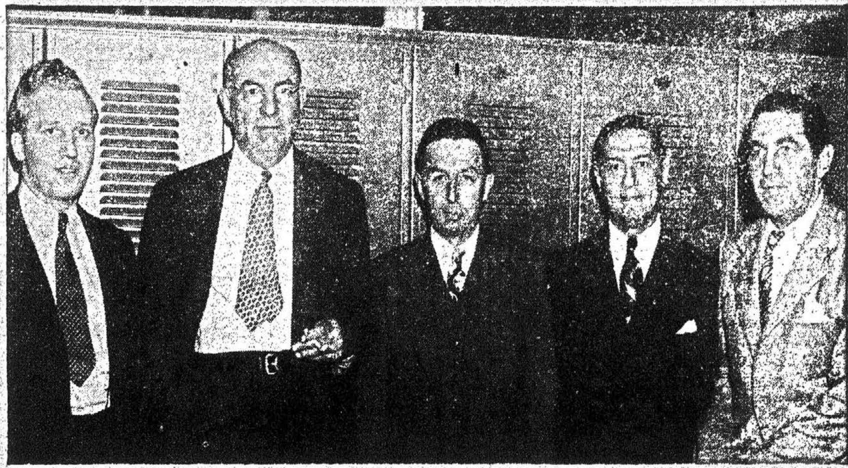


H. M. Watson, Geo. W. Ward and R. Bevan, all of *Amos Treat & Co.*

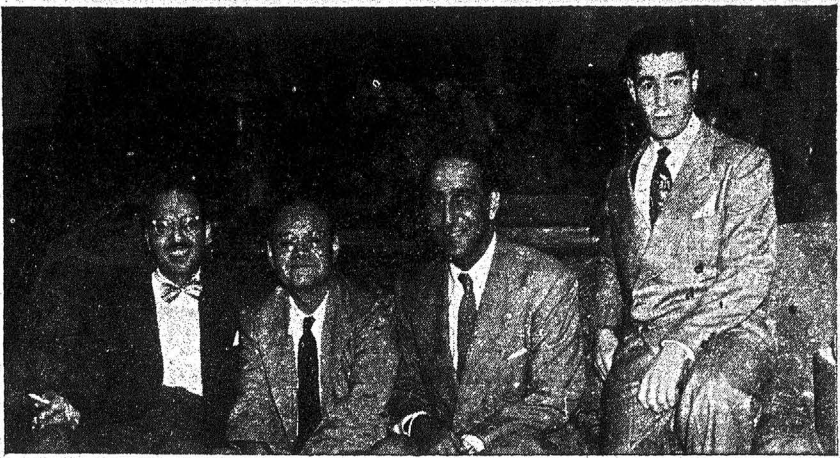
Gene Stark, *Merrill Lynch, Pierce, Fenner & Beane;* Stanley Roggenburg, *Roggenburg & Co.;* John J. O'Kane, Jr., *John J. O'Kane, Jr. & Co.;* Melville S. Wien, *M. S. Wien & Co.;* Hanns Kuehner, *Joyce, Kuehner & Co.*



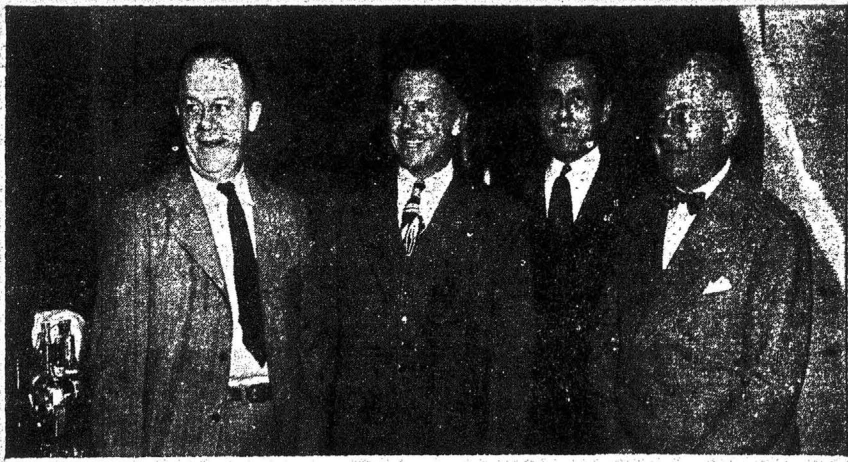
Arnold Hanson, *Hanson & Hanson;* S. Wellmer Hanson, *Hanson & Hanson;* L. Greenwald, *Wellington & Co.;* Ray Clark, *Amos Treat & Co.*



Arthur Preller, *Junger, Anderson & Co.;* Gus Muller, *Junger, Anderson & Co.;* Tom Rooney, *Mitchell & Co.;* Martin King, *King & King;* Irving L. Feltman, *Mitchell & Co.*

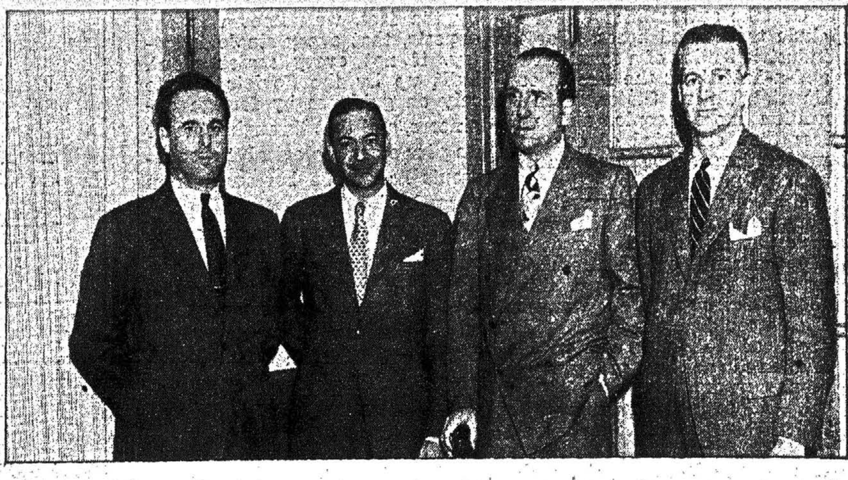


Nathan A. Krumholz, *Siegel & Co.;* Irving Abelow, *Mitchell & Co.;* Sidney A. Siegel, *Siegel & Co.;* Jack A. Jossem, *Mitchell & Co.*



Kenneth Leibert, *Mitchell & Co.;* Everett Wendler, *Mitchell & Co.;* R. Page Mason, *Allen & Co.;* Bob Eble, *Mitchell & Co.*

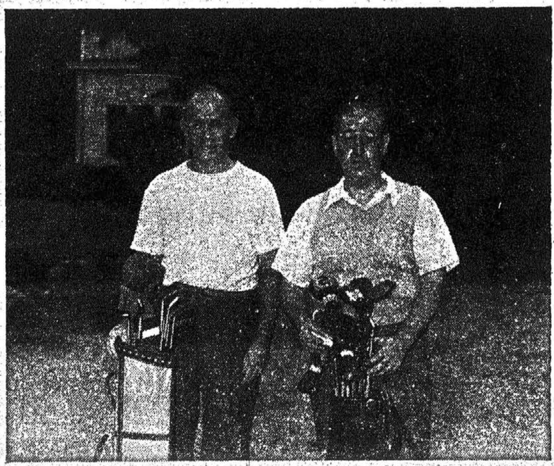
Frank McCormick, *Dean Witter & Co.;* S. H. Junger, *Junger, Anderson & Co.;* John Hines, *Kaiser & Co.;* George Anderson, *Junger, Anderson & Co.*



Bert Seligman, *Ward & Co.;* Irving Gerste, *Shepard, Scott & Co.;* John Stevenson, *Ward & Co.;* John H. Wolforth, *H. Hentz & Co.*

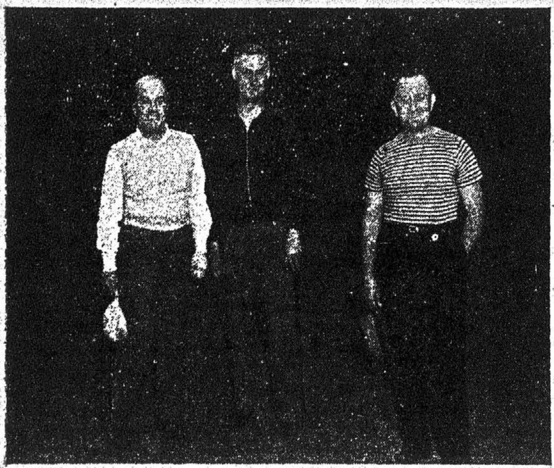
Annual Summer Outing on June 14, 1946

Walter Tellier, *Tellier & Co.;* Arthur Schwartz, *Bache & Co.*

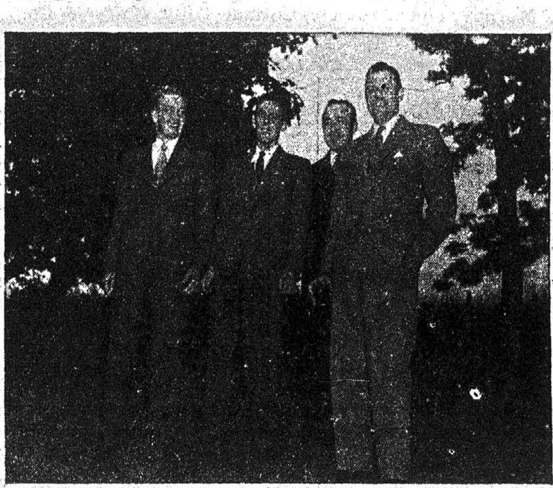


Jack Bloom, *Public National Bank;* Sam King, *King & King.*

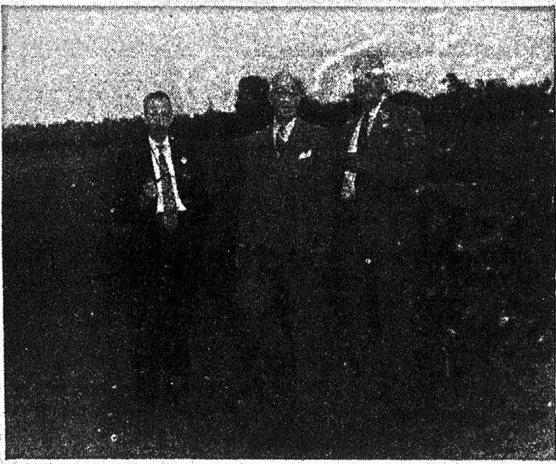
Roy Larson, *H. D. Knox & Co.* Howard P. Frey, *Howard P. Frey & Co.;* Roger McMahon, *W. E. Burnet & Co.*



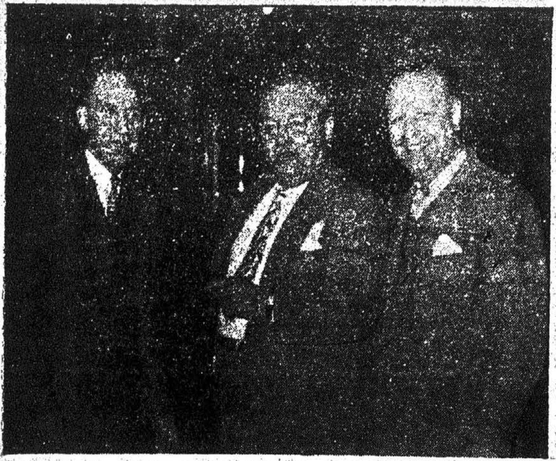
Ken Browne, *Seligman, Lubetkin & Co.;* Charles Jann, *Estabrook & Co.;* Frank Callahan, *Vilas & Hickey.*



Merrill Summers, Bert Pike, Ernie Lienhard, and Walt Filkins, all of *Troster, Currie & Summers.*



George V. Canniff, Henry J. Zehder, and Joseph P. Simmons, all of *Hart Smith & Co.*



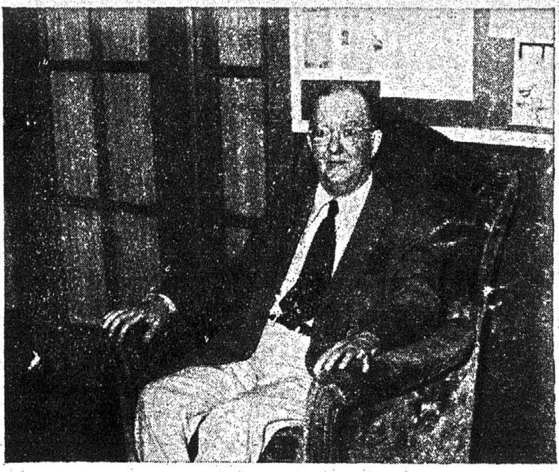
Charles Kaiser, *Berwald & Co.;* Harold Smith, *Collin, Norton & Co.;* Ed Beck, *The Chronicle.*

John J. O'Kane, *John J. O'Kane, Jr. & Co.;* Frank Barrett, *Lewisohn & Co.;* Bill Summers, *Troster, Currie & Summers.*

Joseph C. Eagan, *Frank Masterson & Co.;* Maurice Hart, *New York Hanstatic Corp.;* Leo J. Goldwater, *L. J. Goldwater & Co.*

Carlyle Detjen, *Amos Treat & Co.;* Irving Stein, *L. D. Sherman & Co.;* John Reilly, *F. H. Koller & Co.;* Jerry Weir, *Amos Treat & Co.;* William McGovern, *G. L. Ohrstrom & Co.*

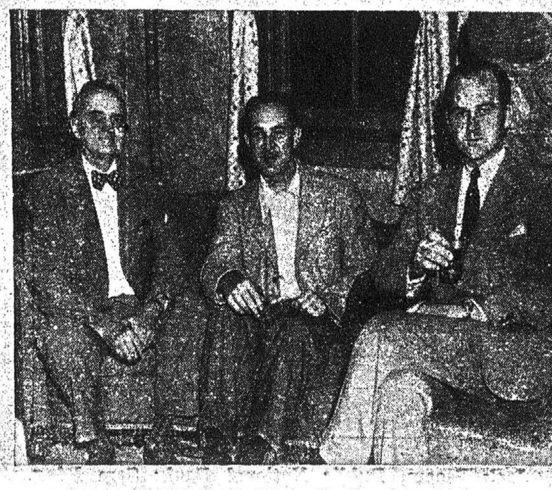
Jay Duga, *Merrill Lynch, Pierce, Fenner & Beane;* Bob Franklin, *M. S. Wien & Co.*



Alfred E. Loyd, head of the re-established firm of *Alfred E. Loyd & Co.*, investment brokers; recently executive secretary of the New York Security Dealers Association.

Held at Engineers Country Club

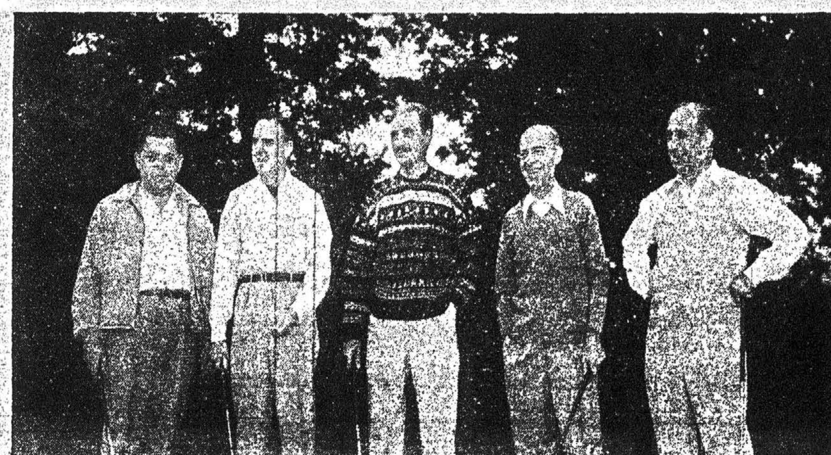
Frank Koller, *F. H. Koller & Co.*; Jules Lipsky, *Sartorius & Co.*; Alexander Jacoby (guest).



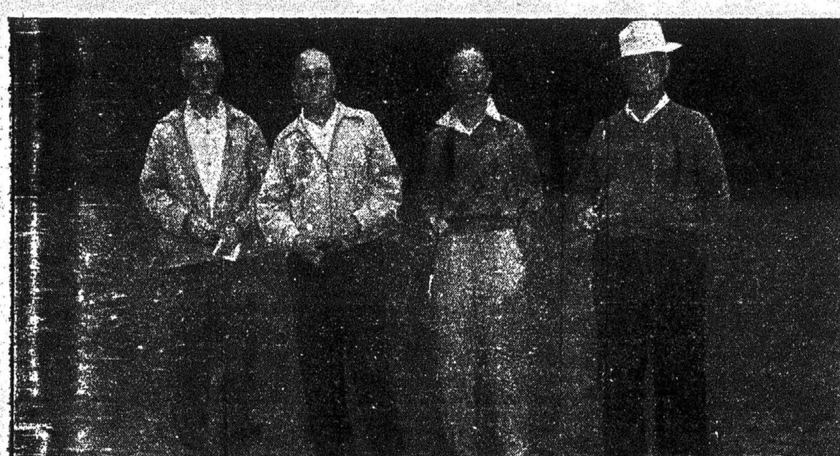
David R. Mitchell, *Blair F. Claybaugh & Co.*; Hal E. Murphy, *The Chronicle;* Cormac Tully, *Kaiser & Co.*

Bert Knox, *H. D. Knox & Co.* Ed Schaefer, *H. D. Knox & Co.*; Shelly Pierce, *New York Journal of Commerce.*

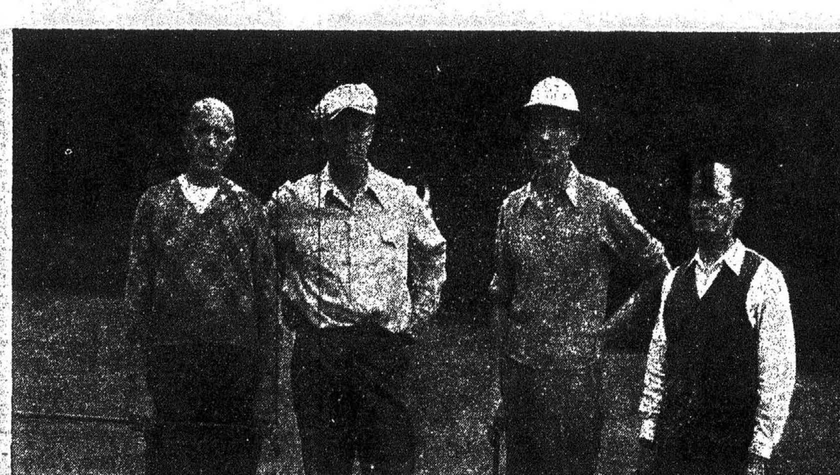
Charles E. Doyle, *Buckley Brothers;* Tracy R. Engle, *Buckley Brothers;* Ray A. Kester, *Frederic H. Hatch & Co., Inc.;* Gene Matalene, *Hornblower & Weeks.*



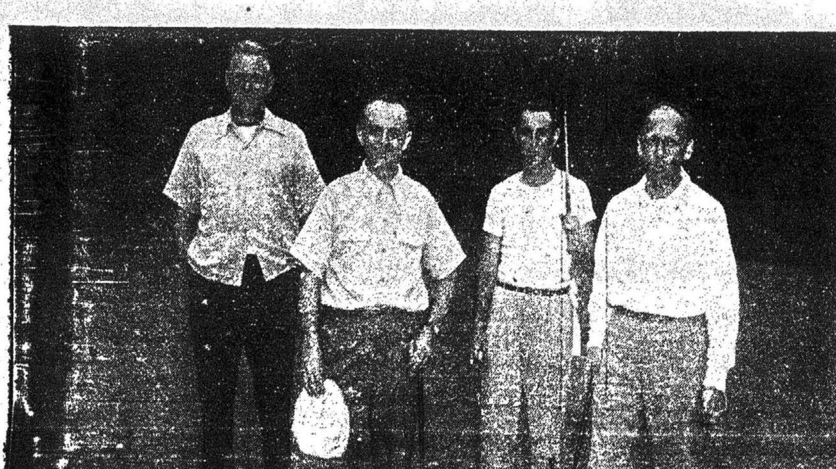
John McLaughlin, *McLaughlin, Reuss & Co.;* Wm. Hart Smith, *Hart Smith & Co.;* James Currie, *Troster, Currie & Summers;* John Butler, *Geyer & Co.;* F. J. Rabe, *F. J. Rabe & Co.*



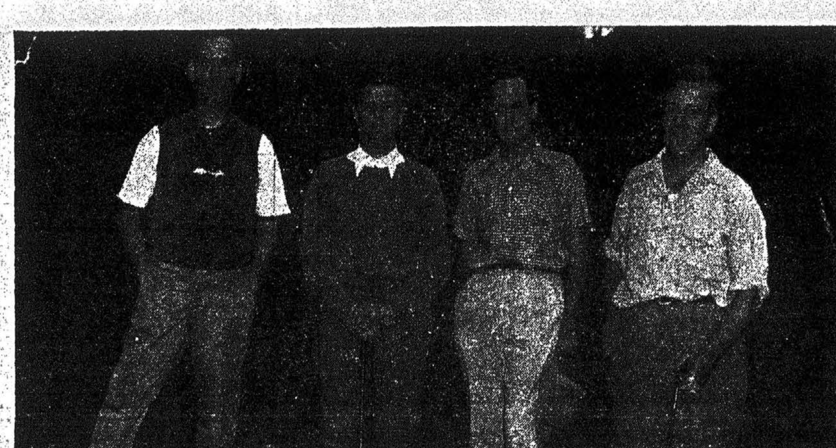
A. F. Ritter, *American Electric Securities Corp.;* Otto Berwald, *Berwald & Co.;* George A. Searight, *First Colony Corp.;* C. Lansing Hays, *Gifford, Woody, Carter & Hays.*



Stanley Roggenburg, *Roggenburg & Co.;* Ted Plumridge, *J. Arthur Warner & Co.;* Ken Howard, *J. A. Hogle & Co.;* Joseph Monahan, *Laird & Co.*

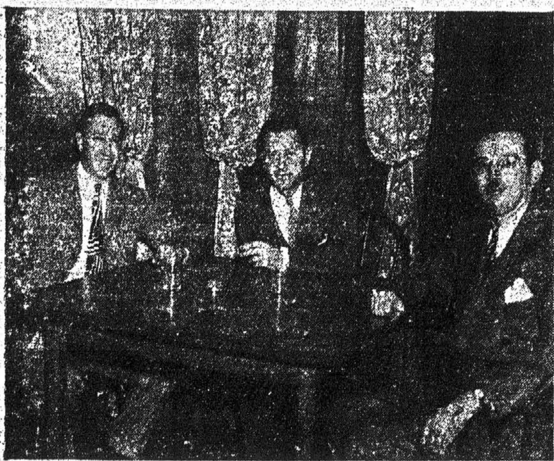


Eric Christopher, *U. S. Treasury Dept.;* Henry Schmitt, *Pulis, Dowling & Co.;* Morris Manson (guest); A. P. Morris, *Estabrook & Co.*



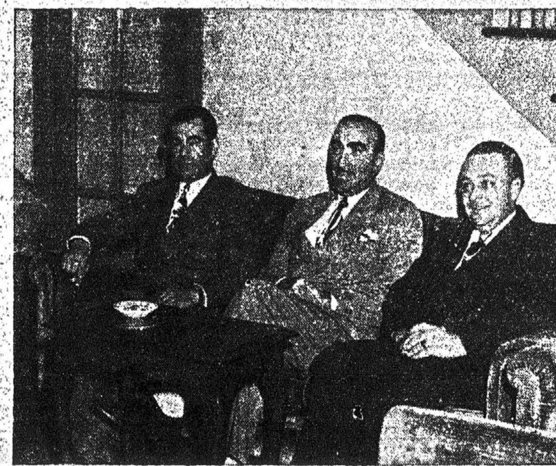
Gus Levy, *Goldman, Sachs & Co.;* Bill Kumm, *Dunne & Co.;* Dick Abbe, *Van Tuyl & Abbe;* Sam Varnedoe, *Varnedoe, Chisholm & Co.*, Savannah, Ga.

Dealers Gathering Pronounced Huge Success



John Sherger, *Francis I. du Pont & Co.*; Gus Grindel, *Francis I. du Pont & Co.*; Arthur Vare, *Hourwich & Co.*

Robert I. Herzog, *Herzog & Co.*; Herbert Singer, *Luckhurst & Co.*

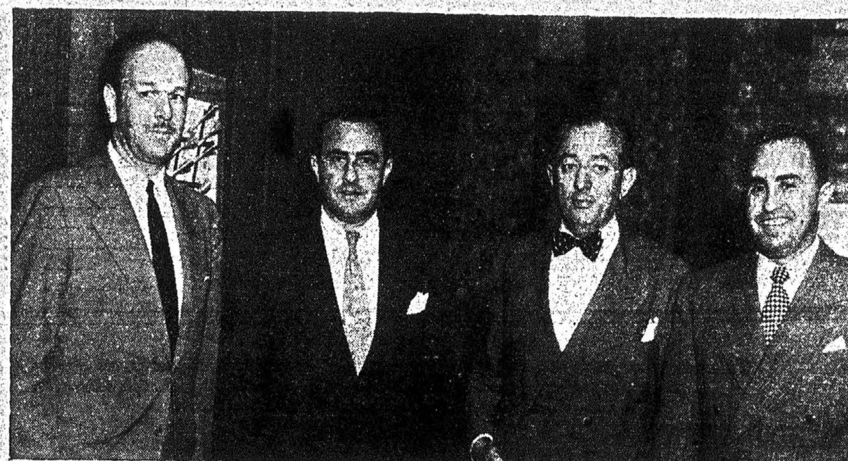


Irving Rosenberg, *Diamond, Turk & Co.*; Ben Grody, *Herzog & Co.*; Wilbur Krisam, *Geyer & Co.*

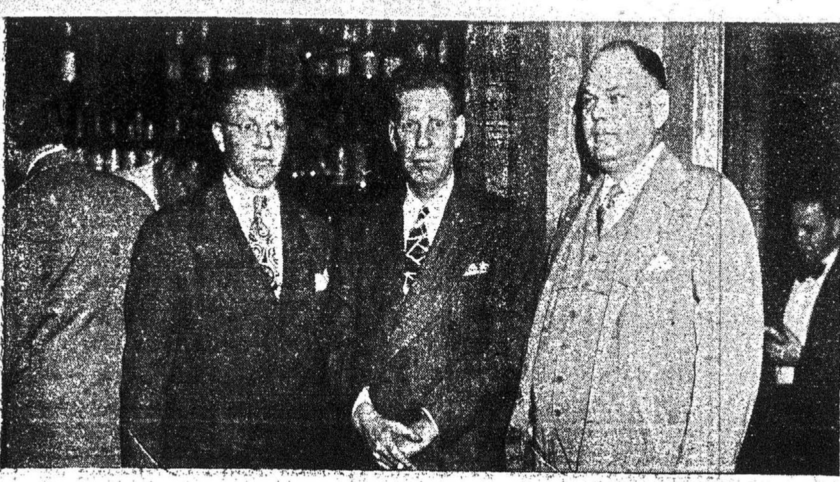
Harold Swarthout, George Yonkers, and E. G. Bartow, all of *First Colony Corp.*

George Frings, *Fitzgerald & Co.*; Ned Breen, *R. H. Johnson & Co.*; S. E. Bonner, *R. H. Johnson & Co.*; Joe Morrissey, *Richard J. Buck & Co.*; T. Reid Rankin, *R. H. Johnson & Co.*

John Connell, *Amott, Baker & Co.*; Col. Oliver J. Troster, *Troster, Currie & Summers*; J. S. Reitenbaugh, Goodbody & Co.; Harry R. Amott, *Amott, Baker & Co.*; Clarence E. Unterberg, *C. E. Unterberg & Co.*



Stephane Leven, *Western Development Corp.*; Sidney H. Fischer, *Western Development Corp.*; Lacy Kux, *Lewisohn & Co.*; Edward A. Fischer, *Lewisohn & Co.*



Clarence Nelson, *Baker, Weeks & Harden*; William Riley, *F. H. Koller & Co.*; Harry MacCallum, Jr., *Peabody, Tyner & Co.*, Mt. Vernon, N. Y.

J. Alberti, *Shields & Co.*; J. M. Berk, *Berk & Co.*; Eddie O'Kane, *John J. O'Kane, Jr. & Co.*

Difficulties of Regulation in International Raw Material Trade

(Continued from page 3342)

and confused transitional period from a wartime to a peacetime economy likewise needs governmental and intergovernmental adjustments. The aspect of constant regulation by a future "World Economic Government," however, may be more unrealistic than the alternative: the hope for a return to freer trade relations and a renewed exchange of raw materials in freer markets.

The field of internationally important raw materials and their regulation in the past has to be considered in more detail to reveal the real facts, trends and possibilities.

International Commodity Regulation

Since the World Economic Conference in Geneva in May 1927 international commodity regulation has been discussed repeatedly. The London Monetary and Economic Conference of July 1933 dealt with "some commodities of great importance for international trade." Regulation in the field of wheat, sugar, dairy products, wine and cocoa was discussed, and agreements were finally reached for silver and wheat. At this time governments were still cautious towards international raw material regulation. Says the preparatory Commission of Experts for the London Economic Conference of 1933:

> We consider that generally speaking international economic agreements have more chance of success if their formation is left to the initiative and free discussion of producers concerned, for whom they represent an already advanced stage of industrial organization.

When the Conference in London broke down after the devaluation of the dollar, the Sub-Committee on Conditions of Production and Marketing may have become aware of the uncertainties of joint economic operation by governments, and of the fact that the laudable intention to fix prices which are equally fair to both producers and consumers, involves problems which sometimes approach the squaring of the circle. Numerous private, semi-governmental and governmental commodity control schemes have been formed since 1933. In the field of wheat, tin, steel, sugar, timber, etc., agreements were concluded or renewed. Some of them worked for a considerable time, while other collapsed or proved impracticable or unnecessary after the depression. In 1937, following the purposefully misleading propaganda of the Axis countries, which in spite of their very successful war preparations, advertised themselves as "have-not" nations in the field of raw materials, a new League of Nations Committee was promptly created to study this problem. It was directed to "examine the question of equal commercial access for all to certain raw materials," a formula which made international headlines ever since. On Nov. 9, 1937 the Economic Committee of the League formulated a "Declaration of Principles" which pointed to the necessity of a development of national resources and international regulation schemes relating to the supply of raw materials.

On Jan. 26, 1938, the Van Zeeland Report followed. It dealt with tariffs, methods of indirect protection, and the abolition of restrictive quotas, avoiding however an attack on international cartels. It was an attempt at political appeasement at a late hour, and was doomed to failure.

Other Raw Material Arrangements

International Raw Material Agreements continued to be concluded and enlarged. In 1938 American firms joined the European Steel Cartel. Between 1936 and 1939 continuous conferences took place in London aiming at whale oil regulations and many other commodities. When in March 1939 the famous Duesseldorf Agreement for industrial cooperation between British and German organizations was concluded, Prague was simultaneously invaded and Hitler's war machine began its march into Eastern Europe.

World War II brought a completely new phase in the world commodity situation. The Combined Raw Material Board, formed by the U. S. and Great Britain in cooperation with Russia and China, replaced the previous free markets and market understandings by government bulk-buying. The Board promoted "allocations, maintenance and increase of supply, conservational economy in use, coordination of the various markets of the world, and shipping adjustment."

After victory, new problems arose, and peaceful cooperation in raw materials was attempted again. As early as in May-June, 1943, the United Nations Conference on Food and Agriculture at Hot Springs, Va., discussed the future use and regulation of buffer stocks. The British delegation stressed "that there should be no regulation by quotas of the export of any agricultural commodity, except under the control of some authority fully representative of both producers and consumers." One of the objectives of such regulation was to encourage desirable shifts in production from one commodity to another and from the less to the more efficient producer. But these formulations remained a vague program for the future.

The November 1945 Proposals of the State Department for Expansion of World Trade and Employment—preparing for the coming World Trade Conference—are the first postwar attempts at dealing systematically with restrictive business practices (Chapter CIV) and with Intergovernmental Commodity Arrangements and their operation, supervision and control (Chapter CV). And we heard additionally the recent recommendations by Mr. I. Lubin, prepared by the American group in May, 1946, for the Economic and Employment Commission of UN, concerning long-term international allocations of commodities in short supply.

This is a short history of "general principles" concerning international regulation of raw materials. Concrete stories about internationally vital raw materials are more revealing.

The Internationally Vital Raw Materials

The most representative raw materials of international importance can be seen from the following table (see Benjamin Graham: World Commodities and World Currency, p. 44/45):

Agricultural
(excluding Russia and China)

	World Production 1937	World Exports 1937
	(value in million dollars)	
Wheat	4,325	709
Corn	3,077	345
Cotton	1,954	891
Sugar	1,430	685
Tobacco	1,233	386
Wool	1,084	720
Rubber	472	472
Coffee	327	327
Tea	232	223
Cocoa	90	90

Non-Agricultural

Coal	5,252	497
Petroleum	2,440	422
Pig Iron	2,070	113
Wood Pulp	1,050	289
Copper	643	455
Tin	233	233
Pig Alum'um	250	160

The total share of these commodities in world trade (valued as of 1936-37) amounts roughly to 23%.

Before World War II, international exchange in these commodities was still streamlined by the international market mechanism, especially by the great world exchange places in London, New York, Liverpool, Hamburg; and in special markets such as Chicago, Winnipeg, Buenos Aires, etc. The function of the International Commodity Exchange markets as cited by "Commodities 1944" by Bache & Co. of New York, are:

"To provide a suitable market place for buyers and sellers to meet, to adjust controversies between its members, to establish just and equitable principles in the trade, to acquire, preserve and disseminate useful information connected with the commodity, to adopt standards of classification, to decrease the local risks attendant upon the business, and to maintain uniformity in rules, regulations and usages in the business."

Trade Associations—widespread in the U. S. as well as in Europe —have similar though more specific functions, such as in business statistics, information on market conditions, unified rules for payment, standardized transportation, insurance, etc. On a still higher organizational level were cartels — loose-knit and closer-knit — gentlemen's agreements for market regulation, conferences, etc.

Cartels were mainly private. They were partly publicly controlled, although mostly by insufficent techniques. Some—as in tin, rubber and tea—were backed or sponsored by governments (mixed cartels). Very few were purely governmental, as in wheat and coffee.

The war interrupted the operation of free exchange markets and the functioning of most raw material cartels. The reestablishment of freer market conditions, looser understandings, as well as international cartel regulations—private and governmental — are still unsettled questions. In the past, functions and achievements of such regulations show a great variety.

The Wheat Agreements

The Wheat Agreement of 1933 was a failure. From the beginning the coordination with Eastern Europe was insufficient. Russia participated from the beginning with strong reservations. Since 1934, only an International Wheat Advisory Council survived, as short wheat crops began to eliminate the surplus danger. In view of the bumper crop of 1938, however, discussions about regulation of wheat started again, but were interrupted by the war. The ambitious draft of the International Wheat Agreement of 1942 is considered as a model for other raw material regulations by governments. As an official interpretation by the Department of Agriculture said: "It shows one of the ways in which the peace may be won." However, wheat relief—as provided for in Article VI—was neglected and is handled now by politically backed government and intergovernmental agencies for the emergency period. It remains likewise doubtful whether the other provisions of the Draft Agreement (Production Control—Stocks—Export—and Price Control) will ever be put into operation in the original form. They will possibly be included in a modified version in the General Food Organization of the United Nations, or replaced by the creation of a mere Study Group, with advisory functions and the task to contribute to a continuous clarification of the ever-changing world conditions in wheat.

Corn

Corn—as seen from the international trade angle—is mainly an Argentinian export problem. International market schemes have thus far not yet been necessary.

Cotton

The first International Cotton Conference of 1939 in Washington created an Advisory Committee with the "task to observe and keep in close touch with the development in the world cotton situation and to suggest any measure the Committee considers suitable and practical for the achievement of ultimate international collaboration." It is possible that in the next years more concrete provisions will be worked out, though probably not with the idea of a worldwide regulation of the cotton markets.

Tobacco and Petroleum

In the fields of tobacco and petroleum a few big enterprises have a prominent influence in the international market. Only some regionally limited cartel arrangements existed before the war. Should the Anglo-American Oil Agreement be ratified by the Senate, it would still remain a fragment since neither Russia, France, Argentina nor other consumer countries are thus far participating. After ratification, it may serve as a useful platform for study groups. The Board of Government Representatives advised by private companies and other experts may take care of mediation and perhaps arbitration of frictions which are traditional in this field, as the Iranian dispute and the Venezuelan recent revolution demonstrate.

Sugar

International sugar regulation was more successful in the past. After same abortive attempts, the Sugar Agreement of 1937 was signed by 19 governments (China, France and Yugoslavia did not ratify it). The free sugar market represents only about one-eighth of world sugar production. The rest is produced and marketed under tariff protection, subsidy, preference and other national restrictions. The agreement thus aims practically—as The London "Economist" recently put it — at equating the exports of cheap sugar to the import demands, limited by the protection being granted to high-cost producers. During the war, the agreement continued to exist nominally and may now be revived. The actual negotiations between the United States and Cuba concerning the Cuban sugar crop for 1946 and 1947 will facilitate future regulation of the remaining free markets on a worldwide scale.

Tea

In tea international regulation will be continued. The International Tea Committee, created in 1934 as a private arrangement of tea associations, being backed by the producer states, is generally regarded as one of the "good cartels." It modernized, stabilized and expanded tea production and blending, and it satisfied its mainly British consumers. New planting may remain restricted in view of a possible surplus capacity in the long run. At present, however, as the tea gardens in the Dutch East Indies appear to have suffered substantial war damages, there is no acute fear of surpluses. Chinese tea growers may enter the export market to a larger degree than in the past and possibly join the cartel after new negotiations.

Beef and Wool

Similar to tea, the regulation of Beef and Wool, is mainly limited to British Commonwealth interests, with Great Britain being the main importer. The meat regulation under continued price stabilization will probably include the important meat exports of Argentina as it did in the past since the Roca-Runciman Agreement of 1933. It shows the political importance of such regulations. Just when the tensions between the United States and Argentina were at a peak, the shaky Argentinian-British Beef Agreement was prolonged. Since a London Wool Conference in Spring 1945, accumulated stocks in wool are entrusted to a new selling organization jointly formed by the U.K., Australia, New Zealand and South Africa. The International Wool Textile Organization in London will represent the wool consumers within this set-up. Whether a permanent buffer stock will be created by the new Joint Disposal Organization is still an open question. The task of liquidating the enormous stocks of the Dominion-grown wool could take 13-14 years if no considerable price adjustment is made under freer market conditions. A similar antagonism between governmental and private market interests arises in cocoa.

Cocoa

Cocoa is not yet one of the big international raw materials, although in view of its great nutrition value it should become a number one item, like sugar. Expansion of production and consumption is here by far more important and, "restriction" more detrimental than in tin or copper or even in coffee and tea. Public interest should therefore watch the postwar policy in this field and the rising British-American antagonism with keen attention. In November 1937—as a result of a buying cartel entered into in respect of Gold Coast and Nigeria cocoa by all but one European trading firm—a general protest strike of the cocoa producers was temporarily started. In the first transport confusion of the war considerable stocks have been "regulated" by destruction, while the governmental Control Board finally concluded its operations with a profit of 6 million pounds sterling. The idea of a recent British White Paper to continue governmental wartime regulation has aroused strong opposition by British and American cocoa traders as well as by consumer interests. The final decision lies in London—and to a certain degree in the hands of public opinion which should protest against new restrictions of freer marketing as it did—though in vain—when the government ordered the closing of the cotton exchange in Liverpool.

Tin

The International Tin Committee in London worked since 1931 as an organization of the interested Governments (Malaya, Bolivia, Dutch East Indies, Siam, Belgian Congo, Nigeria and Indo-China), in coordination with, and influenced by strong smelter interests in London. The Anglo-Oriental Mining Corporation in London, the by far largest private tin combine, includes also Bolivian interests of Patiño. The International Tin Committee was the first international cartel which skillfully and successfully used the buffer stock device. In March 1941 the International Tin Committee met to consider its future policy. But before the end of the year the Japanese assault in the Pacific changed the situation. Reconstruction of the cartel after the war will face intricate problems. The cartel was always strongly criticized by economists and American consumers, because its price level was adapted to the interests of the highest-cost producer, Bolivia. On the other hand, Bolivia is an extremely poor country, and tin is its main source of income. How the American consumer interests in cheaper though stable prices can be balanced with the needs of the Bolivian economy, is an open question. It has occasionally been suggested that the International Labor Office should take over an advisory supervision in view of the social implications involved. But the better solution may be a special arrangement between the United States and Bolivia in the framework of the international regulation. The American-Cuban Sugar Agreement could serve as a model. Another difficulty is the unclear borderline between the public interests in the cartel, which are presumed to be represented by the contracting governments, on the one hand, and the interests of the private combine in London and the Netherland Government, which directly owns 73% of the capital invested in tin in the Dutch East Indies, on the other hand. A new control arrangement should clearly separate public control from private and governmental business interests within the cartel. A more active participation of the U. S. manufacturing interests will be justified under the aspect of the new American tin smelters in Texas.

Rubber

In rubber even more than in tin, vital interests of the U. S. A. are involved and have enormously increased during the war. The U. S. A. always was the largest consumer of rubber, which came almost exclusively from Malaya, the Dutch East Indies and Ceylon. In view of the new American synthetic rubber industry the whole rubber situation has completely changed. In 1946 the U.S.A. will need about 900,000 tons of which 700,000 tons can be produced synthetically within the country in favorable competition with the Fast East, which has to recover from the war damages. Assuming a world consumption of perhaps 1.4 million tons for 1948, American consumption may be more than 900,000, which could mainly be supplied from domestic industrial plants. Under such conditions it was understandable and necessary that the U.S.A. send for the third time its representatives to the joint meeting of the "Rubber Study Group" in London, which in case of an arrangement will then continue to function as a new intergovernmental rubber cartel.

Coffee

Coffee was during the last years primarily a Pan-American problem. The Coffee Agreement of 1940 between the U. S. and the Latin American coffee producers (Brazil, Colombia, Venezuela and some Central American states) was not a purely economic "restrictive" cartelization but a politically inspired act of a farsighted Good Neighbor Policy, which helped the producing countries to overcome the loss of the European markets during the war. The price of Santos 4—the most popular Brazilian coffee variety—was raised from 6.75c in 1940 to 13.38c a lb. in June 1942. For the American consumer it amounted to a difference of approximately $100 million while the Good Neighbor Policy flourished. Now with the war being over a fundamental revision of the whole cartel will be inevitable. The expectation of the re-opening of the European coffee consumer market, price-raising trends and some tendencies to shift the center of gravity from the political coffee cartel scheme of 1940 to the Pan American Coffee Bureau, of which the United States is not a member, shows that the basis of the political coffee arrangement of 1940 has to be revised. The revision will have to include a new stabilization of coffee prices under abolition of the present coffee subsidy system which required already more than 50 million dollars. There are finally indications that the international coffee market in London will be revived as the British Coffee Trade Federation succeeded in getting a simplified exchange mechanism for imports and re-exports in sterling.

The Revival of European Cartels

In other raw materials European cartels will possibly be revived, as in potash, nitrates and sulphur. In woodpulp political influences will remain important, but under quite other aspects than in coffee. Besides the Scandinavian and three Central European countries, Russia was traditionally the main producer and exporter of woodpulp. Whether in postwar times paper pulp will be cartellized again in Europe, as it was before the war, will mainly depend on the future Russian cartel and export policy. Russia is —in principle—not at all inimical towards raw material regulation on a worldwide basis, as its attitude in sugar, lumber, platinum, etc., has shown, in spite of its enmity against private monopolies.

Coal and Steel

An extremely complicated and politically involved raw material problem is connected with coal and steel. The future Ruhr policy will be of decisive importance in this field. The newly created European Coal Organization (London Jan. 4, 1946) is the beginning of a new European coal cartellization, a plan which was discussed without any result for 20 years. Whoever appreciates the traditional refined British language in Foreign Economic Policy will enjoy Article 4 of this newest international Commodity Agreement which reads as follows:

"The purpose of the Organization is to promote the supply and equitable distribution of coal and scarce items of coal mining supplies and equipment, while safeguarding as far as possible the interests of both producers and consumers. With this object the council shall keep itself constantly acquainted with and, when necessary, discuss the situation in regard to such supply and distribution, disseminate information in regard thereto, and make appropriate recommendations to the Governments concerned and to any other competent authority.

"To these ends the Member Governments shall. . . ."

The Member States are: the Governments of Belgium, Denmark, France, Greece and Netherlands, Norway, Turkey, the U.K. and North Ireland, and finally the U.S.A. Should Great Britain be able to coordinate a future export capacity of Ruhr coal and steel with its own export interests in this vital field, some of the heavy losses of the British Commonwealth in other parts of the world would be compensated.

Bauxite and Aluminum

In bauxite and aluminum a development of similar importance begins already to function, although hardly noticed and publicly discussed. Aluminium Ltd.—the Canadian sister of the American Alcoa—is now the most modern and most efficient aluminum producing company in the world. According to recent statements (see e.g. "Fortune Magazine" March 1946) the Canadian combine has now a greater production capacity than the American Alcoa. Its production costs of 7-8c per lb. aluminum ingot compare with American costs (including those of Alcoa) of about 10-11c. About 50% of the high-grade international bauxite reserves are in the orbit of the British Commonwealth, while the U.S.A., the greatest aluminum consumer in the world (at present about 75%), has a share in these raw materials of 3%. Aluminium Ltd. in Canada—not Alcoa which has been isolated, or has isolated itself from the rest of the world as a consequence of the anti-cartel measures — expands now within the British Commonwealth its international aluminum interests to South America (Brazil, Argentina, etc.), the Far East (China, India, Australia) and in Europe. The British—not yet the American aluminum consumer in aircraft and automobile production—has the advantage of the recent reduction of the aluminum ingot price from 15 to 12 cents fixed some months ago by Anglo-Canadian agreement. And after the recent dissolution of the European Aluminum Syndicate, a new British-Canadian aluminum cartel may govern the expanding European markets with a quota of perhaps 70-80% (including the old British quota) instead of a 28% quota which Aluminium Ltd. had in the prewar European Aluminum Alliance.

As a matter of fact under the aspects of a long run Foreign Economic Policy the aluminum position of the U.S.A. seems somewhat confused and dangerously weakened. Within the country the Alcoa case represents one of the most important cases of anti-trust action. The final decision is postponed until the restoration of a competitive situation is attempted by disposal of the governmental surplus plants. From the international angle this could develop in a vainglorious victory. Even the establishment of new competitors and even the dissolution of Alcoa would not solve the international aluminum problem. Redistribution of the high grade bauxite reserves of the world will have to prepare for an international coordination of aluminum production and bauxite mining adequate to the vital American consumer interest.

May we finally mention, that uranium, too, is an international raw material, the regulation of which has been widely discussed in recent months—thus far without visible international results.

The Future of Governmental Commodity Agreements

A remark with respect to "general principles" may conclude this short survey. Some experts foresee an irresistibly increasing tendency towards stronger international raw material regulation and governmental commodity agreements. Harold Gratton (Barrons Jan. 28, 1946) assumes that new worldwide commodity competitors are likely and that "Welfare Economics" alone will be the key to international regulation and progress. Other experts are highly skeptical. They feel that experiences with multilateral inter-governmental commodity arrangements have been rather limited than extensive, and that on the whole they gave warnings rather than promise. The publication of the International Labor

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Difficulties of Raw Material Trade Control

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Office in 1943 on "Intergovernmental Commodity Agreements" is more optimistic. Anti-cartelists, on the other hand, are bewildered and suspicious in view of new plans for international cartels, even if they sail under the governmental flag.

Under special conditions—economic or political—international understandings in raw material problems may prove inevitable. The proposals of the State Department of November 1945 to which we referred in the beginning, recommend in Chapter CIV coercion of "private restrictive business practices" while in Chapter CV Governmental Commodity Arrangements are provided for—though under strong reservations. The cautious and complicated language of the suggestions hints at a provisional compromise behind the American scene between diametrically opposed opinions and ideologies. To deal in more detailed form with the proposals is beyond the scope of this study. They will be on the agenda of the future International Conference on Trade and Employment, which, it is hoped, will still be held in 1946. The whole subject needs further factual preparation and preliminary frank discussion as the international picture as a whole is fraught with considerable difficulties and imbued with emotions and highly political implications.

Summary and Outlook

To sum up: Experience with purely governmental cartels, as in wheat, is poor. The success of the Coffee Agreement of 1940 was mainly political. A growing governmentally controlled coordination is nevertheless indicated in some fields of international agriculture—as in sugar. Cartels on a more private basis, such as in tea, steel, woodpulp, etc., worked relatively well under given circumstances. "Mixed" cartels in raw materials—this means elastic interrelations between governmental and private interests such as in tin—will need clearer distinctions between public control and private business. Conferences, looser associations, study groups and governmental advisory committees are perhaps the future form of elastic raw material regulation in the international field. All these devices, however, contain some germs and inherent dangers of monopolistic abuses—governmental schemes not excluded—which can only be exterminated or avoided by an alert public control, administrative and judicial. Detailed propositions for such an international control have been recently published (Milo Perkins in "Harpers" 1944 p. 578; Haussman-Ahearn in "Thought" March 1945 and others).

An International Cartel Control Office—including mediation and ultimately court decisions—could prevent monopolistic cartel restrictions. It could develop rules of trade practices whereby producers, distributors and consumers will be equitably treated.

A cornerstone of an enduring peace is the liberation and expansion of world trade. An indivisible part of such a policy is a rigorous and impartial cartel control policy in international raw material trade, but not direct governmental operation. Otherwise it may come to pass that the endeavor to lower trade barriers and to abolish exchange controls may succeed, and yet a new web of international government regulations and operations may remain, thereby hampering a freer raw material exchange more dangerously than ever before.

Outlook for Interest Rates

(Continued from first page)

tors determining the course of interest rates. During the war, the conditions of demand and supply in the security markets, as in any other sectors of the economy, were of an altogether unusual kind. From Pearl Harbor to early this year the public debt rose from 64 billion dollars to $280 billions. This enormous increase in the supply of securities was made necessary to pay for some 60% of the war cost which was not covered by taxation.

At the same time, there was also a vast increase in funds available for investment in Government securities. Wages, salaries, farm incomes and profits, after allowing for deduction of income taxes, rose from an annual rate of little over $90 billions to a rate of well over $140 billions. As the supply of civilian goods did not increase during the war years and prices were held fairly stable, savings, and hence the demand for investments, rose sharply. As the economy moves along, these factors keep changing with it. Of the $216 billions increase in the debt, over 50% was absorbed by this investment demand outside the banks. The remainder was absorbed by the banking system. To adjust the combined demand for securities to the requirements of war financing, the commercial banking system, for this purpose, was supplied with the necessary reserve funds.

Thus we have for the war period a vast increase in the supply of securities, accompanied by an equally sharp rise in demand. On balance, the two factors tended to offset each other and it was possible to maintain interest rates at a fairly stable level. Rates on Government securities ranged from 3/8% on 3-month Treasury bills to 2½% on long-term marketable bonds. In fact, during the latter part of the period there was strong market pressure for interest rates on medium-term and long-term Government securities to decline. The spread between corporate and other securities narrowed during this period as a result of the decline in yields on corporate securities; interest rates on loans also declined.

The Transition Period

With the end of the war, there was a rapid change in the financing picture. The Federal budget has tumbled from its wartime peak of annual expenditures of over $100 billions to less than $40 billions. The deficit has well nigh disappeared, and by the end of the year we should begin to have a cash surplus. The increase in the debt has stopped, and due largely to the drawing down of Treasury balances it is being reduced at a considerable rate. On the supply side the situation has thus eased a great deal. The problem which was one of rapid debt expansion has become one of refunding and retirement.

On the demand side the change has been less drastic. The level of income has remained extraordinarily high. Notwithstanding strikes and other disruptions, our production record since V-E Day has belied the pessimists and surpassed most expectations. Production during the months before the coal strike was higher than ever before in times of peace. If we manage things at all well in the months ahead, finished products will be flowing to the market at an ever-increasing rate.

With incomes remaining high, the dollar volume of private savings will continue at a high level. Although it is only natural to expect that the rate of savings should decline from its wartime peak, a substantial amount of current savings will continue to be available for investment in Government securities. Individual savings are now at an annual rate of about $20 billions, as against $7 billions in 1940. The demand for Government securities, similarly, should be sustained by the existence of the huge volume of liquid funds which has been created in the course of wartime borrowing from the commercial banking system. The volume of demand deposits (adjusted) and currency alone increased from $39 billions in 1940 to $130 billions by the end of April.

But here is where the inflation problem enters the picture. Even under the most favorable prospects for full production, the supply of goods for some time is bound to remain scarce relative to demand. Inflation pressures are bound to remain strong. If we can hold them in rein, if we can avoid the vicious spiral of price and wage and price increases, there is every reason to hope that pressures will relax within a year or so. If, on the other hand, we fail to do so, if we give the investor any reason to fear that the purchasing value of his security holdings is threatened by upward spiralling prices, the entire demand side of the security market will be most seriously threatened. Already, there is an overflow of funds into speculative investments, and capital values in many lines have reached inflationary levels. This is true especially in the real estate market, both for urban and residential real estate. The prices of low-cost houses are generally 65%, and in many cases 100%, over their 1940 levels. Also, there has been a steady inflow of funds into the stock market and prices during the past 12 months have increased by 30%. All signs show that strong inflationary pressures will continue.

Lest this situation should get out of hand, we must use all our powers to stem inflationary forces until production has time to bring about a reasonable balance between the factors of supply and demand. Monetary policy and Federal Reserve policy has an important though secondary role to play in preventing a further increase in, and if possible, in reducing the money supply at this time. This means avoidance of further increases in bank credit and, if possible, a reduction. The Treasury in this connection has embarked upon a program of retiring debt out of the large cash balances that were built up during the Victory Loan. The cash balance remains sufficiently large to continue this debt retirement program over the next several months. The securities being retired are, of course, short-term maturing issues, which are largely held by commercial banks and the Federal Reserve Banks. This will have a tightening effect upon bank reserves.

The Federal Reserve System also has announced the discontinuance of the war-time preferential discount rate of ½% on short-term Government securities. At the same time the Board stated that it does not favor a higher level of interest rates on U. S. Government securities than the Government is now paying. Assurances have been given that the rate of 7/8% on one year certificates would be maintained. In practice that means that the Federal Reserve from time to time needs to purchase short-term securities in the market in order to prevent short-term interest rates from rising above the level that the Government is now paying. Medium-term and long-term rates are below the coupon levels that the Government is now paying and consequently do not need support. As the Federal Reserve purchases short-term securities in the market the reserve balances increase and commercial banks generally can expand credit by several times the amount of the increase in reserve balances. Since an expansion of bank credit is dangerous at this time of inflationary pressures, some method should be devised to stop this expansion. The orthodox methods of influencing the level credit cannot be used, however, because they would no doubt result in a higher level of short-term interest rates. Some new instrument of credit policy, therefore, is needed.

Several methods have been proposed and are being carefully studied. Some would directly or indirectly increase commercial bank demand for short-term securities, either by requiring commercial banks to hold secondary reserves in the form of these securities or by limiting the amount of bonds that they may hold. Another would offset Federal Reserve purchases of short-term securities by increasing the reserve requirements of member banks. These plans have disadvantages as well as advantages. None of them should be put into effect until we are sure that the advantages clearly outweigh the disadvantages. Congressional study and action is a prerequisite.

In the meantime, retirement of Government debt is anti-expansionary. As long as this retirement continues, the problem of bank credit expansion becomes less urgent. This gives us a breathing spell in which to study the problem. The development of a substantial budget surplus would go a long way toward solving this problem, because it would permit the Treasury to continue to reduce the Government debt. While I hope that the inflationary problem on the monetary side can be solved without the need for employing any new method that would restrict the operations of commercial banks, I believe that the prudent course would be to develop a new method of influencing bank credit and have it ready for use if the need for it should arise. Prudence, caution, and proper timing are of the essence.

The Longer-Run Outlook

Over the longer run, developments defy prediction. Assuming a high level of business activity, which we are all striving for, savings banks, insurance companies and other savings institutions will have a substantial accumulation of funds to invest. Over the war period these funds have found outlet in Government securities, and since the Government is now embarking upon a debt retirement program, this source for investments will not be available. The funds of these institutions, therefore, will exert strong pressure on market yields of existing Government issues, and will force a lowering of the long-term rate unless the demand for long-term funds by corporations, the mortgage lending field, the World Bank, the Export-Import Bank and others offset those pressures. It may be desirable in this connection to devise special long-term non-negotiable Government issues, somewhat similar to the F and G bonds, which will attract these institutional funds. In view of the backlog of demand for goods both at home and abroad, and in view of the demand for housing, I would venture an opinion that while there may be periods of fluctuations, the demand and supply factors might be approximately in balance at the present level of interest rates.

Conclusions

So far, we have dealt with some of the conditions of demand and supply by which interest rates are determined. It remains to be emphasized that these conditions do not represent a set of natural forces which are beyond our reach or influence. On the contrary, Debt and credit policy have a very direct bearing on these conditions. The authorities in charge of debt and credit policy have a very direct responsibility for them. This was obvious during the war when the vastly increased supply of securities was balanced by a controlled increase of bank credit available for such investment. Because of this policy, which assured that securities not sold outside the banking system would be absorbed by bank purchases, it was possible to finance the war debt at a low interest rate. Now the problem is to prevent further additions to bank holdings of securities and hence to the country's money supply, and if possible to reduce them. We must do so without raising the taxpayer's interest bill. While the problems have changed, they have not become simpler. The importance of a wise credit and debt policy has been greatly increased by the wartime debt expansion.

An intelligent opinion concerning the outlook for interest rates, therefore, involves the use of judgment as to the net effect on interest rates of many policy problems that are confronting the Government authorities at the present time and of many cross-currents and unpredictable factors in the demand and supply aspect of the problem. The only conclusion of which we may be reasonably sure at this time is that rates on short-term Government securities are not likely to rise, and as long as short-term rates stay down, it is unlikely that long-term rates will increase to any significant degree. Some of the wartime factors bringing about declines in long-term rates no longer exist, but others remain. It may be necessary to adopt new measures to avoid a further decline in long-term rates. With this exception, therefore, I think it hazardous to venture an opinion. I would be inclined to agree with the prevailing opinion that long-term interest rates over the next six months to a year would be less likely to increase than to remain stable.

Australia to Pay U. S. on Lend-Lease

Australia has made an agreement to pay the United States $27,000,000 in settlement of her lend-lease account, Washington Associated Press advices stated June 7, thus becoming the fifth country to wind up its lend-lease obligations to the American Government. Of the five, Australia is the first to whom this country has not had to extend credit to make settlement possible.

The other four, Great Britain, India, France and Turkey, all received credit terms ranging up to 20 years to settle their accounts.

The total value of lend-lease, mostly war equipment which the United States sent to Australia during four years of war amounted to $1,300,000,000, while Australia's reverse lend-lease contributions totaled $920,000,000.

Redeem Cuban Bonds

Republic of Cuba, through Reinaldo Fernandez Rebull, Consul General of Cuba in New York City, is notifying holders of its External Loan Thirty-Year Sinking Fund 5½% Gold Bonds Issued under Loan Contract dated January 26, 1923, that $1,133,400 principal amount of the bonds have been drawn by lot for redemption on July 15, 1946, out of moneys in the sinking fund, at 100% of their par value and accrued interest to the redemption date.

The bonds drawn for redemption will be paid at the office of the fiscal agents, J. P. Morgan & Co., Incorporated, on or after July 15, 1946, after which date interest on the drawn bonds will cease.

On June 11, 1946, $551,200 principal amount of these bonds previously drawn for redemption had not been presented for payment.

Germany Must Be Established As Single Economic Unit

(Continued from page 3354)
authors declare that for some time the economic problem of Germany can be solved only by generous outside aid, and that "months and years" must be faced of disappointment slow progress toward a fruitful economic life. But looking forward five or ten years and assuming a wise administration of Allied means of control the report states, German industry and agriculture will be able to meet the essential demands of a peaceful economy.

The authors analyze the conditions which would develop under the Potsdam policy which requires that Germany be set up as an economic unit. They admit that the present trend away from the principles of the Potsdam Declaration could "assume proportions that will jeopardize the execution of the plan."

Beginning with a summary of the general principles of Allied policy, the central point of which is that Germany's war potential must be reduced to such terms that "not even the wildest of the unreconstructed Nazis — of which there are millions — can dream of a renewal of agression." the report examines in turn Germany's ability to feed her population of sixty-five millions, the use of her excess industrial workers, the necessary changes in her industrial productive capacity, the question of foreign trade. While the problem of Allied policy is to determine as nearly as may be the limits beyond which a war potential becomes dangerous, the report points out, Allied policy recognizes another problem, "that of a people become desperate under hopeless poverty that civil order is impossible."

Germany's ability to feed her approximately 65 million population is complicated by the cession to Poland and Russia of the rich agricultural lands east of the Oder-Neisse line and the increase of the population west of the demarcation line by millions expelled from the east, the report states. "She will have to raise food for a population only 6% smaller than that of 1939, while she has lost 37% of her former production of rye, 31% of that of potatoes, 29% of sugar beets, 25% of barley, 24% of oats, and 20% of wheat." On the basis of past experience, however, it is to be assumed that German agricultural production can be increased to an extent that will allow a minimum diet from domestic sources. Even at best, the authors assert, it will still be necessary for Germany to import a certain amount of edible fats and fodder.

Among the indispensable conditions under which German agricultural output can be increased the authors include a more liberal application of commercial fertilizer and an extension of power equipment; gasoline and Diesel oil must be available at prices that are not prohibitive, a way must be found to supply the essential nitrates and phosphates. The authors point to recent decisions of the Allied Control Council which take these needs into account. Land reform, the reclamation of forest lands for agriculture and the break-up of large estates, however salutory politically and socially, do not hold out promise of immediate relief.

While foreseeing the absorption of the farmers and farmhands expelled from the east in an intensified agricultural program, the authors frankly deny the possibility of absorbing more than a small percentage of Germany's large industrial population into agriculture.

In the field of industry, the authors maintain that Germany's war potential can be destroyed by a strict prohibition of the production of arms, aircraft and ships, a sharp reduction of steel production, a prohibition of the production of synthetic oil, rubber and other basic chemicals and materials, a restriction of electrical power plants and control of the character and volume of imports. The critical industries must not be allowed to develop beyond the extend needed in order to maintain agriculture, industry and public utilities and to provide adequate housing for the population. Investigating the steel problem it is stated that "the steel production capacity decided upon by the Control Council is adequate, provided that special allowances are made for reconstruction during the transitional period."

The Saar plants and equipment should not be included in the program of destruction, the report states. Under the League of Nations regime, one half to two-thirds of the Saar production was devoted to non-German national economies. "A prompt decision of the future of this district could assure that its iron and steel production will serve permanently the needs of western Europe."

The problem of the industrial population is likely to be grave for years to come the authors state. It has been proposed that millions of unemployed be assigned to reparation work outside of Germany. This would speed up the reconstruction of the countries devastated or otherwise economically ruined by the Germans and assure the priority of their reconstruction. "Reparation manpower could thus be a key to a purposeful European reconstruction."

To make certain that Germany's non-war industry is kept going, Germany must import large quantities of raw materials, the report points out. This implies large exports to pay for them. A tentative trade balance is drawn up meeting the objectives of the Potsdam Declaration, and it is stated that "the main hope for German exports lies in the multitudinous products of light industries, for which German skill has proved well adapted."

Serious problems of marketing are involved in the development of German exports, the authors admit, in examining the influence of future conditions in Germany on international trade. However, a constructive attitude toward trade relations cannot be based on merely reconstruction principles. Germany's position in the world market will be definitely weakened. The countries of Western Europe are not eager to receive a flood of German goods, and the Russians will restrict German exports to the Balkans. "Nevertheless," the report states, "the whole world is hungry for consumer goods, and certain German products are indispensable import commodities for western and southern Europe. It will be many years before Russia, Poland and the Balkans can supply themselves adequately. In spite of their hatred of Germany they will buy German goods so long as German exports do not conceal designs of national aggression."

W. F. Queisser Forms Firm

(Special to THE FINANCIAL CHRONICLE)

WINONA, MINN. — Walter F. Queisser has formed W. F. Queisser, Inc. to engage in the investment business. Mr. Queisser was formerly an officer of the Winona National & Savings Bank.

Automobile Companies Experience 10% Loss On Every Dollar of Sales Made in First Quarter

Loss exceeds that of depression years

DETROIT—Passenger cars manufacturing companies sustained a net loss of $50,153,714 or more than 10% on every dollar of sales during the first quarter of this year, according to a survey of the industry, excluding automotive parts and motor truck makers, just completed by the Automobile Manufacturers Association.

The loss of more than 10% on every sales dollar calculated after allowance for tax credits under the excess profits tax carryback provisions, is greater than that sustained for any similar period in the history of the industry. The depression year of 1932 showed the second greatest deficit with a loss of 6.7% on every dollar of sales.

Lack of materials and parts and other interruptions of operations are the primary causes of the operating loss, Oscar P. Pearson, chief statistician of the Automobile Manufacturers Association said in commenting on the survey.

In contrast with the first quarter of 1946 figures, the motor vehicle companies, after taxes averaged a 3.97% return on sales in 1945, 2.6% in 1944, 3.1% in 1943, 3.56% in 1942, 6.45% in 1941, 7.07% in 1940, and 8.25% in 1939.

Toronto Stock Exch. Equalizes Margin Rule

TORONTO, ONT., CANADA— The Toronto Stock Exchange has announced that all its listed stocks trading at $1 or more per share may be carried on a 50% margin basis effective June 12th. The minimum amount of margin on securities selling over $2 per share was 50% previously, and stocks selling below the $2 level were not marginable.

$72 Million Deposited

A net gain in savings deposits of $72,017,203 for May was reported recently for the 131 mutual savings banks of New York State by Robert M. Catharine, President of the Savings Banks Association. The total number of depositors served increased by 22,166 to another high of 6,815,678.

Total deposits are the highest in history, having reached $8,633,833,766. At the same time activity in both dollar deposits and accounts continue at near peak level. The ratio of deposits to withdrawals was 1.35 which compares favorably with the ratio of 1.31 for the first quarter of 1946.

The net gain in new accounts of over 22,000 shows a marked increase in May, 1946, over any similar month during the war years. In May, 1945, the gain was 18,894 in new accounts with a gain in dollar deposits of $76,654,389.

"With the inevitable adjustments folowing four years of war and with the elimination of a large part of high overtime pay, a sharper drop in the rate of new saving and new savers might have been expected," Mr. Catharine stated. "However, deposit activity at the savings banks continues at peak levels, evidencing a desire on the part of more and more people to build for their futures. At the same time it serves as a potent anti-inflationary force."

Sales of United States Savings Bonds and Stamps during May totaled $10,045,924.

The Federal Reserve Board Proposes Inflation Curbs

(Continued from first page)

doubt that the country's money supply, several times greater now than ever before, is and will continue for an indefinite time to be much in excess of available goods. Under such conditions, with the heavy drains of war financing no longer existing, public policy calls for vigorous attack on the basic causes of inflationary pressures. This, in turn, requires that the Government stop and reverse, if possible, the process whereby it has created bank credit. It is all the more imperative that the Government reverse this process as the commercial banking system resumes its peace-time function of supplying credit to private sources whose borrowing will itself create additional funds.

The Government has, in fact, been reversing its creation of money by drawing on its surplus cash balance to pay off Government debt, primarily that held by the banks. As long as this use of the Treasury's cash balance continues, the effect will be anti-inflationary and altogether salutary at this time. However, if the policy of paying off Government debt is to continue, as it should until such time as deflationary and not inflationary pressures threaten economic stability, it will be essential to have not only a balanced budget but as great a surplus of receipts over expenditures as is possible without neglecting necessary governmental functions. Accordingly, further general reduction of taxes should be avoided and prudent economy should be effected in governmental operations.

Necessary as it is that Government policy be firmly anti-inflationary at this juncture, the rapid attainment of full and sustained production far overshadows all other economic considerations. As production is disrupted, whether by strikes or other causes, a series of interrelated and dangerous economic consequences inevitably results. On the one hand, supply is diminished relative to demand. On the other hand, demand is increased in so far as the public, anticipating rising prices, strives to purchase whatever can be obtained at whatever prices are asked or tolerated. Black markets, inventory accumulation, speculation, particularly in fields not covered by price controls, such as securities and real estate, are thus fostered. These are the customary symptoms of an inflationary spiral, which can end only in collapse and deflation. When that stage is reached, diminished incomes cause a sharp decline in Government revenues, leading to an unbalanced budget and a deficit which has to be financed chiefly by creation of more bank credit.

It is this chain of causation that has to be prevented, first of all, by full and sustained production and second, by having the Government discontinue its creation of bank credit and reduce as rapidly as possible its debt. Even under the most favorable auspices, of maintaining high levels of taxation and of careful economy, the process of reducing the redundant money supply will be slow and gradual. It may be offset not only by creation of bank credit to finance necessary private production, but by creation of bank credit that finances speculation in existing assets, whether commodities, real estate, securities, or Government bonds.

Curbing Unessential Bank Credit

The creation of unnecessary bank credit by the commercial banking system is the particular concern of those charged with monetary responsibilities. It can not be a matter of indifference that at present the country's central banking mechanism lacks appropriate means, that may be needed, to restrain unnecessary creation of bank credit through continued acquisition of Government or other securities by the commercial banks. So long as the Government is able, whether out of its surplus cash balance as at present, or out of a future budgetary surplus, to pay off its debt held by the commercial banking system, a restraining influence is exerted.

Nevertheless this restraint may not suffice because of circumstances which are the heritage of war financing. One of these is the Reserve Board's assurance to the Treasury that the rate of ⅞% on one-year certificates will be maintained, if necessary, through open market operations. This means in practice that the Federal Reserve stands ready to purchase short-term Government securities in the open market in order to prevent short-term interest rates from rising above the level the Government is now paying. This assurance is necessary from the standpoint of the Government's financing operations, and was given because the Board does not favor a higher level of interest rates than the Government is now paying.

Banks Can Absorb $55 Billions More Bonds

This policy makes it possible, however, in the absence of effective restraints, for commercial banks to sell short-term, lower-yield Government securities to the Reserve System and thus acquire reserves which, on the present basis of reserve requirements, can support a sixfold expansion of member bank credit. To the extent that commercial banks use these reserves, either for their own account or in loans to customers, for the purpose of purchasing longer-term, higher-yield Government bonds or other securities, the money supply can thereby be increased on the volition of the banks irrespective of national monetary policy and without control such as exists in other principal countries.

There remain outside of the banks approximately $20 billions of Treasury bonds which are eligible for bank purchase. An additional $34 billion, now ineligible for banks to purchase, will become eligible during the next 15 years. Thus, even though the Federal budget is balanced and Government debt continues to be paid down, there will be some $55 billions of Treasury bonds that could be acquired by the commercial banks, in the absence of effective restraint. Commercial banks hold some $20 billions of certificates and, at least theoretically, could by selling less than half of these certificates to the Reserve System obtain enough reserves, on a six-to-one ratio, to absorb all of this $55 billions of Government bonds. This is wholly aside from what other loans and investments banks could make on the basis of the potential reserves available.

It is this possible further monetization of the public debt which may need to be subjected to more definite restraint, if monetary policy is to be effective and, indeed, if the commercial banks themselves are not to induce a further lowering of the interest rate structure. This in turn would reduce the earnings of banks from sources other than their Government bond portfolios. Furthermore, such continued, uncontrolled monetization of the debt and the consequent decline in interest rates would further accentuate speculative inflationary forces in all capital assets. Constant downward pressure on interest rates arising not from the accumulation of savings but from the creation of unnecessary bank credit is not desirable under inflationary conditions.

Excessive competition for and the consequent bidding up of market prices of outstanding longer-term Government securities makes for private speculative profits but not for a saving to the Government. Continued declines in the rate structure bear most adversely upon the many millions of the country's savers, upon insurance companies, savings banks, endowments, trust funds, and pensions.

Banks Should Sell Some of Long-Term Bonds

Instead of a further monetization of the debt by the commercial banking system, public policy at this time would be well served if the banks were to sell some of their longer-term holdings to non-bank investors and if bank holdings of the debt were more concentrated in short-term securities which bear low rates of interest. Bank earnings in general reached a higher level in 1945 than at any previous time as a result of profits and earnings from Government securities. While the peak of receipts from this source has probably been reached, it would be preferable if bank earnings were derived increasingly from private lending and other operations in response to necessary community requirements, and if less reliance were placed upon earnings from Government securities.

There can be no assurance that the process of shifting from the shorter to the longer-term Government securities will be discontinued unless the shorter-term rates should rise to the point where the shifting would no longer be profitable — and this would be undesirable because it would increase the cost to the Government of carrying the public debt. Unless some adequate restraint could be exercised as to the amount and kind of Government securities that commercial banks may hold in relation to their demand deposits, the issuance of additional long-term securities to the market could result in a continued monetization of the debt, even though the securities were made ineligible for bank purchase. For there would be nothing to prevent the sale of existing eligible securities to the banks and the use of the proceeds to purchase the new issues. Even though the funds thus obtained by the Government were used to pay off short-term maturing debt held largely by the banks, there would be nothing to prevent the banks from replacing, through market purchases, enough of the eligible securities to equal the amount paid off. Under such circumstances, nothing would be gained towards reducing the money supply.

If the Federal debt occupied the relatively subordinate place in the economy that it held even up to 1940, the problems of debt management would be far simpler and the question of increasing the cost of carrying the debt would manifestly be of less significance. However, the public debt of the United States at the end of 1945 had reached $280 billions, or nearly six times what it was five years before. Whereas it was equal to about one-fourth of the entire debt of the country in 1940, by the end of 1945 it was nearly two-thirds. Interest on the public debt amounted to less than a billion dollars for the fiscal year 1939. It rose to $3.6 billion for the fiscal year 1945, and according to budget estimates it will be $4.8 billion for the fiscal year 1946 and $5 billion for the fiscal year 1947. As a result of this fivefold increase, it has become the largest single item in the budget aside from expenditures for national defense, and exceeds by $800 million estimated expenditures for veterans' pensions and benefits for the fiscal year 1947. In view of the large amount of short-term debt that will need to be refunded in the next few years, each full percentage point of increase in the level of interest rates would add up to a billion dollars a year to the nation's tax bill.

Increased Interest Rates Not Desired

Proposals, therefore, for increasing interest rates, as an anti-inflationary influence, raise more formidable questions affecting the Federal budget, the levels of taxation and the amounts paid on the debt to the banking system than was the case only a few years ago. In all principal nations the trend of rates paid by the Government has been downward rather than upward, notwithstanding the presence of comparable, war-created inflationary pressures. In other countries, Governments have been better able to exercise effective control over the amounts of Government securities purchased by banks and over the rates paid to banks for this financing.

Such comparisons would perhaps be unwarranted were it not for the fact that proposals have been publicly put forth in the United States suggesting that further debt monetization might be prevented through voluntary agreements on the part of the commercial banks of this country such as are entered into in some other countries. Such a solution for the problem would be far preferable to statutory regulations if it offered a reasonably assured prospect of success. The differences between the situation in the United States and in other countries arise because there are more than 14,000 commercial banks in the United States, operating under highly competitive conditions, and with three Federal and forty-eight State bank supervisory agencies. In England and Canada, the countries usually cited in connection with voluntary agreements, competitive and other conditions are entirely dissimilar. Each of these countries has but one bank supervisory authority. There are but 10 chartered banks in Canada, while in England about a dozen banks do most of the banking business. It is a relatively simple matter to bring about voluntary agreements among so few banks and to obtain equitable observance, but in view of the different situation prevailing in the United States it would be impossible to enter into or to enforce similar agreements.

Another proposal, which has been more frequently advocated, is that the Reserve System discontinue its policy of maintaining the ⅞% rate on Treasury certificates, and that open market operations be directed only towards maintaining the rate of 2½% on the longest term bonds. This suggestion contemplates that the short-term rate would rise to a point close enough to the long-term rate to discourage commercial banks from selling short-term securities to the Reserve System and purchasing the long-term securities in the market. It is contended that an increase in the short-term rate from ⅞ to as high as 1¼% would increase the cost of carrying the public debt by an estimated $200 millions and that this would be a small price to pay in combating inflationary dangers. However, there is no assurance that this much of an increase in the short-term rate would stop further debt monetization and even less reason to suppose that it would be of value in combating inflationary dangers which have arisen from two primary causes, neither of which would be corrected by higher rates.

One cause is the volume of money already created, which can not be rapidly reduced. The other, and by far the most important basic cause, is the insufficiency of production as yet in relation to the existing money supply.

A major consequence in attempting to deal with the problem of debt monetization by increasing the general level of interest rates would be a fall in the market values of outstanding Government securities. These price declines would create difficult market problems for the Treasury in refunding its maturing and called securities. If the price declines were sharp they could have highly unfavorable repercussions on the functioning of financial institutions and if carried far enough might even weaken public confidence in such institutions.

The Board, therefore, does not believe that the problem could be met by voluntary agreement among 14,000 commercial banks or that it could be dealt with effectively by increased interest rates unless they were so high as to be a deterrent to necessary production, apart from the serious consequences to the Government security market.

If traditional interest rate policy or voluntary agreements are not appropriate or feasible, then what alternatives remain for preventing further debt monetization? Various alternatives have been suggested, some of which the Board considers too restrictive or otherwise impractical. Among the proposals which the Board believes worthy of consideration by the appropriate committees of the Congress are the measures outlined in general terms below.

Proposals

One measure would be to empower the Board of Governors to place a maximum on the amounts of long-term marketable securities, both public and private, that any commercial bank may hold against its net demand deposits. This measure would serve to restrict the banks' demands for long-term Government securities and to strengthen their demands for short-term securities. It would not restrict the banks' ability to make loans or to purchase long-term securities against savings deposits. It would reduce, however, the existing inducement to sell short-term securities to the Reserve System, thus creating additional reserves, in order to purchase higher-yielding, long-term issues. The voluntary agreement adopted in Canada is similar to this limitation, which would be consistent with good banking practice in this country.

Another measure would be to empower the Board of Governors to require all commercial banks to hold a specified percentage of Treasury bills and certificates as secondary reserves against their net demand deposits. To aid banks in meeting this requirement, they should be permitted to hold vault cash or excess reserves in lieu of Government securities. This measure would result in stability of interest yields on short-term Government securities and, therefore, of the cost of the public debt. Like the bond portfolio limitation, it would provide a measure for regulating commercial banks' demands for short-term Government securities relative to their demands for longer-term issues. At the same time, it would leave considerable freedom for movement of interest yields on non-Government paper of short-term maturity.

Some administrative flexibility should be authorized in connection with either of these measures in order to meet differences among banks as well as to adjust to the changing needs of the economy for bank credit expansion or contraction.

A further possibility would be to grant additional power to the Board to raise reserve requirements, within some specified limit, against net demand deposits. If this authority was granted, banks should be permitted to count vault cash as reserves, and there should be provision for greater administrative flexibility in applying changes in requirements. To assure effective control, all commercial banks should be subject to the same reserve requirements. Adoption of this measure would strengthen the capacity of the Federal Reserve to prevent bank credit expansion on the basis of additional reserves obtained through gold imports or return flows of currency from circulation.

Under present conditions, however, when banks have relatively small amounts of excess reserves, increases in reserve requirements would make it necessary for banks to liquidate some of their assets. This would result in a rise in interest rates or necessitate Federal Reserve purchase of sufficient securities to provide the additional reserves. Under a continued policy of maintaining the existing level of short-term interest rates, the principal effect of an increase in reserve requirements would be a shift of Government securities from the commercial banks to the Reserve Banks.

Each of the foregoing measures would provide additional instruments for coping with emerging banking and monetary problems without increasing the cost of Government financing or upsetting the market for Government securities. The suggested measures would help to strengthen the position of the banks and at the same time would enable them to continue their normal peace-time functioning in the financing of commerce, industry, and agriculture, as well as consumers.

United-Rexall Stock Offered by Dillon, Read

Dillon, Read & Co., Inc., headed a nationwide investment banking group which offered to the public June 18 700,000 shares of United-Rexall Drug. Inc. capital stock at $16.875 per share.

The corporation will use the proceeds from the sale of the stock in connection with expansion plans and to augment working capital. It is expected, according to the prospectus, that approximately $1,200,000 of the proceeds will be used for the acquisition of all of the capital stock of a group of corporations and the assets of several partnerships conducting a retail drug store business in Fort Worth, Texas, under the name of Renfro Drug Stores. Acquisition of companies manufacturing merchandise normally sold in drug stores, opening of new stores and enlargement and remodeling of retail drug stores operated by the corporation's operating subsidiary, United-Rexall Drug Company, will also be undertaken.

It is estimated tentatively that that phase of the expansion program covering enlargement, remodeling and opening of stores will cost not less than $7,000,000.

United-Rexall Drug, Inc., was organized in 1933 to acquire all of the capital stock of United Drug Co., which had been a constituent company of Drug, Inc., dissolved in 1933. United-Rexall Drug Co. and certain of its subsidiaries are engaged in the manufacture of medicinal products including drugs, proprietaries and pharmaceuticals; certain rubber articles, toilet goods, stationery, confectionery and other products. These and other products made for the company by other manufacturers are distributed by United-Rexall Drug to independently owned drug stores called Rexall Drug Stores.

Upon completion of this financing the outstanding capitalization of United-Rexall Drug, Inc., will consist of 3,501,120 shares of capital stock.

Hentz to Admit Covo

Jose M. Covo will be admitted to partnership in H. Hentz & Co., 60 Beaver Street, New York City, members of the New York Stock Exchange, on July 1. Mr. Covo has been with the firm for some time as co-manager of the Rockefeller Center office.

Bank Nationalization In Czechoslovakia

(Continued from page 3345)

left without close supervision of Governments and without their advice or help in the times of distress? No country, however liberal, was able to go on without a good and strong legislation on banking and without reliable methods of supervision. Close cooperation is required of able bank presidents, managers and staffs with treasuries and central banks of every country concerned, if the stability of markets and safety of investments and savings are to be safeguarded.

The Czech Bank Situation

It would seem, therefore, that many considerations of principle would favor the policy of Government control and of participation in the credit system. The Czechoslovak case is, however, much stronger on account of two particular reasons.

One reason is that the six years, through which Czechoslovakia suffered from German occupation, helped Germans to loot the country and to deprive its banking of many valuable assets. In some parts banks were taken over by Germans, in others they were deprived of any freedom of action, put under strict German control and their cash spent by Germans investing in bills and bonds of Nazi Germany, which are of no value whatsoever. Thus, some banks were heavily damaged by the enemy and when peace arrived, they faced heavy liabilities with high assets definitely blocked in Germany and of a very dubious value.

It was by no means the fault of the Czech bankers. Many of them were put to jail and even executed by Germans and financial losses were due solely to German mismanagement. A way had to be found, however by the Czechosolvak Government, to help the small man whose entire savings would be lost if the Minister of Finance had not stepped in and assumed the responsibility for some blocked assets. The easiest way to this aim was to take over both liabilities and assets of banks and this is exactly what happened through nationalization.

Large Number of Communal Banks

The second reason is a particular feature of banking in Czechoslovakia. Within a few generations, Czech and Slovak nations revived politically as well as economically. One of the instruments of this revival were small people's cooperatives, savings banks in the provinces and a special type of public banks for mortgage credit, communal loans etc. These banking institutions were of great importance for the money market and for the country's economic life. If we use the volume of deposits as a measuring rod of the capital strength of the banking system, it would seem that nearly 80% of it lies outside of joint stock banking. The last pre-war figures would show that out of about 57 billion Korunas of savings approximately 20 billion were kept with municipal savings banks, about 5 with district savings banks, approximately 13 with credit cooperatives in the cities and towns, over 6 with farmers credit cooperatives, 2 with the banks of the provinces and the Post Office Savings Bank while only the remaining 11 billion Korunas were deposited with the banks of the joint stock type.

Nationalization is not concerned with communal, cooperative and public banking. It applies to joint-stock banking only. It is, therefore, of no importance commensurable with the revolutionary change which it might have had in countries with a more usual structure of banking.

Czechoslovakia's was a particular case. Its very many public or semi public banks were of good standing and enjoyed an experienced and good management. There is no reason to doubt that the policy of sound banking will continue even after the entire banking of the country is directly or indirectly in public hands. The more so since men with experience, knowledge and character, who led the country's banking up the present, will continue to do so in the national institutions.

Trend Toward Higher Stock Prices

[illegible] the stock market is entering a period of the traditional summer rise.

Notwithstanding the fact that conditions vary from year to year, it is interesting to note that the price level of the stock market in July and August has surpassed the previous May closing level in each of the past 15 years, in 19 out of the past 20 years and in 42 out of the past 49 years. The record, however, is even more impressive if confined to the years in which the main market trend was upward. In each bull market summer from 1896 to date, for instance, there has been a rise. In all those years when the price level in July and August failed to top the previous May closing the main underlying trend was down. Moreover, summer advances usually have been substantial; taking into consideration declines in bear market periods the average advance has been about 10%.

Precedent itself, of course, is no absolutely reliable criterion, but in view of the basic economic and financial factors, it is difficult to anticipate that the strong seasonal pattern will be violated during weeks and months immediately ahead.

The Coming Rail Market

We have on previous occasions called attention to the factors shaping up in the rail picture that are making for a strong and vigorous rail market by summer—or most certainly by early fall at the latest.

Railroad earnings for the current year to date have been extremely depressed due primarily to accruals for retroactive wage increases of 16 cents per hour. Results for this month, as well as for last, will in most instances be poor, particularly since wage accruals will be at the rate of 18½ cents per hour beginning May 22 last. Poor earnings reports thus far have tended to obscure the fact that traffic has been running at exceptionally high levels despite strikes and reconversion difficulties. Actually, operating revenues of Class I roads are presently equivalent to an annual average rate considerably in excess of 1942, the peak profit year for railroads as a whole. With production of heavy goods industries likely to rise sharply now that the peak of the labor crisis has been passed, traffic seems bound to improve even further during the latter half of the year. As for the railroad labor situation, we submit that this has been definitely settled for some time to come. What is now needed to resore confidence in rail securities is a compensating rate increase. The railroads' case is strong, and there is little doubt that adequate relief will be provided in the reasonably near future. Railroad stocks, of course, are not cheap on the basis of currently reported earning power but substantial earnings will probably appear rather suddenly in view of the high level of traffic, once rate increases are effective.

It is logical therefore to anticipate that rail stocks will discount future earning in a more realistic and vigorous fashion.

To Form Rollins & Hewitt

Ernest C. Rollins, member of the New York Stock Exchange, and W. Wilson Hewitt will form the new Exchange member firm of Rollins & Hewitt with offices at 50 Broad Street, New York City, effective July 1. Mr. Rollins has been active as an individual floor broker for many years. Mr. Hewitt was formerly a partner in Fransioli & Wilson.

Mallory Adee to Admit

Mallory, Adee & Co., 120 Broadway, New York City, members of the New York Stock Exchange, will admit John B. Fitzpatrick to partnerhip in the firm on July 1.

Price Inflation—A Symptom of "Give Me"

(Continued from page 3343)

it will remain our problem of tomorrow.

You have heard it said many times that the Post Office is the biggest business in America. That is true. But perhaps it has not been said often enough that our responsibility in running this business does not end with the making of routes and schedules or in keeping the equipment in good condition.

As managers of this business, we must recognize and understand its relation to other business in America. We must be aware of the fact that a one-cent rise in the price of bread in New York City, or a demand by a labor union in San Francisco, may have a very definite bearing on the prospect of continued delivery of the mails in St. Louis.

Stated in this way, it may sound far-fetched. But the relationship of wages and prices to the operation of this business of mail delivery was brought home to us—all too forcefully—only a few days ago.

It is easy to say, you know, that the mails will go through. It is nice to think so. But they don't go through without railroads and aircraft and trucks to transport them. Your couriers, as you know, are stayed by "neither snow nor rain nor heat nor gloom of night," but there is nothing in that familiar quotation on the subject of labor disputes or stalled railroads.

Now, what has been at the bottom of the nation's labor troubles in these past few months? Suppose, five or ten years hence, an economist should look back on this scene with the advantage of hindsight and the perspective that time affords. What would he find?

He would find, first, that President Truman was accurate in his message to Congress last September when he said, "A vast backlog of orders may soon make possible the greatest peacetime industrial activity that we have ever seen. But this can happen only if the Congress and the administration move vigorously and courageously to deal with the economic problems which peace has created."

In other words, the factors of supply and demand—so often our chief block to prosperity in the past—now favor us. We have that vast backlog of orders. And we have the means of production to supply them and the purchasing power to pay for them.

On that basis alone, American business and American labor have a tremendous opportunity to prosper. But the President emphasized that this opportunity is not the only new factor which peace has created in our economy. There are other problems too.

One of these problems — the greatest one of all—is the threat of inflation. Inflation, if we allow it to develop, would not only wipe out our opportunity to prosper; it would close in upon our existing economy, unbalancing our industrial machine bit by bit, until we would lapse into complete paralysis. Then, instead of the opportunity to prosper, we should have the reality of want.

Already, as we in the Post Office know, we have had a taste of that paralysis.

The inflation that threatens us comes in the form of higher prices. It is not a fear for the soundness of the dollar. It has not reached the catastrophe that economists describe as "monetary inflation."

The Disease of "Give Me"

What we are suffering now is only an incipient form of the disease. Monetary inflation — the final stage — is brought about when a whole nation becomes afflicted with the jitters. Price inflation is the symptom of a nation that has become afflicted with the give-me.

It is this disease—the give-me —that has brought on our labor troubles. And the give-me is an economic virus that feeds upon itself.

In the beginning, as we emerge into the post-war world, we find that producers are operating at high rates of profit, as shown by their income statements. They have come out of the war with a bad case of the give-me.

To maintain that high rate of profit, the price of the necessities of life is set beyond the workingman's reach. He cannot pay those prices and keep his family housed and fed and clothed. He needs higher wages.

The leaders of his union then make demands for higher wages. But they make their demands excessive. They, too, have come down with a case of the give-me.

At that stage the company and the union fight it out. A strike is called. It may last weeks, months. Finally, a settlement is reached, and the workingman is given part of what his leaders have demanded, hoping that with this increase he will now be able to pay the price of living.

But the people who have the give-me are not cured. The fever comes on again and again there is the tug for higher prices. Manufacturers complain that they cannot pay the higher wages without raising prices. But their complaints do not harmonize with their income statements. Those statements show they still have the give-me.

We have the proof of this in the extreme pressure that has been brought to bear on Congress to end price control.

If those pressure groups have their way, the workingman will be where he started — trying to stretch his earnings over a higher and higher cost of living, until his problem again becomes impossible and he finds that he cannot go on without another rise in wages.

At that point his union leaders will undergo a new attack of the give-me and once again they will make excessive demands. Their demands, and the refusal of management, bring on new conflict; and each time this conflict descends upon our industries, it is of a more virulent and damaging character. The end result, of course, is paralysis, stagnation, and want.

The President foresaw this threat. He attempted to forestall it. He asked Congress to extend price control. An overwhelming majority of the American people want and demand price control, as shown by popular polls—three out of every four. They have flooded Congress with mail. I have seen some of those letters, and I know they are spontaneous —not the standardized, uniform kind that organized lobbies dump in the lap of Congress—but letters written by hand, letters from housewives, from small business men, white collar workers, and war veterans.

President Truman's Actions

Faced with the plea of workingmen for higher wages, President Truman moved quickly to correct the unbalance and remove the threat that hung over them and their families. He placed Chester Bowles and Paul Porter in the key positions in our machinery to stabilize the economy. He asked Congress to extend OPA —the agency of price control—for another year.

At the same time the President and his advisors worked day and night to reach a settlement of the great labor disputes that had developed in major industries — a settlement that would bring the workingman's take-home pay into balance again with the higher prices that he had to meet to live. At times both sides of these disputes were arbitrary in their demands, obdurate in their attitudes. But settlements were affected, and work was resumed.

Why Workers Strike

Now, anyone who tells you that 100,000 or 200,000 American workers are willing to walk out and keep an industry idle over a period of weeks just to get a little extra money for the movies or for a vacation in Florida, or for the frills of life, does not know these men and how they live. When they go out on strike, they go because they are afraid they will not have the necessaries of life for themselves and their families. They are afraid of being evicted from the homes they rent, or losing the homes they have bought with their savings. A strike is a grim and costly business. It is born of fear and fed on fear.

On the other side, anyone who tells you that management's only motive is to keep the workers ground down as they were in the old days of Charles Dickens does not know American business and how it is run. The reason the business man does not grant labor's demands more readily, resists those demands, is fear. He is afraid of loss, of eventual bankruptcy. Even when his current income statements are good, he moves against labor because he is afraid.

What are they afraid of?

They are afraid of inflation. Yes, says the union man, with my recent raise I can make ends meet. But what if prices continue upward? Yes, says management, with our recent price increase we could meet this higher payroll. But other producers will be paying more for their labor now, the things we buy will cost us more, and we shall be caught in the upward spiral. What if we can't keep pace?

The only parties to this vicious cycle who are not afraid are the irresponsibles on both sides — the reckless labor leader who is too willing to pit the strength of his union against the nation—against government itself—and the minority of big business men who are attempting in their blindness and greed to do away with price controls, the men who want more and more profits and who care not what disaster may befall their fellow-Americans in this ruinous scramble.

President Truman has taken his stand against those irresponsibles. He has been told by some that this is bad politics. But in his heart he knows it is good Americanism, and I can assure you, he will carry on, answering the dictates of a heart that beats only for America.

In the meantime, the fight against price control goes on in the halls of Congress. And it is in the controversy over price control, in the vote of Congress on this question, that future labor relationships in America will be decided.

The prospect, if Congress elects to discontinue price control, is appalling. Food prices will go up 20% in their first jump. And other jumps will follow. Chairman Marriner Eccles of the Federal Reserve Board, an experienced banker and one of the nation's foremost economists, warns us that predictions of price increases up to 150% within a year may turn out to be underestimates.

If we have price increases of that kind, corresponding demands for wage increases to meet them are inevitable. American labor must either make such demands or accept a lower standard of living. There is no other way out. And if anyone should tell me that American labor must accept a lower standard of living in this age of productive miracles, I would answer that he is libeling our system of free enterprise. That is not the American way.

Recently two labor leaders set out to stop the railroads of America and keep them stopped. They should have called their scheme Operation Paralysis.

They did not succeed. The President of the United States saw to it that they did not. And I might add that he also saw to it that the railroad men got a raise in wages deemed reasonable both by federal mediators and by the rank and file of railroad workers.

But the President's action in ending that stoppage of transportation has been misinterpreted in letter and in spirit. The irresponsibles on both sides have been guilty of misinterpretation. Irresponsible labor leaders have accused him of exerting the power of federal government to enforce a surrender of living standards by the working people of America. Irresponsible men in management have hoped that this was what he had in mind.

Both sides are guilty of deliberate misinterpretation and misrepresentation. The power of the federal government was not being exerted for this purpose, or for any other purpose except to save our country from immediate strangulation.

Inflation, and the labor conflict which is carried in that threat, would create new emergencies of the same sort. The definition of "vital" or "essential" industries would inevitably broaden, and the conflicts within them would just as surely deepen. All our legitimate industries are "vital" and "essential."

But what would this broadening of conflict mean? It would mean more and more government intervention, it would confront the federal government with the necessity of using more and more drastic emergency powers — or surrender to chaos.

But the power to make men go to work in time of peace, extreme as it is, and necessary though it may be in times of emergency, is not an answer to inflation. That power is not an expendable or an unlimited power. In the national interest, your government can force a group of workers to end their strike and accept a settlement which it deems fair. But six months later, if the price of living has continued upward, your government cannot force those men to keep themselves and their children alive and healthy on the same settlement.

Government possesses no emergency powers over an empty stomach, a cold house, or rundown heels. Nor can it command the run-down hopes of men to rise.

Our country and its system of free enterprise occupy an island today in an unfriendly sea. The tides of that sea are running against us. Our stamina, our foundations, are being tested. Before the world, we are on trial. And there are those among us who are so blinded that they would bring upon our economic system a verdict of guilty before any jury of our international peers.

In the offices on Capitol Hill, men have brought pressure which has forced America to the brink of self-conviction before the world.

But there is still time to win out against this danger. Until the last day and hour of the battle to carry on price control, it is not too late to fight.

Last September, in announcing my intention to ask Congress to reduce the rate on air mail, I stated the hope that the action of the Post Office might set an example to both industry and labor. As I said at that time of this proposal to decrease the rate:

"The resulting increased volume will bring down the unit cost of delivery, and, within a reasonably short time, justify the cut.

"That is a tried and true principle in the peacetime business of our country. It is the way that we have been able to raise the standard of living of our working people above that of any other people in the world—by bringing the products of our industry and our services down to prices which they can afford to pay. And I want to remind the business men of America that they themselves and their fathers before them have proved, again and again, the soundness of this principle of American business. Every time it is tried, it works. It works in bringing more and better things to our people. It works in creating more jobs. And in the long run it works in assuring better, steadier profits to the owners themselves.

"In time of war, when labor and materials were scarce, of course we have had to set that principle aside. And sometimes, in the inflated wake of war, we forget it. We forget that it works, and we try other ways, inflationary ways, short-sighted ways, that work for awhile but in the long run get us into trouble.

"It is my thought that in once again proving the soundness of this principle of American business, our government — moving strictly within its own field and handing down no directives that reach outside that field—will be setting a good example to both industry and labor.

"Along that road—the road of farsighted policy, of temporary concessions for the sake of permanent benefits—lie prosperity for our people and security for our nation."

The Background of the National Advisory Council

(Continued from page 3343)

French financial agreement and it was made public on May 28, only a few days before the French national elections of June 2. Despite denials, it is obvious that the State Department, including our Embassy in Paris, deemed the timing of the announcement a factor in the French elections.

The above-mentioned NAC meeting also involved some discussion of the obviously political credits which have been opened or which are being considered in the case of turbulent China.

Still another ray of light on the secret meetings of the NAC comes, curiously enough, via London. In an article in the "Anglo-American News" of May 1946 Mr. W. Manning Dacey, well known British financial writer and editor, tells of a press background conference which was held by Lord Keynes following his return to England from Savannah. In his article, Mr. Dacey states:

". . . One American administrative arrangement to which little attention was at first paid in this country is now regarded with considerable satisfaction. That is the establishment of the National Advisory Council. The original purpose of this body was to ensure that the U. S. representatives [on the Fund and Bank] would be effectively responsible to Congress. But there are indications that the Council, with its high authority, will on the contrary tend rather to safeguard the Bretton Woods organizations against too much interference from Congress. In the past, any international action by the United States has been weakened by the division of functions, and frequently of view, between the Treasury and the State Department. The NAC, which includes high officials of both departments, is perhaps the first American equivalent of a British inter-departmental Cabinet committee possessing *ad hoc* powers."

Background of NAC Legislation

During Congressional consideration of the Bretton Woods enabling act provision for something like the NAC was urged by bankers and others, notably by the American Bankers Association and the Federal Reserve Board. The ABA in its pamphlet, "Practical International Financial Organization through Amendments to the Bretton Woods Proposals," had in mind safeguarding the Fund and Bank through regular consultation with Congress when it recommended as follows:

"Provision should also be made for a United States directing committee consisting of officers such as the Secretary of State, the Secretary of the Treasury, the Secretary of Commerce, the Chairman of the Board of Governors of the Federal Reserve System, a representative of the Federal Reserve Banks, the Foreign Economic Administrator, and the President of the Export-Import Bank. This committee might instruct the American governor or director of the Bank in important decisions of broad policy affecting the welfare of the country. The committee also might act as the agency of the United States in those matters in which the articles of the Bank call for a decision by this Government. There should also be provision for regular consultation between this committee and the appropriate Congressional committees and formal reports at regular and frequent intervals to the President and the Congress."

The Law on NAC

The will of Congress as to the NAC is set forth in Sec. 4 of the Bretton Woods Agreements Act approved July 31, 1945. In view of the questions which have arisen in NAC between the Chairman of the Export-Import Bank on the one hand and the remainder of the NAC on the other, both the just-mentioned legislation and the portion of the Export-Import Bank Act of 1945—Sec. 3 (a) 3 (d)—should be read. They are therefore reproduced below:

"National Advisory Council on International Monetary and Financial Problems

"Sec. 4. (a) In order to coordinate the policies and operations of the representatives of the United States on the Fund and the Bank and of all agencies of the Government which make or participate in making foreign loans or which engage in foreign financial, exchange or monetary transactions, there is hereby established the National Advisory Council on International Monetary and Financial Problems (hereinafter referred to as the "Council"), consisting of the Secretary of the Treasury, as Chairman, the Secretary of State, the Secretary of Commerce, the Chairman of the Board of Governors of the Federal Reserve System, and the Chairman of the Board of Trustees of the Export-Import Bank of Washington.

"(b) (1) The Council, after consultation with the representatives of the United States on the Fund and the Bank, shall recommend to the President general policy directives for the guidance of the representatives of the United States on the Fund and the Bank.

"(2) The Council shall advise and consult with the President and the representatives of the United States on the Fund and the Bank on major problems arising in the administration of the Fund and the Bank.

"(3) The Council shall coordinate, by consultation or otherwise, so far as is practicable, the policies and operations of the representatives of the United States on the Fund and the Bank, the Export-Import Bank of Washington and all other agencies of the Government to the extent that they make or participate in the making of foreign loans or engage in foreign financial, exchange or monetary transactions.

"(4) Whenever, under the Articles of Agreement of the Fund or the Articles of Agreement of the Bank, the approval, consent or agreement of the United States is required before an act may be done by the respective institutions, the decision as to whether such approval, consent, or agreement, shall be given or refused shall (to the extent such decision is not prohibited by section 5 of this Act) be made by the Council, under the general direction of the President. No governor, executive director, or alternate representing the United States shall vote in favor of any waiver of condition under article V, section 4, or in favor of any declaration of the United States dollar as a scarce currency under article VII, section 3, of the Articles of Agreement of the Fund, without prior approval of the Council.

"(5) The Council from time to time, but not less frequently than every six months, shall transmit to the President and to the Congress a report with respect to the participation of the United States in the Fund and the Bank.

"(6) The Council shall also transmit to the President and to the Congress special reports on the operations and policies of the Fund and the Bank, as provided in this paragraph. The first report shall be made not later than two years after the establishment of the Fund and the Bank, and a report shall be made every two years after the making of the first report. Each such report shall cover and include: The extent to which the Fund and the Bank have achieved the purposes for which they were established; the extent to which the operations and policies of the Fund and the Bank have adhered to, or departed from, the general policy directives formulated by the Council, and the Council's recommendations in connection therewith; the extent to which the operations and policies of the Fund and the Bank have been coordinated, and the Council's recommendations in connection therewith; recommendations on whether the resources of the Fund and the Bank should be increased or decreased; recommendations as to how the Fund and the Bank may be made more effective; recommentions on any other necessary or desirable changes in the Articles of Agreement of the Fund and of the Bank or in this Act; and an over-all appraisal of the extent to which the operations and policies of the Fund and the Bank have served, and in the future may be expected to serve, the interests of the United States and the world in promoting sound international economic cooperation and furthering world security.

"(7) The Council shall make such reports and recommendations to the President as he may from time to time request, or as the Council may consider necessary to more effectively or efficiently accomplish the purposes of this Act or the purposes for which the Council is created.

"(c) The representatives of the United States on the Fund and the Bank, and the Export-Import Bank of Washington (and all other agencies of the Government to the extent that they make or participate in the making of foreign loans or engage in foreign financial, exchange or monetary transactions) shall keep the Council fully informed of their activities and shall provide the Council with such further information or data in their possession as the Council may deem necessary to the appropriate discharge of its reponsibilities under this Act."

Section 14 of the Bretton Woods Agreements Act draws attention to the United States Government's policy of reducing obstacles to international trade and then provides that "In considering the policies of the United States in foreign lending and the policies of the Fund and the Bank, particularly in conducting exchange transactions, the Council and the United States representatives on the Fund and the Bank shall give careful consideration to the progress which has been made in achieving such agreement and cooperation."

Advisory Board of the Export-Import Bank

The provision of an advisory board in the Export-Import Bank Act reads as follows:

"There shall be an Advisory Board consisting of the Chairman of the Export-Import Bank of Washington, who shall serve as Chairman, the Secretary of State, the Secretary of the Treasury, the Secretary of Commerce, and the Chairman of the Board of Governors of the Federal Reserve System, which shall meet at the call of the chairman. The Advisory Board may make such recommendations to the Board of Directors as it deems advisable, and the Board of Directors shall consult the Advisory Board on major questions of policy."*

To the layman it appears that the powers given the NAC with respect to the Export-Import Bank as well as all other lending agencies in the foreign field are more specific and far-reaching than those which the Export-Import Bank's Advisory Board holds over that institution. Yet it seems a safe conclusion that by "consult" Congress did not mean that the Export-Import Bank could ignore the Advisory Board's advice. If so, there would have been little need to create the Advisory Board. In the Bretton Woods Act hearings and debates, it will be recalled, it was argued that the fact that member countries must under certain circumstances, such as a change in parity, "consult" the Fund is not an idle provision; the Fund having the power to penalize a recalcitrant member including the power to deprive it of access to the Fund's facilities.

[Editor's Note: Mr. Bratter's second article on the NAC will appear in the "Chronicle" of June 27.]

*The reasons for this separate board with its individual chairman had to do with the personalities of the time. Cf. BW National Advisory Council in the "Chroncile," Nov. 8, 1945, p. 2202.

William O. Gay Dies

William Otis Gay, retired New York and Boston banker, died at his home at the age of 80 after a long illness. Mr. Gay in the early nineties established the investment banking firm of W. O. Gay & Co. in Boston, of which he was senior partner until the firm was dissolved in 1935. He was formerly active in the textile manufacturing field.

Harrison Wholesale Stock Offered by Brailsford

Brailsford & Co., Chicago, headed a banking group which on June 17 made a public offering of 85,000 shares of $1 par common stock of the Harrison Wholesale Co. of Chicago, one of the principal wholeale distributing companies of the Middle West. The stock was priced at $9.625 per share. The offering represents a portion of present holdings of several large stockholders and no proceeds will accrue to the company. In January this year, the capitalization of the company was changed from 30,000 shares of $7.50 par common to 210,000 shares of $1 par. This class of stock constitutes the sole capitalization.

The company's two subsidiaries are Luminator, Inc., whcih sells interior illumination for transportation vehicles, and Visionator, Inc., which sells glazed window sash to the transportation industry.

The Company does a large distributing business in the Chicago area and, through catalog distribution, with more than 22,000 dealers over the country.

H. C. Wainwright to Admit

BOSTON, Mass.—H. C. Wainwright & Co., 60 State Street, members of the New York and Boston Stock Exchanges, will admit Francis V. Ward to partnership on July 1. Mr. Ward has been with the firm for many years.

Edward L. Mass Now With E. M. Newton Co.

BOSTON, MASS.—E. M. Newton & Company, 201 Devonshire Street, Boston investment dealers, announce that Edward L. Mass has joined their organization, following military service since 1943. He served as a Major in the Army Air Forces. Prior to entering the Army he had been associated since 1930 with the New York Trust Company in their Investment and Trust Departments.

Hudson Motor Car Stock Subscribed for

Stockholders of the Hudson Motor Car Co. have subscribed to 220,081 shares of additional common stock, without par value, which were offered to holders of record of May 27 on the basis of one additional share for each seven shares held. The subscription price was $22 a share and the rights expired at 3:00 p. m. on June 12. The remaining 6,892 shares have been purchased by W. E. Hutton & Co. and associates and have been sold privately.

Iseman to Admit

Donald B. Iseman will acquire the New York Stock Exchange membership of Harold M. Iseman and will be admitted to partnership in Iseman & Co., 60 Beaver Street, members of the New York Stock Exchange, on June 27.

"Our Reporter on Governments"

By JOHN T. CHIPPENDALE, JR.

The Government bond market continues to display a good tone as prices move within narrow limits. . . . The technical position of the market improves as securities move from weak to strong hands. . . . Although institutional buying has been somewhat more substantial than in the past, there is still a waiting, let's-see attitude, among some of these purchasers, who hold the opinion that they will be able to acquire securities at prices better than those presently prevailing. . . . Consequently a good trading market is still looked for. . . . Savings banks have recently been reported to be the largest purchasers of the restricted obligations, with a sizeable amount of the Victory Loan 2¼s and 2½s being taken out of the market by these institutions. . . . Also it is reported that there has been considerable switching out of the June and December 2s of 1952-54, by non-bank holders, yet these bonds have acted well market-wise. . . .

This would seem to indicate that the deposit banks are continuing to find funds with which to acquire securities, that have a maturity long enough to offset some of the income lost through the retirement of high income obligations. . . .

INVENTORY INCREASES

The New York City member banks continue to add to their holdings of Government bonds, with their inventories of these securities going to another all-time high last week, when they purchased $61,000,000 of these obligations. . . . The member banks in the Central Reserve City of New York have been consistent buyers of Government bonds, and this may be responsible, in part, for rumors of an increase in reserve requirements in the New York and Chicago areas. . . . This raises the question as to whether an increase in reserve requirements in the Central Reserve Cities would permanently halt the trend toward longer maturities which has been in evidence for some time, among commercial banks as a whole. . . . With their positions in the shorter Government obligations such as to take care of any loss in deposits, these institutions have been moving into longer maturities in order to make up income that has been lost through the debt retirement program. . . .

Despite this trend toward longer maturities the deposit banks, at the end of February, (latest available figures) showed more than 67% of their holdings due within five years. . . . Securities maturing from five to 10 years aggregated 25.2%, so that the total due within 10 years amounted to more than 92.0% of the entire Government securities holdings of these institutions. . . .

These figures would seem to indicate that the commercial banks are liquid enough to meet any demands, despite the fact that they have been moving into somewhat longer-term obligations. . . .

HOW WOULD BANKS REACT?

If reserve requirements should be upped to 26% in New York City and Chicago by the Federal authorities, would the banks in those cities be likely to confine their purchases to certificates or notes and refrain entirely from purchases of bonds? . . . As long as these institutions are in a position to meet deposit demands and increased reserve requirements through the sale of short-term obligations, it is considered likely that they will continue to take on longer maturities in order to make up some of the income lost by the retirement of high coupon obligations. . . .

CURRENT PORTFOLIOS

Although there is a definite trend among the commercial banks toward longer maturities, it is interesting to note that the institutions in the Central Reserve Cities of New York and Chicago at the end of last year held only $38,000,000 and $56,000,000 respectively, of the 2½s due Sept. 15, 1967/72, the longest bank eligible bond, and $88,000,000 and $5,000,000 each of the 2½s due March 15, 1956/58, the next longest obligation in the eligible list of securities. . . . The member banks in New York City and Chicago at the close of 1945 reported positions in the ineligible 2½s due Dec. 15, 1967/72, which were acquired during the Victory Loan, of $56,000,000 and $4,000,000. . . . Holdings in the 2¼s due Dec. 15, 1959/62 amounted to $4,000,000 in New York City and $2,000,000 in Chicago. . . .

Positions in the partially exempt obligations, at the close of last year, among the member banks in New York City and Chicago, were far in excess of their holdings in the longest eligible taxable securities. . . .

The 2¾% due Dec. 15, 1960/65 were owned by the New York City member institutions in the amount of $104,000,000, while those in Chicago totalled $109,000,000. . . . The 2¾% due June 15, 1958/63 were held by the New York City banks in the amount of $87,000,000 as against the positions of the Chicago banks of $74,000,000. . . . The holdings of the 2¾% of Sept. 15, 1956/59 were $84,000,000 in the New York City area, compared with $108,000,000 for Chicago. . . . The 2⅞% due March 15, 1955/60, the most popular partially exempt issue among these deposit banks were held in the amount of $309,000,000 by the New York City institutions, while the Chicago banks owned $104,000,000. . . .

MATURITY PREFERENCE

Although the Central Reserve City banks have undoubtedly acquired longer-term obligations, since the end of 1945, it is believed that the greater part of these purchases have been in securities that mature in less than 10 years. . . . It is reported that the bulk of recent acquisitions by the commercial banks as a group has been in the 2s due from 1950 through 1952. . . .

The largest position in the 2% bonds, among the member institutions in New York City and Chicago, at the end of 1945, was in the September 2s of 1051-53, which amounted to $1,254,000,000 and $76,000,000 respectively. . . . The next largest holdings were in the 2s due December 1952/54, which aggregated $991,000,000 in the New York City area and $53,000,000 in Chicago. . . .

The 2% due September 1950/52 were next in line with positions amounting to $932,000,000 among the New York City member banks, with those in Chicago aggregating $58,000,000. . . . Although the large city member institutions have been buyers of bonds, it has not resulted in these banks' going principally into obligations that have maturities of more than 10 years. . . . It has meant that these deposit banks have gone largely into securities that are due in six years or less. . . . While there has been some lengthening of maturities, it has not been such a marked extension as to have an important bearing on the future liquidity of these institutions. . . .

The Treasury announced the retirement of $2 billions of certificates on July 1st, out of cash, which is in line with expectations. . . . The debt retirement program from now on will be confined to certificates and notes. . . .

F. R. B. CREDIT CONTROLS

The Federal Reserve Board's report on credit policies, recently transmitted to the Congress, proposing direct control over security portfolios of commercial banks and the abandoning of interest rate changes as a credit control, would be a radical extension of Government power over the banking system. . . . Whether Congress will grant the asked for changes in credit policy, as well as the resultant effects on the Government securities markets, seems to be a matter for future to decide. . . .

Britain Views Vinson Transfer

(Continued from first page)

Britain, Mr. Vinson insisted on terms compared with which those proposed by the Final Act of Bretton Woods were very lenient indeed.

During the prolonged negotiations that led to the Loan Agreement of December 6, Mr. Vinson established his reputation for hard bargaining. What caused particular resentment over here was the way in which he forced the British negotiators in the eleventh hour to agree that sterling should be made convertible within 12 months after the granting of the loan, instead of after 5 years or more as under the Bretton Woods plan. He is also understood to have attempted to force the British negotiators to renounce the use of the "scarce currency" clause of the Bretton Wood plan, under which Britain is entitled to apply discriminatory restrictions against the United States if the International Monetary Fund declares dollars to be scarce. This was not conceded, however, and the demand was eventually dropped.

There is at least one senior official of the British Treasury who is convinced that Mr. Vinson was the unwitting cause of Lord Keynes's death. His uncompromising attitude, the way in which he "steam-rollered" all Lord Keynes's proposals at the Savannah Conference in May has undoubtedly distressed the chief British financial negotiator very gravely, and the theory that the strain of hard bargaining with such a tough opponent has aggravated the latter's advanced heart trouble cannot be ruled out as impossible.

Mr. Vinson's recent statement before the House of Representatives Banking and Currency Committee on the settlement of the blocked sterling balances also caused much resentment in British official circles. It placed Mr. Dalton in a very awkward position, because he became subject to attacks in Parliament and the British Press, and was unable to defend himself adequately without thereby weakening the chances of the ratification of the loan. The British version of what happened is understood to be that there have never been any negotiations with the United States about the actual terms on which the blocked balances are to be settled. All that is supposed to have happened is that some amounts were mentioned during the course of the loan negotiations, by way of illustrating with the aid of concrete figures the possible method of the settlement of sterling balances. There was no proposal on either side. Some doubt has also arisen whether the figures thus informally mentioned were those quoted by Mr. Vinson. There is certainly some confusion, for the figures he quoted conveyed nothing to the British Treasury. Mr. Dalton was not however, in a position to state this in Parliament, and had to confine himself to declaring that the British Government had no commitment beyond Article 10 of the Loan Agreement.

When following on Lord Keynes's death it was announced that his place as British Governor to the International Monetary Fund and the International Bank for Reconstruction would be filled by Mr. Dalton himself, those who knew both him and Mr. Vinson viewed the prospects of direct negotiations between the two with gloomy forebodings. They fully expected a sharp clash of personalities, with incalculable consequences on American-British financial relations. For in his way Mr. Dalton is fully as tough as Mr. Vinson. The two men were expected to rub each other up the wrong way. Some of Mr. Dalton's British opponents were secretly pleased at the prospects of him being treated in the same way as he treats the Opposition in the House of Commons. But the satisfaction they might have derived from this would have been meagre compensation for the deterioration of Anglo-American relations.

Little is known here about Mr. Vinson's successor. On the whole, official circles do not expect Mr. Snyder to be any more conciliatory than his immediate predecessor has been. But those who knew Mr. Snyder hope that, as he is of a totally different type than Mr. Vinson and Mr. Dalton, there may not be quite such a clash of personalities as would have been if Mr. Dalton had to meet Mr. Vinson at the conference table.

Federal Mfg. & Eng. Stock Placed on Market

An underwriting group headed by Sills, Minton & Company, Inc., A. G. Edwards & Sons, Butcher & Sherrerd and Boettcher & Co. on June 14, is offered 116,000 shares ($1 par) common stock of the Federal Manufacturing & Engineering Corp'n at $5 a share. Others in the underwriting group are: Chace, Whiteside & Warren, Inc.; Blair F. Claybaugh & Co.; Investment Securities Co.; Link-Gorman & Co.; Park-Shaughnessy & Co. and Dudley H. Waters & Co.

Federal Manufacturing & Engineering Corp'n has its principal offices in Brooklyn, N. Y., and is engaged in the manufacture and sale of photographic apparatus and scientific educational toys.

The offering represents 49.57% of 234,000 outstanding shares, all of which are owned by four principals in the company. Corporation does not participate in proceeds of the sale.

Stein Bros. & Boyce to Admit E. E. McClure

BALTIMORE, Md.—Stein Bros. & Boyce, members of the New York and Baltimore Stock Exchange and other leading Exchanges, will admit E. Elwood McClure to partnership in the firm on July 1. Mr. McClure has been with the firm for some time in charge of the Cumberland, Md. office.

Material Progress Lacks Spiritual Development

(Continued from page 3356)

world's economic, political and social life. It has run far, far ahead of spiritual and moral progress. Spiritual progress has been hindered by the moral disintegration incident to the two greatest wars in history. The whole world now is backward in accepting, as a part of life, ethical standards which all admit are correct. Private morals, social ethics and international harmony have failed to keep pace with scientific and economic conquests.

Philosophers from the beginning of time have sought to catalogue the 'goods' of life. Most men and women think they can be happy if they have health, can love and have the love of others, are endowed with special talent permitting creative accomplishment, can experience the thrill of power over other people and things, can possess riches and acquire fame. The average person, if he stops to think at all, feels that if he had these six things, namely: health, love, talent, power, riches and fame, the ends of life would be in his possession. That, whether you realize it or not, is popular **private** opinion! The past 50 years have taught it, with special emphasis on accomplishment, riches, fame and power.

Indeed, most of the boys of my generation had indoctrinated into their souls the ambition to rise as a second religion—I fear sometimes as a religion more important than any true spiritual value. With this materialistic emphasis on ambition for ambition's sake, they, or many of them, went out into the world and accomplished miracles in the fields of business and trade, in the area of science and invention, in engineering, in creative building, in the organization and regimentation of money and capital, and in influencing the opinions and emotions of the masses. Their conquests knew no bounds. There was no such word as "impossible" in the vocabulary of those who built the industry, developed the trade, organized and expanded modern government, and twice fought the foreign enemies of what we regarded as "our way of life."

After each one of the "goods" of life has been critically examined, one feels a rising sense of futility. One reason, of course, is that the most important of all the "goods" of life, as pointed out in a recent book by Rabbi Leibman of Boston, is "peace of mind."

Peace of mind is not a material value, but a spiritual one. This last generation has not sought spiritual values, so it has not found peace of mind. In fact, by seeking other things, it often has lost it.

I would almost go as far as to say that the very striving for striving's sake, which has been a very real part of the intimate personal life of most Americans for the past 100 years or more, has made peace of mind a thing to be feared, and a "good" which many people consciously have avoided.

The mainspring of economic progress is the profit motive, and, of all men, I would be the first to defend it. The highest satisfactions of life, however, often are in the contributions we make to human values. I think we are just beginning to learn that there can be no sound economic conquests unless comparable social contributions are involved.

As we, who have lived most of our lives in the first half of the Twentieth Century, turn over the active management of the second half of the century to you graduates, of this and other institutions of learning, we are well aware that our generation, in some respects, has made a sorry record.

If you do not do better than we have done, the world won't be a happy place to live in 20 or 30 years from now. For your protection, and the protection of the families you will establish, you must do a better job with life, and with the State than we have done.

The picture I would like to leave with you is simple. You are inheriting a huge mass of undigested knowledge and wealth only lately acquired by civilized society. The generations which accumulated this new knowledge and added wealth have not had time to learn how to use them wisely and well. It is up to **you** to take what you have inherited, fuse it into society, and assimilate it into yourselves.

Above all, you must correct the lack of balance between human and material progress. The mind, and, even more, the heart of man, must be conditioned to a complicated environment. Mankind must learn to make constructive use of things which can be and have been abused.

I don't know how long this faulty human animal called "man" has walked the face of the earth. The rocks seem to say that he has lived on this planet for at least 200,000 years. Yet, so far as we know, civilization is only 10,000 years old; and our capitalistic economic system hardly dates back more than 200 or 300 years.

On that basis, man has been civilized only 5% of his animal life, and has lived only 3% of his civilized life under an economic and social system somewhat similar to that under which we live today.

I guess we are a little impatient when we expect too much too soon. Progress always is accompanied with "growing pains." The world's worst troubles, like those of the wise old lady, are those that never happen.

Nevertheless, here are problems you need to keep in mind.

We have a staggering national debt and, as yet, no clear fiscal policy to provide for its orderly retirement or its management.

Industry is still in a straitjacket from which the government has not yet been willing or able to extricate it.

We preach democracy abroad and practice statism at home.

Our elected leaders delegate their powers to a handful of labor bosses who tell us when we may work or rest, when we may have light, heat and power; when we may travel; when we may have the goods we require.

Responsibility, equality, the sanctity of contracts, the principles of majority rule are ignored.

Free markets no longer exist in the true sense.

The "domestic tranquility" set forth in the preamble to our Constitution has been lost.

Churchill, when his country's fortunes were at lowest ebb in this last war remarked that England's position was "serious but not hopeless." DeValera, when his country was subjected to the World War II economic embargo, is said to have commented that Ireland's condition was "hopeless but not serious."

I would venture to observe that the outlook for the second half of the century for you young people is hopeful to the extent that you are serious and determined and that you believe in the kind of life under which we have lived and advanced.

This is no slap-happy time in which to live. But it is a generation of great promise if you can harness the hearts and souls of mankind into the scientific and material vehicles now waiting to roll over the highways of a still young civilization.

Is it carrying the metaphor too far to say that the world for your generation has all the possibilities of a strong, healthy, well-bread colt just waiting to be broken? Your task, as I see it, is to tame it and dedicate it to the welfare of mankind.

Prize Donations at N. Y. Dealers Outing

The Outing Committee of the New York Security Dealers Association received the following donations of merchandise, etc., through the generosity of the following member firms and corporations:

Buckley Bros., one $20 gift certificate; Herzog & Co., one box golf balls; Hourwich & Co., one $25 war bond; Lebenthal & Co., one book; J. F. Reilly & Co., three bottles of liquor; Security Adjustment Corp., 1 leather wallet; Security Adjustment Corp., one silver key chain.

Outside donation as follows:

Travellers Luggage Co., one large electric grill; Berg-Holzman, Haberdasher, one $10 merchandise certificate.

Besides the above, the Committee received *cash* donations totaling $833.75 from the following firms and corporations with which approximately over 70 prizes were purchased:

Allen & Co.; Amott, Baker & Co.; First Colony Corp.; Fitzgerald & Co.; Geyer & Co., Inc.; L. J. Goldwater & Co.; Greene & Co.; Hourwich & Co.; R. H. Johnson & Co.; Joyce, Kuehner & Co.; A. M. Kidder & Co.; H. D. Knox & Co.; F. H. Koller & Co., Inc.; Luckhurst & Co.; F. J. Rabe & Co.; Roggenburg & Co.; Strauss Bros.; C. H. Tipton Securities Corp.; Troster, Currie & Summers; C. E. Unterberg & Co.; Ward & Co.; J. Arthur Warner & Co. and M. S. Wien & Co.

Members of the 1946 Outing Committee were:

John J. O'Kane, Jr; John J. O'Kane, Jr. & Co., Chairman; Chester A. Alberts, C. A. Alberts & Co.; Richard M. Barnes, A. M. Kidder & Co.; Leo J. Goldwater, L. J. Goldwater & Co.; Herbert D. Knox, H. D. Knox & Co.; F. H. Koller, Jr., F. H. Koller & Co.; Hanns E. Kuehner, Joyce, Kuehner & Co.; Stanley L. Roggenburg, Roggenburg & Co.; George A. Searight, First Colony Corp.; Bertram Seligman, Ward & Co.; John H. Valentine, John H. Valentine Co.; Melville S. Wien, M. S. Wien & Co.; assisted by Alfred E. Loyd, Alfred E. Loyd & Co.; and R. Page Mason, Allen & Co.

Sitkoff and Hacker Join James D. Cleland

James D. Cleland & Company, 50 Broadway, New York City, announce that Morris T. Sitkoff is now associated with them as head of the trading department.

Mr. Sitkoff has been recently released from the Army of the United States with the rank of Captain after service in the Pacific Ocean area with the Corps of Engineers and as Assistant Chief of Staff G1 in the Western Pacific Base Command.

J. A. Hacker, formerly of Distributors Group, Inc., is now associated with the firm as Cashier.

Rejoins Bache & Co.

COLUMBUS, OHIO — Ferdinand J. Kaufmann has rejoined the staff of Bache & Co., 16 East Broad Street, after serving in the armed forces. Mr. Kaufmann was previously with the firm in the Cleveland office.

R. Clark Opens

OKLAHOMA CITY, OKLA.—Robert A. Clark is engaging in the securities business from offices in the Apco Tower Building.

Securities Salesman's Corner

By JOHN DUTTON

One of the best stories we've heard in a long while was told to us last week. In these days, when practically all one hears regarding the prices of verything, is that buyers are being held right and left, it is a welcome note to hear that investors, at least, are paying THE MARKET PRICE AND NOT MORE. In this instance, a salesman, with the ethical cooperation of his firm, made it their joint business to see to it that the customer even got a better break than that which the original contract price provided.

This salesman offered a small block of an attractive, unlisted security to his customer, and after some consideration the client decided that he would purchase the securities at a fixed price. The salesman told the customer that the market was inactive and that the price at which the purchase could be made was fourteen dollars a share. This was agreeable to the customer and he gave the salesman an order for four hundred shares. Within an hour after the sale was made, the firm made a purchase of an additional lot of this same stock, and replaced the position at a cost which, in the opinion of both the salesman and the firm, would justify reducing the price of the four hundred shares about a quarter of a point.

The question next came up as to whether the client would misunderstand a reduction in the price if it were offered. Perhaps he might think that such a price reduction voluntarily made, would indicate that the stock in question was not as attractive as originally suggested by the salesman. But the salesman had handled the matter of marketability and the inactivity of the stock properly in the first instance. He had told his customer that such was the case, and he knew that his client was well aware that the market was thin. This was an instance where the investor knew what he was buying and was well satisfied to hold this stock for a considerable period of time. Capital appreciation over the longer term was the objective behind the purchase.

The decision was agreed upon that the following day the salesman would telephone the customer and tell him that the price was voluntarily being reduced to the extent of a quarter point on the whole transaction. The next day the salesman did this, and explained to the customer that a fortunate purchase had been made by his firm of the same stock which he had sold to him. He told him that a new confirmation was being sent, showing a reduction in the price, and that his customer should send a check for a hundred dollars less than that for which he had originally contracted. The customer told the salesman that he appreciated this very much and the next time he was in the neighborhood to drop in and see him.

This the salesman did a few weeks later. The customer turned over a portfolio of securities to the salesman and said, "You didn't think I had this account too, did you?" It was a list of securities much larger than the salesman had ever imagined this client owned. It was another list which belonged to the sister of this investor, and over which he had complete supervision. The salesman scanned the list and before he could say much more, the customer told him to take it back to his office and suggest any changes and revisions which he thought might be appropriate.

There is only one answer as to why this salesman go that list and why he will do more business than ever before with this customer. CONFIDENCE IS BUILT UPON FAIR DEALING, TELLING THE TRUE FACTS, AND DOING UNTO OTHERS THE WAY YOU WOULD WISH THEM TO DO UNTO YOU. The golden rule—it still is the best policy for conducting any business. In the long run there can be no better way.

Walter Nelson Opens Firm

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF. — Walter A. Nelson is forming Walter A. Nelson & Co. with offices at 111 Sutter Street, to engage in the investment business. In the past he was with Hill Richards & Co. and prior thereto conducted his own investment business in San Francisco.

Tilton Joins Hare's, Ltd.

SAN FRANCISCO, CALIF.—Ronald Tilton has joined the staff of Hare's, Ltd., 19 Rector Street, New York City. Mr. Tilton in the past was with Independence Fund of North America and prior thereto was an officer of Hewitt & Co., Inc., and conducted his own investment business in San Francisco.

Canadian Securities

By WILLIAM McKAY

The under-populated Dominion of Canada has the greatest extent of unfortified frontier of any country in the world. By grace of its proximity to this country, the 3,897 miles of southern border require no defense and on the contrary are uniquely guarded. On the other hand it is now vividly obvious that the Dominion's far flung polar front is woefully unguarded.

Thus a newly recognized responsibility is thrust upon Canada as the guardian of the northern outposts of the Western world. In this aerial atomic age, moreover, the approaches to the northern planetary roof have suddenly assumed the most vital importance.

In addition, it must not be overlooked that the immediate hinterland, comprising as it does the 2½ million square mile area of the Laurentian Shield, contains the world's largest resources of strategic materials. However, colossal the problem of defense, it is today not only a matter of paramount concern to Canada alone but also to the entire Western world. With the old lines of communication rapidly becoming obsolescent, the glaring vulnerability of Canada's freshly discovered strategic outposts poses an awkward problem for British Imperial defense. For this country the situation is even more intimately pressing. Military strategy is no longer concerned with the dangers from the West and East but must now concentrate on the vulnerable North.

In this way it woud appear that the ultimate full exploitation of Canada's unique source of wealth —the fabulous Laurentian Shield —is now a matter of the immediate future. Military necessity will override normal economic and geographical barriers.

New railroads and highways linking the north with the south will repeat the miracle achieved in the south by the construction of the Canadian Pacific railroad system. In this effort capital from Britain and this country could play a notable part. Finally with ready access to the enormous riches of this region, an eventually adequate population will be assured. In this way military defense would combine an economic offensive that might very well constitute a turning point in world history.

Market Action

During the past week the salient feature of the market was the renewal of demand for internal Dominions which caused a sharp recovery in free funds to 9¼%. It is possible that these purchases were induced by fear of restrictions on subscription to the forthcoming Canadian loan. As previously suggested it is likely that the Canadian Department of Finance will take all reasonable measures to deter the creation of additional external indebtedness. As a result Dominion internal bonds in the hands of nonresidents will have little basis of comparison with those held within the Dominion. Apart from activity in internal bonds the rest of the market was almost stationary with the exception of a slight flurry in Albertas which strengthened fractionally.

With regard to immediate prospects the recently issued Federal Reserve Board Report would tend to bear out previous suggestions of caution in extending commitments. Although the wartime pattern of interest rates will be maintained for the time being it must be borne in mind that we are now at the end of one phase and on the threshold of another where the basic conditions can be markedly different.

Conv. Preferred Stock Of Twin Coach Offered

A banking group headed by Reynolds & Co. and Laurence M. Marks & Co., on June 19 offered to the public a new issue of 85,715 shares of $1.50 cumulative convertible preferred stock, par value $35 of Twin Coach Co., at $36 per share. The net proceeds to be received by the company from the sale of these securities will be used to acquire a hangar and approximately 21 acres of land at Buffalo Municipal Airport; to acquire certain machinery, tooling and equipment for use at the Buffalo plant, and to acquire certain machine tools for use by the company's subsidiary, Fageol Products Co. In addition, the company will replenish its working capital to the extent of approximately $700,000, which sum has been spent in the past two years to acquire buildings, machinery and equipment at the main plant in Kent, Ohio. The balance of approximately $1,090,000 will be added to working capital and may be used for improvements to plant and equipment, development of existing and new products, carrying of inventories and accounts receivable and for general corporate purposes.

The preferred stock is convertible, based on a value of $35 per share, into common stock, at the basic conversion price of $26.25 per share. The new stock is redeemable on 30 days' notice at $37.50 per share on or before April 1, 1951, and at $36.50 thereafter plus accrued and unpaid dividends in each case.

Namm's Common Stock Issue Oversubscribed

Van Alstyne, Noel & Co., New York, on June 14 placed on the market 100,000 shares of $1 par value common stock of Namm's Inc. at $11 per share. This represents the first time the 70-year-old Brooklyn, N. Y., department store has employed public financing. The issue was oversubscribed. The net proceeds will be used for general corporate purposes, including payment of expenses connected with modernizing store equipment and increasing inventories.

With this financing, capitalization consists of 324,000 shares of common stock. There is no funded debt.

Heller Branch in Maine

Stanley Heller & Co., members New York Stock Exchange, are opening a seasonal branch office at the Summit Springs Hotel, Poland, Me., with direct private wire to their New York office.

Issues in Process of Registration

(Continued from page 3343)

the mails to sell or offer to buy such security through the use or medium of any prospectus or otherwise;"

Subdivision 2 of the same section also makes it unlawful to carry or cause to be carried through the mails or in interstate commerce by any means or instruments of transportation, any such security for the purpose of sale or for delivery after sale.

Of course, any actual sale evidenced by confirmation prior to the time that the registration statement is in actual effect is a clear violation of the law.

Such infractions are not numerous.

When and where they exist, these may be evidenced by records of "buy orders" or by copies of confirmation.

The Commission has held that lack of willfulness in a disciplinary proceeding will not prevail as a defense where the proof indicates that the respondent was entirely aware of all that it was doing.

In situations of this type, the real difficulty arises not from clear infractions of the statute but rather from the fact that time schedules being frequently short, a proposed issue may be widely discussed and publicized, and properly so, and it is not unusual for many inquiries to be made concerning the proposed securities on the basis of the belief that the registration statement will shortly become effective.

We maintain that inquiries of that type and an exchange of information without, however, the acceptance of orders or the effecting of any sale, is permissible. Memoranda of the extent of an inquirer's interest, even as to the number of shares or bonds, we believe not to be a violation of law, so long as no order results.

Such information may ultimately be verified through the medium of the prospectus which is legally issued after the registration statement has become duly effective.

We are not in sympathy with violators of the law. They should be punished.

The mandate of the statute is clear.

The authority of the Commission to impose penalties is also clear under Section 15A (1) (2).

The Securities and Exchange Commission may, upon appropriate notice and opportunity for a hearing, suspend for a period not exceeding twelve months, or expel from a registered securities association any member thereof who violates a provision of the Securities Act of 1933.

It has exercised such power.

We believe dealers should adhere to the provisions of the Securities Acts, including the prohibition against dealing in securities before the registration statement has become effective, just as they should other laws of the land.

We are also for continuance of that custom under which underwriters listen to inquiries from dealers and investors made between the time of the filing and the final effective hour of a registration statement.

THIS CUSTOM SHOULD NOT BE INTERFERED WITH.

Frank W. Morrow to Resume Inv. Business

CLEVELAND, OHIO — Frank W. Morrow will shortly resume his investment business under the firm name of Morrow and Company. Mr. Morrow has been serving in the U. S. Marine Corps for the past four years. Prior thereto he conducted an investment business in Cleveland as member of the Cleveland Stock Exchange.

Henry Cuscaden With Paul H. Davis & Co.

CHICAGO, ILL.—Henry J. Cuscaden has become associated with Paul H. Davis & Co., 10 La Salle Street, members of the New York and Chicago Stock Exchanges. Mr. Cuscaden in the past was manager of the Municipal Department for John B. Dunbar & Co.

Federal Debt Management and Bank Earnings

(Continued from page 3343)

erally and a Member of the Congress who believes in our representative form of government and who is very certain that the Congress as an institution is not obsolete and no longer of any value to the people in their industrial activities. So believing in your industry and in the usefulness of Congress I think we have a mutual interest in being here together.

Those who have had occasion to comprehend our State and Federal laws as they affect the operation of banks even after the individual banking charter has been granted and the capital structure completed are fully aware of the influence legislative bodies may have over the operation of banks by reason of the provisions contained in State and Federal laws. Furthermore, it is of course a fact that forces are now coming into play which will bring about far-reaching amendments to Federal laws at least as they affect the operations of member banks of the Federal Reserve System.

Only a few days ago when Chairman Eccles of the Federal Reserve Board of Governors appeared before our House Banking and Currency Committee I inquired of him when the Board expected to file with Congress its recommendations for the revision of certain banking laws. This report has, as you probably know, been under consideration for some time. It is of course no simple report to prepare because what it will call for will be of great importance to not only commercial banks but to all those who do business with commercial banks as well as all investment houses, insurance companies, building and loan associations and others who purchase and sell Government securities in the open market. I understand from Chairman Eccles that the report will be forthcoming within a short time. I shall not be surprised if we have it before the adjournment of the present Congress which is now scheduled for not later than next Aug. 1 to 10.

No Immediate Action by Congress

I do not expect the Congress to take any action upon the recommendations that may appear in that report before the present Congress adjourns. However, if you will permit me to make a guess it is to the effect that the forces now running will develop sufficient pressure to cause the 80th Congress to act sometime shortly after it convenes January of next year.

Within five years the total assets of your insured banks increased 132% and on Dec. 31 last aggregated slightly more than $169,000,000,000. While this was occurring the change in one major type of assets held by these insured institutions jumped over 445%. I refer to your holdings of United States Government obligations which on Dec. 31 last, exceeded $96,000,000,000. This most interesting development occurred while your loans, discounts, and overdrafts increased only 51.6% and your miscellaneous assets actually declined 25.3%.

There is, to me, an encouraging sign in that while during the war most of the industrial expansion was financed directly by the Federal Government rather than by the banks, with the end of hostilities and with the beginning of the reconversion of industry there has been a sharp upturn in the volume of commercial industrial loans. Let this continue with all the speed possible for reasons I shall later point out.

While on Dec. 31 last the insured operating banks had demand and time deposits booked to the credit of individuals, partnerships, and corporations of over $112,000,000,000 these same institutions carried loans, discounts, and overdrafts of only $29,000,000,000, leaving an excess owned by the customers of $83,000,000,000, or say 74%.

This ownership of deposits by bank customers is of the greatest significance when related to present banking laws, bank investment policy, Federal Reserve bank powers over reserve requirements and open market operations and the control of the public's attitude towards purchasing consumers' durable and non-durable goods. Insofar as I am informed, never before in the history of banking in the United States did a similar situation prevail. Your industry, bank supervisory authorities, and a few Members of Congress are beginning to wonder what can and should be done about some of these matters.

Importance of Debt Management

On the other hand, we, the people, banks and their owners, depositors, and every other citizen, have this $270,000,000,000 debt. Its management goes to the very heart of politics. No major political party can ignore the vast economic, social, and political ramifications incident to such a debt in a country where labor monopolies exercise such unbridled powers as have been evidenced here in the United States during the 10 months' interim since major hostilities ceased. The flow of total national income, of tax dollars to the Treasury, of social security "takes" to be invested in the special issues of the Treasury, the attitude of the working and thrifty public to investments in Government issues or to cashing savings bonds, the scarcity, or ample supply of consumers' durable and non-durable goods, and many other less important factors, are all involved in these strikes.

The play of these many forces brings into the open clear conflicts in the opinions and policies of the Treasury and the Federal Reserve authorities and the political administration in power. It will be an amazing example of coordinated effort if these three arms of Government can travel the difficult road of Federal debt management during the forthcoming 25 or more years without bringing great economic and social upheavals to our people.

Congress fully comprehends the political fact that the Secretary of the Treasury is a political appointee of the party in power. This individual may be highly qualified for the job or, speaking bluntly, he may be appointed upon the basis of his political value to the party. Such a set of facts may resolve matters to where the actual determination of debt management policies may fall to career men in the Department or to Department employees who have none too many qualifications for the job. And it is conceivable that men who are outside the Treasury and who carry no particular public responsibility for Treasury policies may exercise great and direct power in debt management.

The Secertary of the Treasury must give consideration to the politics of the general situation as pressed upon him by his Cabinet colleagues and the President himself.

If we may assume that a postwar budget of sane proportions will prevail then we must likewise assume that the cost of servicing the present debt at the rate of interest which now governs on the various stratas of the debt will be one of the major top (if not the largest single one) items in the Federal Budget. It will,

(Continued on page 3382)

Municipal News and Notes

Buoyed by the phenomenal success that attended the $29,100,000 financing operation by the City of Philadelphia, the market for State and local tax-exempts acted extremely well the past week, with dealers being able to report a sharp interest in offerings by investors. This latter development was clearly reflected in the closing out of a number of open accounts, coupled with a noticeable narrowing of spread on bids submitted for new issues.

That the Philadelphia achievement was primarily responsible for the market's strong performance is a foregone conclusion. Eagerly awaited by the trade as an indication of the market's absorptive power, the undertaking met the test with flying colors and in a manner that left no doubt as to its ability to retain its recent gains and quite possibly forge ahead to higher levels.

In deference to the size of the flotation, only two bidders were represented at the sale, each of which, however, included the principal underwriting houses in the country. The National City Bank of New York, which headed the winning group, numbered among its main associates, Halsey, Stuart & Co., Inc., Lehman Bros., Blyth & Co., The First Boston Corp., Northern Trust Co., Chicago, and the Bank of America National Trust & Savings Association, of San Francisco. This account named a variety of interest rates for the bonds, the overall maturities of which were from 1947 to 1996 inclusive, resulting in a net interest cost to the city of 1.5959%.

The unsuccessful group was headed by Drexel & Co., and included among its leading participants the Chase National Bank, Bankers Trust Co., Chemical Bank & Trust Co., Harriman Ripley & Co., Smith, Barney & Co., Mellon Securities Corp., and Kidder, Peabody & Co. This group furnished formidable opposition to the winning National City Bank account, having presented a tender that figured out to a net cost basis of 1.6216%.

A significant sidelight to the rapid closing of the successful syndicate's books was the subsequent reported lack of offerings of the new bonds by dealers. This absence was attributed in some quarters to the belief that some members had decided to hold on to their allotments with a view to a possible markup of 5 or perhaps 10 basis points. Whatever the explanation, the fact is that the operation proved a consummate success and served to invigorate the entire tax-exempt market in striking fashion.

Atlantic City Sales Tax Ruled Unconstitutional

The New Jersey Supreme Court ruled on June 14 that the 3% sales tax imposed by Atlantic City, N. J., was unconstitutional, thereby bringing to an end, at lease temporarily, an extremely productive source of revenue to the famed seaside resort. Immediately upon receiving the report of the Court's decision, Mayor Joseph Altman announced that an appeal would be filed with the Court of Errors and Appeals, the State's highest judicial tribunal. The tax has been in effect since May 30, 1945, and during the 11 months' period has enriched the city's treasury to the extent of more than $2,000,000.

Atlantic City was the sole beneficiary of the law, passed by the 1945 State Legislature, which authorized shore resorts whose population exceeded 50,000 to impose the tax. Funds obtained by the levy were to be used to repair damage caused by the hurricane which hit the Jersey coast on Sept. 14, 1944.

In the Court's opinion, written by Justice Harry Heher, the law was unconstitutional. It ruled that smaller resorts suffered proportionately equal damage and, in effect, should not be restrained from levying a sales tax while Atlantic City is authorized to impose one. It denied that Atlantic City was " in a class by itself" because of great fluctuations in its population, and held that other resort communities, particularly Long Branch and Asbury Park, had equally vulnerable financial positions, suffered as much or greater hurricane damage, and were victims of beach erosion.

Atlantic City has 64,000 permanent residents but an estimated 300,000 persons vacation there each year.

Revenue Bonds Included in Federal Bankruptcy Act

After having been approved by the House on June 17, a bill was forwarded to the Senate broadening and making permanent the Federal Municipal Bankruptcy Act which has been renewed on a yearly basis since its initial enactment in 1940.

The measure, introduced by Representative Gwynne (Rep., Iowa) for the House Judiciary Committee, expands the act to cover revenue bonds issued by municipalities or their agents. Heretofore, it covered only general obligation bonds guaranteed by local taxation authority.

Niagara Falls Bridge Commission Ref. Approved

President Truman recently signed a measure authorizing the Niagara Falls Bridge Commission to refund its outstanding $4,000,000 bonds on a 2¾% basis, as compared with the present rate of 4½%. The Commission operates the Rainbow Bridge between Niagara Falls, N. Y., and Niagara Falls, Ontario, and in consequence of wartime conditions, including immigration, gasoline and tire restrictions, was obliged to default on bond interest.

The Commission has since called for payment on July 1, 1946, all of the original issue of 4½% bonds.

Banking Group Offers McGrath-St. Paul Stock

Offering of 37,000 shares of cumulative convertible preferred stock and 37,000 shares of common stock of McGrath-St. Paul Company was made on June 19 by a banking group composed of Irving J. Rice & Co., Amos Treat & Co., Weil & Arnold and Link, Gorman & Co. Inc. The preferred stock is priced at $6 per share and the common at $2 per share.

Each share of preferred stock is convertible into two shares of common stock, based on an initial conversion price of $3 per share of common. The preferred stock is redeemable on 30 days' notice at $8 per share on or before June 15, 1947, and at prices down to $6 for redemptions made after June 15, 1950.

Net proceeds from the sale of this stock will be used for general corporate purposes, and for the possible acquisition of chromium plating facilities and other equipment.

Outstanding capitalization of the company, upon completion of this financing, will consist of 187,008 shares of 50 cent par value common stock and 37,000 shares of $5 par value preferred stock.

The company was incorporated in 1940 in Minnesota under the name Photo Record Equipment Co. to acquire the photographic equipment manufacturing business of another company of the same name established in 1935. In May 1944, the company developed a wind-proof cigarette lighter sold under the trademark Gale Lite. In addition, the company is presently completing development work for the production of home appliances, including automatic electric coffee makers, metal ironing boards, electric tea kettles and electric blankets. It also is completing plans for the production of shipping pallets.

Join Edward Mathews Staff

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS.—Edward E. Mathews Co., 53 State Street, has added Garrett J. Burke, William Grant, Abbott W. Lawrence, James W. Murphy, and Peter Tavanis to the firm's staff.

Vincent Hale Director

At a board meeting held yesterday, Vincent Hale, partner of Sterling, Grace & Co., was elected a director of the Pere Marquette Railroad.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Bigger and better inflation talk is making bulls out of everybody. More rally possible but cream is off the top.

Inflation is the big subject today. Everything is going up and so is the stock market. Anybody who doesn't buy them today doesn't have sense enough to come in out of the rain. You want proof? Take a look at your grocer's, butcher's, and baker's bills. Yes, everything is up. So it stands to reason the market will go up. It has to. All such reasoning leaves me cold. If the market is to go up it will have to show it by internal action. It will not be talked up no matter how large or how vociferous its rooters are.

* * *

The New York Stock Exchange has recently begun advertising a slogan that facts are all important. It advises potential buyers to investigate before investing. The advice is sound even though it is unrealistic. The buyers of securities look for profits. An investigation of facts, which means balance sheets, profit and loss statements are all available. All these, however, are based on past performances. Because a stock earned five dollars last year and is selling at $50 (a conservative appraisal, incidentally) is no assurance it will earn five dollars the next year. In fact the current price instead of making the stock cheap, may actually make it high. Balance sheets tell different stories to different people. The methods of charging off various items; percentage of depreciation; methods of setting up reserves. All these differ where each company is concerned. They even differ among different companies in the same industry. The presence of large amounts of cash is no sinecure. If the company ever gets to the point that its safety is threatened the chances are the cash won't be there any longer.

* * *

In periods of inflation a company should not be burdened with large cash reserves. It needs goods—raw materials, not cash. They must however have sufficient cash income to take care of expansion in plants and to meet dividends without resort to new financing.

* * *

There are other things, lots of other things, that must be looked for in the study of a company. Good accounting practices mean different things to different people. Even the best accounting methods, however, cannot take into consideration switches in public psychology.

* * *

When stocks are cheap the rank and file doesn't have them. As the market advances and they see profits they grab them. As the stocks continue to advance they stop taking profits and begin buying for the pull. Stock has to come from somewhere. So you see new issues being floated or old issues split up. Meanwhile the old line holders slowly but surely dispose of their holdings to the new buyers. Take a look at some of the small news items recently appearing announcing that such and such important holders have sold such and such shares. Somebody bought them. Your guess is as good as mine as to who it was. This increased "wealth" encourages relaxation in personal spending habits. Everything is lovely and the sky is the limit. So when something occurs the result is drastic.

* * *

The results were inevitable in margined market. I consider them just as inevitable in cash markets. Your reluctant seller of today becomes the anxious seller of tomorrow.

* * *

No trend is certain. In the long run losses will almost certainly occur. Buying in anticipation of inflation is one thing. But buying when inflation is present is another. No one rings the bell to warn the ride is over. The man who can grab a profit and keep out will be further ahead than the who arrives late and insists on staying till the bitter end. If a good profit can be clinched without wasting any time considering what bigger profits could have been had by holding on, the trader is on the way to success and what is just as important — peace of mind. For in the final anlysis the buyer doesn't make money. It is the seller who gets the profits.

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.]

Salt Dome Oil Ctfs. of Interest in Trust Sold

Yarnall & Go. and Cohu & Torrey on June 19 offered 800,000 certificates of interest in Matagorda Oil Royalty Trust, issued by The Salt Dome Oil Corp. [As all of the certificates have been sold the announcement is made as a matter of record only.]

The offering was made initially to holders of stock of Salt Dome Oil Corp. of record April 15 on the basis of one certificate for each one share of stock held at 58 cents per certificate. Rights to subscribe expired June 17.

The proceeds from the sale of the certificates will be used in exploring and developing 24 tracts of oil reserves in Matagorda Bay and in the acquisition of equipment, materials and supplies incident thereto, and to pay obligations which the company may incur in contracting for the drilling of test wells by other operators holding leases in or adjoining Matagorda Bay in the vicinity of the 24 tracts owned by the company.

HOMCO Com. Offered by Dallas Rupe & Son

An underwriting syndicate headed by Dallas Rupe & Son, Dallas, Texas, on June 13 offered 100,000 shares of common stock, $1 par value, of Houston Oil Field Material Co., Inc. at $10.50 per share. The issue was completely oversold and closed out on the same day.

The net proceeds are to be used to augment the working capital.

Andrew Grove Joins Staff Of Seligman, Lubetkin

Andrew Grove, formerly Captain in the U. S. Army Air Corps, has joined the sales force of Seligman, Lubetkin & Co., 41 Broad Street, New York City.

Federal Debt Management and Bank Earnings

(Continued on page 3381)

under such circumstances, be a perfectly natural political development for the Administration to continue to move in the direction of a greater and greater proportion of the Federal debt to be stratified into obligations carrying a declining rate of interest so as to reflect (insofar as the total interest burden is concerned) a smaller proportion of the total budget and a lighter load on the taxpayers of the nation.

Effect on Bank Earnings

The declining rate of interest on that portion of the total debt carried in the bank portfolios of this nation will directly affect earnings of banks. This is squarely the issue our industry faces. In due course the Congress will have the matter before it and in the form of recommended legislation. We might as well begin now to openly discuss the direct influence such a policy of cheap money or low-interest rates will have on commercial banking, on the operations of insurance companies, and all other institutions and citizens who heavily invest in short-term issues of the Federal Treasury.

The fact that the insured banks of this country own in the neighborhood of $100,000,000,000 worth of the debt (say 40%) places your industry directly in the spotlight and in a manner which will not permit the Administration to overlook the political significance of the proportion of your total earnings which you receive from the Treasury in payment of interest to you on the Treasury issues you hold. Let me implore you to not overlook these basic facts.

A careful analysis of the character of the debt outstanding on the last reported date, May 31. 1946, shows securities maturing within the year, $61,000,000,000 and before Jan. 1, 1952, $124,000,000,000. Optional securities which can be matured June 15, 1943, aggregate $1,800,000,000 additional And in addition there were the $49,000,000,000 of savings bonds payable for the most part on the demand of the holder.

Place yourself in the position of the Secretary of the Treasury and ask, "What would a falling bond market mean in the face of such a refunding job?" Again, if the average interest rate on a $270,000,000,000 debt is to be advanced only 1%—1% of $270,000,000,000 equals $2,700,000,000 —every low-income-bracket citizen in this country would be interested in his share of the tax burden incident to such an increase. The public is now acquainted with the effectuation of subsidies on foodstuffs, costs of housing, and other subsidized operations all sold and given to them as emergency measures. The public will go along with the extra budget cost incident to subsidy programs applied to emergency and temporary periods but emphatically protest against being taxed to meet an increased interest burden imposed to carry a deadweight debt primarily held. as to concentrated holdings, by the commercial banks. This is a political fact to which you must give attention.

Effectiveness of OPA

While the House and the Senate have indicated how far they will now go in restricting the powers and activities of that famous Federal agency—OPA—its demise or liquidation has not yet been effectuated. OPA, with all of its benefits, whatever they may be, and its miseries so arrogantly imposed upon thousands of citizens, is a part of the political inflation-prevention machinery. This agency with its good and its bad is accepted as a Government institution by scores of our radio commentators, columnists, and editorial writers along with many millions of our citizens. Therefore, it is now a part of the machinery of government designed to assist the Federal Reserve Board, the Treasury, and other Government agencies in dampening down the price-rising tendencies resulting from the efforts of the people to momentarily purchase more than the markets offer.

This temporary umbrella now known as OPA will not suffice when the full storm of consumer demand breaks on the markets of this country. More efficacious methods will have to be used. No political party dares longer entirely to depend upon OPA to solve this problem which hovers over the social and economic horizon.

Full employment and greatly increased production under OPA will not necessarily do the job. This because it is sound reasoning to say that if our people now hold a backlog of buying power represented by some $225,000,000,000 that with full employment and great production of peacetime goods the operation will finance itself and under present wage levels the people will further add to their backlog of savings and the potential inflationary base will be expanded — rather than diminished. So, the answer to "potential inflationary activities" will not be found in full employment and production. The "potential" will still be there ready to exert itself (in the absence of additional laws, rules and regulations) as, when and if bad management of the present debt causes the people to lose confidence in the ownership of the dollars they hold and proceed to convert dollar holdings into goods and equities.

In the past, occasions have arisen at which time central banking authorities have curtailed bank credit, advanced interest rates and in this maner precipitated deflation. These steps were taken under the concept of a shortrun purpose.

We have to admit that in most every case the restricted effects of these intended shortrun deflationary forces have gone beyond, in time, the occasioning circumstances. I refer you to the situation in 1920; and in 1929 and in 1937—the latter bringing to us the most precipituous drop in prices, production and employment I believe we have on record.

Upon each of these occasions I have just mentioned, we did not have governing conditions such as prevail today. I refer to the stratified debt; the vast refunding operations which must be constantly faced by the Treasury; the "owned" time and demand deposits the good citizens now hold to their credit in the commercial banks: The additional reserves of the people in the form of curency in hand, Federal Savings Bonds constituting demand calls on the Treasury and still other reserves to the extent now present.

If these excess (as measured by past aggregates) savings are to be spent for consumers' goods in a period of full employment and production that is one thing. If they are to be invested in this country in buildings, machinery and machine tools for the production of goods for internal and/or external consumption, that is quite a different matter. But large-scale investment plans applicable strictly to the United States or to other countries through the machinery of Bretton Woods have to be made far in advance. Increases in interest rates aggravate your long-run difficulty in inducing the public to invest their savings. Historically, low interest rates have encouraged expansion of productive facilities and caused higher profits to be anticipated. For the Government to again precipitate deflationary forces will greatly affect the market value of long-term Treasury issues as well as other outstanding securities and accentuate the price risks incident to the highest grades of all investment securities.

While during the past several years the lower incomes have been constantly moving upward the political mind will hold that interest-bearing securities are largely held by those classed in the upper and middle income groups. It is true, however, that during the war, with full employment, millions of those classed in the lower income brackets acquired some of the savings bonds carrying the highest interest rate of all the Treasury issues placed during the period of stratification of the present Federal debt. But it can be substantially argued that most of the interest-bearing securities, insurance policies, and deposits in building and loan associations are still today primarily held by those not classed in the lower income groups and that any increase in interest rates will increase, rather than diminish, the present inequality of income between the two groups. Within recent years those who have so strongly advocated the value to the citizen of the social state have made great progress in conditioning the minds of the masses to believe that dollars in the hands of the people whether received from the State through deficit financing or actually earned, stabilize employment and maintain the flow of social income.

Short Term Deflationary Movement Difficult

It will prove extremely difficult, politically speaking, to again precipitate any kind of a short-run deflationary movement and at the same time avoid the initiation of great public-works programs leading to further deficit financing on the part of the Federal Government covered by low-interest issues. The Administration will be sufficiently politically sagacious to recognize how important it will be to have citizens with great savings ready and willing to purchase low-interest Treasury issues; or, in the absence of a willing public to buy the paper for the Treasury to be able to place it with the banks.

We are forced to recognize that for the central banks to greatly restrict credit (in whatever way possible) and bring forth an advance in interest rates that with the banks holding in the neighborhood of $100,000,000,000 of Treasury issues, bank earnings would be appreciably advanced and this would be argued before the public as coming at the cost of the taxpayers (or the Government).

Since the inception of the Federal Reserve Act we have been taught to look to the Reserve authorities for policies pertaining to the quantity and cost of credit. Upon these authorities the law imposed some rather definite responsibilities. Commercial banks and the public during the period 1913 to 1940 watched to see what the Reserve authorities would do.

But during 1945 the already unprecedented money supply in the form of currency and bank deposits increased substantially and chiefly through indirect participation by commercial banks in Treasury financing. Increase in bank loans to business was a minor factor. Total deposits—adjusted to exclude interbank deposits and "float" between banks —plus currency, increased about $24,000,000,000 during the year to approximately $175,000,000,000, compared to $61,000,000,000 at the end of June 1939 before the outbreak of war in Europe, and $78,000,000,000 at the end of 1941 when the United State entered the war. Now let me ask you what the Reserve authorities can actually do with respect to controlling the amount and cost of credit in the face of such a set of conditions?

The public, not being too well informed on the techniques involved in all these banking and currency maters, have a right to assume that the Reserve authorities will act in the interest of the general welfare and that if conditions justify, the authorities will come to the Congress and point out deficiencies or inadequacies in present laws. And, too, the administration in power owes to the public the responsibility of keeping the Congress and the public informed on what new steps, if any, should be taken to protect the Federal Reserve Act and commercial banking generally from any great catastrophe by reason of bad administration or political expediency.

You recall when the term "control of credit conditions" largely carried with it the meaning that the control was to be accomplished through alterations in the rediscount rate and through open-market operations of the Federal Reserve banks. Results obtained were not always exactly as planned or desired but what the banks did, had a very dominating influence in money and capital markets. Now, we have very dissimilar conditions. The management of the present debt makes it quite impossible for the Federal Reserve to function as it once did. We shall have to give some attention to this fact.

Time for Drastic Monetary Changes

It is my frank opinion that the time is now ripe for some drastic changes in the framework of our monetary system and I trust we shall not have to wait too long for the recommendations from the Board and the administration.

In referring to the increased supply of money it is well for us to bear in mind what we read in the January Monthly Review of the Federal Reserve Bank of New York which said "since early in 1942 the great expansion in bank credit, the accompanying growth in the money supply in the form of bank deposits and currency, and the continued low interest rates have been made possible chiefly by an expansion of Federal Reserve credit which has lifted the total loans and investments of the Federal Reserve banks from less than $2,500,000,000 to nearly $25,000,000,000".

The administration determined the cheap money policy. The Federal Reserve, in war time, was duty bound to go along. Some may claim that the Treasury did not make money cheap and plentiful or that the Treasury could not do such a thing—that it had to be done by the Federal Reserve alone. Well, in my opinion, such reasoning can well afford to be questioned at this particular moment because we are sufficiently informed to know that the Treasury has some views about this cheap money and low interest program which do not exactly conform to the views of the Board.

It is not possible for me to feel that the commercial banks are entirely responsible for this cheap money policy as some claim they have supported it without any particular protest. It appears to me that one is on sound ground when he claims that (1) the administration did not want to ask for taxes that would more substantially finance the war expenditures; (2) that the administration had for many years advocated deficits and low interest rates; (3) that the Administration did want a stratified debt; (4) that the Administration did expect the commercial banks to stand by and be ready to take the excess of any offering not subscribed for by individuals and other investors other than the commercial banks. The commercial banks had no other choice as their functions are such they could not possibly go on strike in wartime and refuse to buy Government's securities, especially, after excess reserves had been provided through the Federal Reserve going along with the administration and providing the reserves for the use of the commercial banks.

Upon every occasion and at every opportunity you can make, you should, as a banking institution point out that during the war you voluntarily did practically everything in your power to persuade your depositors to draw down their deposits and purchase the issues offered by the Treasury. You rendered valiant service without any cost to the Government—the costs being absorbed by your operating revenues. Had you not gone along with the general program it would have necessitated the direct absorption by the Federal Reserve banks of the Government securities with consequent direct money inflation: The Government's war needs had to be met (once the policy was established) in any event, and this you should make known to the public.

The public does not understand what has happened. If you come to my bank and arrange a loan, we credit your account with the amount of money borrowed. You, of course, can proceed to draw checks against that credit and circulate those checks as money. But dealing with you as an individual, our bank must maintain a reserve against your deposit. Possibly our bank may have to borrow from the Reserve bank or sell securities to obtain the necessary and required reserves against our deposits, however created. But our bank and your banks faithfully supported the program of the Government. We acted as the residual underwriters of the Federal deficits.

Now, with the banks having gone along and with the Dec. 31, 1945, figures on all insured commercial banks showing "all other loans (that real-estate loans) including overdrafts" aggregating only $21,000,000,000 and "United States obligations, direct and guaranteed," of $89,000,000,000, we have many who propose that the war loans made by the banks to the Government, or say a major part of them, be frozen in the banks at a nominal rate of interest fixed by the Treasury. Time will not permit a discussion of the many proposals and the most that we can do is just mention some of them.

Following the Civil War the country moved in under the influence of rigid bond-secured currency. About 33 years ago we launched ourselves on the sea of the Federal Reserve Act. The Federal Reserve Act was promoted and intended to give us some relief through providing an elastic currency that would meet the demands of our industry, agriculture, and people generally.

"Shall We Box the Compass?"

The question has been raised, "Shall we now box the compass?" and freeze the debt of the Second World War into the banks and thus return to a bond-secured currency again? Some economists would have this very thing occur.

Shall the legal reserves required to be kept by the member banks with the Federal Reserve be materially increased? Will greatly increased legal reserve requirements suffice with respect to meeting the public's demand for some kind of inflation prevention? What seeds are now being sown by the administration in "conditioning" the minds of the people to believe that inflation can be prevented by legislation or by agencies of the Government exercising vast powers over the investing, buying, selling, and saving activities of the citizens?

Would reserve requirements apply equally to all banks? They would not.

Are the Federal Reserve banks in a position to raise the central banks' discount rate to a level sufficiently high to precipitate a radical drop in the price level, contract credit and currency, and curtail imports and exports and materially control employment? Well, as I have pointed out, we today have conditions very dissimilar to those which governed when the central bank could so effectively operate. With more or less fear evident; with famine cries spreading over the world; with prices reaching a point where the desire to spend is being dampened down, with some of these lessons taught to our people by the recent strikes, with the public generally becoming a little more discriminating in its purchasing, just how far do we dare go in repeating the scarce-money experiments of years past?

Possibilities can be found in the proposed long-term, low-coupon bond that would be restricted specifically for bank portfolios if joined with certain tax-exempt privileges. If the bonds were totally exempt from taxation as to both principal and income and applicable to all banks irrespective of the total earnings of the holding bank that would be one proposition. On the other hand if bonds are to be only partially tax-exempt as to income many complications can well enter the consideration of issuing such securities. The income exempt from taxes might be a stated percentage of the gross or net amount of the individual institution's earnings; or a percentage of the gross or net income applicable to Government issues only as separated from the income from other investments and income of the bank in question. If banks could be induced, by mutually beneficial arrangements, to hold a very great percentage of the total floating debt of the Federal Government and at the same time lower the interest burden and reduce the possibility of quick changes in the relation of near money debt and currency or deposits under the control of the individual citizens we might greatly benefit thereby. The need for great flexibility in the management of Federal finances may force us into some interesting and new policies and procedure.

Should Banks Make Capital Loans?

There are also possibilities in the proposal to permit banks to make capital loans (provided funds used for such purposes are segregated) out of undistributed earnings on a less restricted or supervised basis than those investments made, the major purpose of which is to protect depositors' funds. Somewhere down the line, and let us hope not too far distant, banks should be able to increase their capital accounts through sale of stock to the public. Certainly a drastic reduction in bank earnings due to Treasury policy will not be conductive to inducing the public to acquire new stock issues offered by the banks.

Legislation to absolutely prohibit banks from acquiring marketable Federal securities other than directly from the Treasury or the Federal Reserve banks may be, by someone, introduced. In the event the Budget is not balanced, or brought sufficient near to balance to just accommodate the investment, in new issues, of Government trust funds, we might find that it will be utterly impracticable, if not economically impossible, to impose such restrictions on bank portfolios. After all, if the Congress makes the appropriations someone must purchase the Treasury issue put forth to finance the appropriations unless we wish to resort to direct central bank or printing-press financing. There is not much, if any, difference.

If changes are made in the law permitting banks to invest all legal reserve requirements in Treasury short-term, low-income issues, that, too, might afford a chance to further reduce the rate of interest without materially adversely affecting the earnings of banks.

If one strictly pursues the possibilities within the range of modified taxation as applied to bank earnings and all as related to encouraging banks to carry a large portion of the Federal debt — long-term or short-term — there are innumerable suggestions that might be made — some of which could prove very helpful.

Bank Service Charges

And it may that we face many changes in our service-charges policy. Should an administration that is in power find that public policy calls for retrenchment in the making of loans by commercial banks and at the same time determines that the total interest rate on the Federal debt must be reduced with the banks holding the greater percentage of the outstanding Treasury issues, we may find that banks will be forced to greatly increase their service charges in order to maintain the amount of bank earnings required to protect these necessary institutions. So long as the banks do not know just what the Federal policy is to be, they are in no position to materially increase or decrease service charges. As in the field of transportation and communication, the business of banking is sufficiently related to the public interest to prevent any administration, under monetary and fiscal conditions such as now govern, from overlooking the importance service charges may play in the coming and immediate years.

Finally, we have reason to assume that in 1945-46 we have, for the present era, witnessed the top in total commercial bank earnings. Many will be surprised if the calendar year 1946 gives as great net returns as related to total capital as the banks enjoyed in calendar year 1945. But assume this current year ranks righer, in earnings after taxes, than did last year, we certainly have no reason to assume that 1947 will equal either 1945 or 1946.

Therefore, under the many and varied problems which we now have and which are so directly or indirectly related to the management of the present debt and the Government's over-all fiscal policy, I must conclude that the subject we have here so briefly considered is one to which banks and the Government must give prompt and serious and constructive consideration.

Lee Higginson Offers Marathon Com. Stock

An underwriting group headed by Lee Higginson Corp. on June 19 offered 420,000 shares of common stock (par $6.25 per share) of Marathon Corp. at $37 per share.

The net proceeds will be applied, in the amount of $10,143,000 (which amount does not include accrued interest), to the redemption, at 103½% of principal amount, of $9,800,000 presently outstanding 3¾% sinking fund debentures, due June 1, 1959, held by the Equitable Life Assurance Society of the United States. The remainder of the proceeds, together with treasury funds, will be used to pay for improvements and the purchase of additional equipment.

Production Record Is Excellent

(Continued from page 3346)

cations, the end is still nowhere in sight.

So, something is happening all right. And the stores report that many of these sales are in the items you've been waiting for—refrigerators, radios, suits, tires and so on.

And the country is at work as never before. Today 55 million people are employed — that's more even than were at work during the war—when our war plants were going full blast.

According to latest available figures of the Federal Reserve Board, which measures actual volume of industrial goods produced each month, production today is 64% above the average level for the years 1936-1939.

And yet sometimes, as you know, when you try to buy a pair of 6.00-16 tires for your car—or two plain white shirts—it's like hunting for a needle in a haystack to find them.

Why? What's the explanation? If goods are being produced in such quantities why is it so hard to find them in the stores?

Cites Heavy Demand for Goods

Well, pretty clearly the first answer to that is that everyone today is trying to satisfy the piled-up needs of four long years of war—when many civilian goods just weren't produced. For instance, in April our plants and factories shipped 174,000 vacuum cleaners. That's actually 18,000 more than were produced in an average month before the war. But even if we made five times that record number, I still doubt very much whether there would be enough to satisfy all the customers.

And the money that people have to spend is putting a lot of steam behind this terrific demand. Some incomes, it is true, aren't as high now as they were during the war. But they still are high. And America is also dipping into its savings. According to the best estimates we know of, in the past three months of this year our people have had the biggest total incomes in our history with which to buy goods that they needed, and the all-time record sales in the stores are dramatic proof that they're spending a good part of that money.

But I promised you I'd talk about some of the specific commodities that have been hard to find. What about men's business shirts?

There's been a good deal of misinformation about shirts. Some people have tried to tell you that price ceilings aren't high enough to let the mills make cloth. That's simply not true, because by law, OPA must adjust the mill ceilings whenever the costs for cotton or labor rise. And several such adjustments have been made. In fact, they're largely responsible for the fact that shirts are so high priced when you do find them. In my opinion, shirt prices are already too high.

Shirt Shortage

There are two main reasons for the shirt shortage, that is in addition to the fact that more than eight million discharged service men are also looking for shirts, along with all the rest of us. One is that the mills themselves haven't had the workers they needed, so naturally they couldn't make as much cloth. Up to November of last year they had lost 106,000 workers. Some were drafted during the war. Others left to go into the high-paid war industries.

The second reason is that up until very recently the mills have tended to concentrate on higher priced, fancier weaves. You see,

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UN Attempting Atomic Control

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pending American and Russian proposals relate to punitive technique and to the veto power. In a brief chat with some of the press after today's session Mr. Gromyko revealed that he wants any necessary punitive measures to be invoked on a national basis by each country's parliament. Such sovereignty-preservation he also wants extended to the veto power; clearly stating that "the veto-right must be kept intact under all circumsances". This will provide a crucial controversy, because absence of unilateral veto action is a *sine qua non* of atom control—as clearly explained by Mr. Baruch, and strongly endorsed here today by Canada, Brazil, Mexico, and China.

* * * *

The Status of the Atomic Energy Commission

The Atomic Energy Commission, which takes up its work where the San Francisco Charter ends, constitutes one of the principal organs of the United Nations organization. Primarily it is charged with the responsibility of serving the Security Council in its job of maintaining peace. The Commission will submit its reports and recommendations to the Council, to which it will be directly accountable.

The Atomic Commission's mandate directly rests first on the Conference of Messrs. Molotov, Bevin, and Byrnes held in Moscow Dec. 27 of last year, when its establishment was proposed. This suggestion was activated by a preceding conference in Washington Nov. 15, 1945, participated in by Messrs. Truman, Attlee, and MacKenzie King.

The present Commission was actually established by resolution of the UN's General Assembly at its London meeting on Jan. 24 last, with its members to include all the nations on the Security Council plus Canada. Its current action will of course take close cognizance of the Acheson-Lilienthal report recently compiled under the aegis of the State Department. **In fact, the Baruch statement in reality is merely a public-relations job of dressing up the Acheson-Lilienthal Document.**

Mr. Baruch's Proposals for an International Authority

In line therewith the American Government, surely marking a precedent for any government voluntarily giving up its secret knowledge of a deadly weapon, through Mr. Baruch now proposes the creation of an International Atomic Development Authority, to which are to be entrusted all phases of the development and use of atomic energy, starting with the raw material and including:

1. Managerial control or ownership of all atomic energy activities potentially dangerous to world security.
2. Power to control, inspect, and license all other atomic activities.
3. The duty of fostering the beneficial uses of atomic energy.
4. Research and development responsibilities of an affirmative character intended to put the Authority in the forefront of atomic knowledge and thus to enable it to comprehend, and therefore to detect misuse of atomic energy. To be effective, the Authority must itself be the world's leader in the field of atomic knowledge and development and thus supplement its legal authority with the great power inherent in possession of leadership in knowledge.

Possibly the very wisest feature of the Baruch-American proposals is his recognition—unlike the proponents of the Economic and Social Council—of the fact that to be effective an international body must have **teeth** for the implementation of its lofty aims. Hence he proposes that penalties and punishments be specifically provided for violations perpetrated on the following forms:

Bernard M. Baruch

1. Illegal possession or use of an atomic bomb;
2. Illegal possession, or separation, of atomic material suitable for use in an atomic bomb;
3. Seizure of any plant or other property belonging to or licensed by the Authority;
4. Willful interference with the activities of the Authority;
5. Creation or operation of dangerous projects in a manner contrary to, or in the absence of, a license granted by the international control body.

It must assuredly be generally admitted that adequate guarantees of safety are the least to which the United States is entitled before relinquishing its all-powerful secret. It is entitled to more than words.

After a system of control has been set up, and after punishments have been determined for the above-listed violations, the following general proposals are made by the United States:

1. Manufacture of atomic bombs shall stop,
2. Existing bombs shall be disposed of pursuant to the terms of the treaty, and
3. The Authority shall be in possession of full information as to the know-how for the production of atomic energy.

* * * *

Proposed Function of the Authority

Another splendid feature of the Baruch Plan is its submission of specific measures, in lieu of generalizations, to carry out the general aims. Following are the detailed functions recommended for the Atomic Development Authority to exercise:

General Functions

The Authority should set up a thorough plan for control of the field of atomic energy, through various forms of ownership, dominion, licenses, operation, inspection, research and management by competent personnel. After this is provided for, there should be as little interference as possible with the economic plans and the present private, corporate and State relationships in the several countries involved.

Raw Materials

The Authority should have as one of its earliest purposes to obtain and maintain complete and accurate information on world supplies of uranium and thorium and to bring them under its dominion. The precise pattern of control for various types of deposits of such materials will have to depend upon the geological, mining, refining, and economic facts involved in different situations.

The Authority should conduct continuous surveys so that it will have the most complete knowledge of the world geology of uranium and thorium. Only after all current information on world sources of uranium and thorium is known universally can equitable plans be made for their production, refining and distribution.

Primary Production Plants

The Authority should exercise complete managerial control of the production of fissionable materials. This means that it should control and operate all plants producing fissionable materials in dangerous quantities and must own and control the product of these plants.

Atomic Explosives

The Authority should be given sole and exclusive right to conduct research in the field of atomic explosives. Research activities in the field of atomic explosives are essential in order that the Authority may keep in the forefront of knowledge in the field of atomic energy and fulfill the objective of preventing illicit manufacture of bombs. Only by maintaining its position as the best informed agency will the Authority be able to determine the line between intrinsically dangerous and non-dangerous activities.

Strategic Distribution of Activities and Materials

The activities entrusted exclusively to the Authority because they are intrinsically dangerous to security should be distributed throughout the world. Similarly, stockpiles of raw materials and fissionable materials should not be centralized.

Non-Dangerous Activities

A function of the Authority should be promotion of the peace-time benefits of atomic energy.

Atomic research (except in explosives), the use of research reactors, the production of radioactive tracers by means of non-dangerous reactors, the use of such tracers, and to some extent the production of power should be open to nations and their citizens under reasonable licensing arrangements from the Authority. Denatured materials, whose use we know also requires suitable safeguards, should be furnished for such purposes by the Authority under lease or other arrangement. Denaturing seems to have been over-estimated by the public as a safety measure.

Definition of Dangerous and Non-Dangerous Activities

Although a reasonable dividing line can be drawn between dangerous and non-dangerous activities, it is not hard and fast. Provision should, therefore, be made to assure constant reexamination of the questions, and to permit revision of the dividing line as changing conditions and new discoveries may require.

Operations of Dangerous Activities

Any plant dealing with uranium or thorium after it once reaches the potential of dangerous use must be not only subject to the most rigorous and competent inspection by the Authority, **but its actual operation shall be under the management, supervision and control of the Authority.**

Inspection

By assigning intrinsically dangerous activities exclusively to the Authority, the difficulties of inspection are reduced. If the Authority is the only agency which may lawfully conduct dangerous activities, then visible operation by others than the Authority will constitute an unambiguous danger signal. Inspection will also occur in connection with the licensing functions of the Authority.

Freedom of Access

Adequate ingress and egress for all qualified representatives of the Authority must be assured. Many of the inspection activities of the Authority should grow out of, and be incidental to, its other functions. Important measures of inspection will be associated with the tight control of raw materials, for this is a keystone of the plan. The continuing activities of prospecting, survey and research in relation to raw materials will be designed not only to serve the affirmative development functions of the Authority, but also to assure that no surreptitious operations are conducted in the raw materials field by nations or their citizens.

Seemingly it is with respect to the provisions for supervision and inspection, that the Baruch Plan is at its weakest. For a workable agreement, provisions for continuing effective inspection must be spelled out and irrevocably agreed upon.

Personnel

The personnel of the Authority should be recruited on a basis of proven competence but also so far as possible on an international basis.

Progress by Stages

A primary step in the creation of the system of control is the setting forth, in comprehensive terms of the functions, responsibilities, powers and limitations of the Authority. Once a Charter for the Authority has been adopted, the Authority and the system of control for which it will be responsible will require time to become fully organized and effective. The plan of control will, therefore, have to come into effect in successive stages. These should be specifically fixed in the Charter or means should be otherwise set forth in the Charter for transitions from one stage to another, as contemplated in the resolution of the United Nations Assembly which created this Commission.

Disclosures

In the deliberations of the United Nations Commission on Atomic Energy, the United States is prepared to make available the information essential to a reasonable understanding of the proposals which it advocates. **Further disclosures must be dependent in the interests of all, upon the effective ratification of the treaty. When the Authority is actually created, the United States will join the other nations in making available the further information essential to that**

organization for the performance of its functions. As the successive stages of international control are reached, the United States will be prepared to yield, to the extent required by each stage, national control of activities in this field to the Authority.

International Control

There will be questions about the extent of control to be allowed to national bodies, when the Authority is established. Purely national authorities for control and development of atomic energy should to the extent necessary for the effective operation of the Authority be subordinate to it. This is neither an endorsement nor a disapproval of the creation of national authorities. The Commission should evolve a clear demarcation of the scope of duties and responsibilities of such national authorities.

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The U. S. Delegation

The makeup of the United States Representation on the Atomic Commission is as follows:

John M. Hancock

Ferdinand Eberstadt

Representative—Mr. Bernard M. Baruch.

Associates—Mr. John M. Hancock, Mr. Ferdinand Eberstadt, Mr. Fred Searls, Jr., Mr. Herbert B. Swope, Dr. Richard C. Tolman, Mr. Thomas F. Farrell, and Mr. John Parks Davis, Executive Officer.

In addition to these "nontechnical" assistants, it is understood that Mr. Baruch throughout his labors enlisted the services of leading authorities on the science and engineering of fissionable materials. These included: Dr. Vannevar Bush, Dr. Arthur H. Compton, Major General Groves, and President James B. Conant of Harvard.

* * * *

The Veto Implications

Honest, direct, and altogether efficient is it for Mr. Baruch to have taken the bull by the horns in bringing in the **Veto** factor. For it goes right to the heart of any semblance of control of the atomic weapon—even more clearly and all-inclusively than it does to the more ideological aims of the Charter. Irrespective of what devices the Big Five Powers (USSR, UK, China, France, and US) concoct for the purpose of escaping penalties for agreement-violation in other fields of UN, Mr. Baruch made it clear that the United States will insist irrevocably in this field that "there must be no veto to protect those who violate their solemn agreements not to develop or use atomic energy for destructive purposes."

It is well to bring the veto question to a head, for if a realistic Atomic Charter cannot be devised, then it may as well be realized now that the UN Charter is only academic and irrevocably ineffective. But this necessary attempt to provide realism through the abolition of the veto will no doubt run headlong into Soviet objections, and into their continued insistence on their supposed unique privilege to engage in unilaterally directed conduct, precisely as they see fit—even when they are gratuitously getting the benefit of someone else's secret weapon.

Likely Soviet Opposition

Another probable point of trouble which the new regulatory body will have with Russia, is the proposed regulation for continuous inspection within the various countries. Based on past performance, she will probably consider this cardinal feature of the program as an "insult against her integrity." And Moscow will probably be loathe to give up the privilege—even jointly—of conducting or filching further research before she has caught up with all other nations.

The American Position

Our own Congress is of course also likely to require some placation—not only in relinquishing the veto, but in delegating authority to the executive branch to take decisive punitive offensive action against law-breaking nations.

It must be remembered that great difficulties will also be justifiably encountered with the American people because of the relinquishment of **Sovereignty** that is entailed; and because the "conditions" prescribed as a precedent to our yielding of information is based on other nations' (including the Soviet) keeping their word to follow such conditions even after they shall have gained the sought-for knowledge from us. In the context of the continuing Russian record, such worry assuredly is thoroughly warranted. And the extension of such skepticism to other nations' behavior as well is in order, when the abortive course of previous international naval disarmament agreements is recalled.

* * * *

In any event the document with its incompleteness, and its underlying spirit of "gradualism," is mainly devised to serve as our gesture toward international good will in the atomic crisis.

And prior Russian opposition will no doubt save us from the embarrassment of scuttling our own proposals.

* * * *

Must Recognize Others' Progress

Objection that the Baruch recommendations go too far in giving away information and in "One-World-ness" overlook the strides which other nations are certain to make without any help from us. France actually took out patents in Sweden and other countries five years ago for a process precisely like the bomb which we later developed !the only reason for her subsequently relinquishing it was her lack of the needed $2 billion plant. It must be remembered that the French went to work on atomic energy in a big way in late 1939; and that the principle of chain reactions was discovered by French scientists.

The Scientist Sit-Down Strike

A novel "sit-down strike" of scientists is being proposed under certain conditions by M. Frederic Joliot-Curie, member of the French delegation. To point up the contrast between scientific progress and the backwardness in the international political field, M. Curie proposes that, if there be no agreement on the political level, the scientists themselves should refuse to continue their work, and should on a worldwide scale desist from further work in the unclear field. But unless such a boycott were effected and continued unanimously, it would be abortive; because any single country not cooperating would benefit at the expense of those who do. This would hand veto-power on a silver platter to a non-conforming Power. Of course, this whole idea boldly assumes the possibility of international cooperation in the scientific sphere where it is unattainable by political representatives. It riskily assumes the possibility of taking stands on controversial questions that contradict national political interests.

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The McMahon Bill and Private Enterprise

Just as the Baruch proposals are bound up with international peace and the future of humanity, so the McMahon Atomic Energy Control bill, which was recently passed by the Senate, is of vital concern to private enterprise. In addition to the danger of too wide governmental control over progressive businesses in the field, there is the important element of the patent situation. For, contrary to the basic and traditional safeguards of our enterprise system, the bill's patent provisions eliminate the patent rights in many important fields of atomic energy development.

Production Record Is Excellent

(Continued from page 3384)

during the war the Government controlled the output of the mills to ensure that at least some of our mill machinery turned out the kind of fabric that is used in shirts and other essential clothing. When these controls were dropped right after V-J Day, the mills went back to weaving fabrics which brought more profit. And the production of cloth for men's shirts took another drop.

Now both these situations are being corrected. The mills are paying higher wages and getting their workers back. Already, in the last few months, they have gained back almost half the workers lost during the war.

Shirt fabrics, and shirt production are definitely on the upgrade. I told you a while ago I thought this whole situation would be better by July. That prophecy, I think, will still hold good. . . . In the first three months of this year, the shirt manufacturers made almost half again as many business shirts as they did in the same period last year—and this was before we started to control the mill output of essential fabrics again. These wartime controls are now back on. And, as I've said, production of men's shirt fabrics is starting up fast. You won't find all the shirts you want for some time yet, because it takes time to get the fabric made up into shirts. But the situation is improving. And it will continue to improve.

This better employment picture in the mills—and putting back the controls to get more output of essential fabrics—will help the cotton clothing situation generally too. And OPA has given an incentive price increase to speed production of essential cloth. You'll see more cotton underwear, pajamas, blouses and slips and so on—as a result.

Men's Suits

On the question of men's suits, I've got some information that may surprise you. In March the Bureau of the Census made a survey of the number of suits our manufacturers were working on. They found that 463,000 suits were being made. That's more suits—21,000 more—than we produced in an average week in 1941. Perhaps not all of these suits were actually finished in March. There's been a shortage of pocket materials and in some places, rayon linings have been scarce. But if no more than 85% of the great bulk of that half a million suits was actually finished, it's still very close to prewar suit production. Some time ago a price adjustment to keep production high was granted. So don't let anyone tell you that price ceilings are holding up men's suits.

In the old days you went looking for a suit maybe once a year. And on that day only a few people would be looking. Today millions of Americans are all looking at once.

Take the average veteran, for example. Nearly eight million veterans have come out of service in less than a year. Many of those fellows aren't just looking for one suit. If you were in service during the war, you probably put on some weight. Your old clothes just don't fit. If you can afford it, you're going to buy a whole new wardrobe—maybe two or three suits. Millions of men are, apparently, doing that today.

Recently I had lunch with a friend who owns seven department stores down South. He told me, "On the average, I find that in each one of my stores we start the month with a dozen suits in stock. We end up the month with a dozen suits in stock. But in between we sell more suits than we ever did before."

Building Materials

I know a lot of veterans are wondering how we're coming along with the building materials that are so necessary for the Veterans Housing Program. You certainly can't build houses without lumber. And for a long time lumber has been one of our worst production headaches.

One clear indication that we're solving this problem in lumber was given in the U. S. Forestry Service figures for March. They show a sharp upswing in lumber production since the first of the year. Production in March was about 2 billion, 750 million board feet. If that production rate can be maintained the 1946 production goal of 32 billion board feet for the Veterans Housing Program will be met.

The Government is also seeing that we make best use of the lumber that's produced. When the wartime controls over building materials were, in my opinion, mistakenly dropped, last fall the lumber we needed for homes started to go into a lot of non-essential building—race tracks, pool halls, and movie houses and so on. Today, we are drastically limiting the amount of this non-essentials construction. And the controls on lumber are again in effect. The Government is also making sure that at least 50% of our scarce lumber goes to veterans homes. Incidentally, I know our veterans will be interested to hear that in the first four months of this year, 315,000 dwelling units have been begun.

Autos and Other Items

Now, in the time that's left, let's glance at a few more items. Automobile production, of course, has been hard hit—first by the steel strike, then by the recent soft coal strike. But though we're way behind, we got a start up the ladder in April with 150,000 cars. The $64 question, though, is whether May's car production can come up to that. The industry is just now beginning to feel the effects of the soft coal strike, which cut down steel production 50% in May and held up the production of many auto parts.

The situation in autos pretty well describes the fix we're in on many other products made from steel. This is the area in which the steel shortage and labor-management disputes have hit us hardest. It's also the area in which demand is greatest.

But in spite of strikes and shortages, some remarkable progress has been made.

In April we hit postwar highs for sewing machine production Twenty-three thousand were produced. One-hundred forty-three thousand mechanical refrigerators were shipped—one third more refrigerators than were shipped the month before.

Nearly a million radios were produced in April. Nylon production increased by 10% in March Also, in April, we shipped 177,000 washing machines and an estimated 382,000 electric irons. With labor-management disputes in the electrical appliance field settled there's every reason to think that May production will top even these new postwar records.

Record Is Excellent

We're moving ahead — but the record is still far from what we'd like it to be. It's good here and bad there. But in many places—and in the face of crippling strikes, and despite shortages of workers and materials—it has been excellent.

And these records are being achieved under OPA price controls. Price controls have helped keep our production costs steady and predictable. They have helped spread supplies of materials and parts by preventing the hoarding of scarce materials. And price controls are helping to insure good, long-range markets—by preventing buyers' strikes that always come when prices are too high. I think it's important to remember these things, especially when the enemies of price control come out in force and try to persuade you that the way to get production is to abolish price protections now. Sometimes a price adjustment can break a bottleneck, for instance, when it helps an industry pay higher wages to get workers. But, as a general rule, you don't get more production from higher prices. All you get is higher prices.

Today, more than ever, we need stability to keep our excellent start on full production from going into a tailspin. If we can just hang on—production will continue to move up gradually. I believe by next Christmas you'll see a flood of goods that will amaze us all. Some shortages will still exist—but others will vanish and seem as remote as last year's cigarette shortage does now.

There's just one question in my mind—and it's a big one. Will we prevent the kind of paralysis that comes when prices are too high, and everyone starts to hoard, and the economic machinery slows down?

I only hope we can summon the courage, and have the vision and good sense to make the right decisions now to prevent an economic breakdown. The choice is up to all of us—and the next few days will decide.

Securities Now in Registration

● INDICATES ADDITIONS SINCE PREVIOUS ISSUE

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.

● **Airtec Industries, Inc., Brooklyn, N. Y.**
June 14 (letter of notification) 3,000 shares ($100 par) cumulative preferred stock. Offering price $100 a share. No underwriting. For working capital.

All American Aviation, Inc., Wilmington (7/5)
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 (7/3)
May 29 filed 257,840 shares of common stock (no par). **Underwriter**—Lehman Brothers. **Offering**—Stock is offered to holders of common stock of record June 18 at the rate of one share for each seven shares held at $47 per share. Rights expire 3 p.m. July 2. **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 Industrial Corp., Seattle, Wash.**
June 12 (letter of notification) 95,000 shares ($1 par) preferred stock. Price $1 a share. No underwriting. For working capital.

American Investment Co. of Illinois (6/28)
May 24 filed 90,000 shares 5% convertible preference stock (par $25). **Underwriters**—Alex. Brown & Sons. **Offering**—Holders of 5% cumulative convertible preferred plus cash adjustment. Unexchanged shares will be offered at $26 through underwriters. **Proceeds**—Redemption of unexchanged shares of preferred.

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.

● **American Yarn & Processing Co., Mount Holly, N. C. (7/2)**
June 12 filed 15,000 shares cumulative convertible preferred stock (par $100). **Underwriters**—Kidder, Peabody & Co., and R. S. Dickson & Co. Price by amendment. **Proceeds**—Will be added to general funds which may be applied as follows: repayment of $500,000 short-term bank loan; payment of $75,000 instalment, due in November, on $1,000,000 2½% bank notes; for purchase of $80,000 additional capital stock of Dean & Sherk Co., Inc. (subsidiary), to provide subsidiary with additional working capital, and expenditures totaling $815,000 for a construction and improvement program for mills of company and subsidiaries to be carried through during 1946 and 1947. **Business**—Manufacture of cotton yarns, commercial sewing thread and worsted yarn.

● **Arapahoe Basin, Inc., Denver, Colo.**
June 11 (letter of notification) 50,000 shares of $1 par 6% non-voting preferred stock. Offering price, $1 a share. No underwriting. For constructing an additional ski-lift and increasing size of lodge of winter sports resort.

Arkansas West. Gas Co., Fayetteville (7/5)
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.

● **Associated Magazine Contributors, Inc., N. Y.**
June 14 (letter of notification) 1,599 shares $5 preferred stock (no par) and 1,599 shares of class A common stock (par 10 cents) and 250 shares of class B common stock (par 10 cents). **Offering Price**—$100 a unit, consisting of one share of preferred and one share of class A common; 10 cents a share of class B common. No underwriting. For working capital; to enable the issuer to publish a magazine.

Aviation Corp., New York
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.

● **Basila Mfg. Co. Inc., Wilmington, Del.**
June 11 (letter of notification) 2,000 shares of class A preferred, 500 shares of class B preferred and 2,500 shares of common stock. Offering prices, $100 a share each for class A and class B preferred, and $20 a share for common. No underwriting. To supply capital.

Beatrice Foods Co., Chicago (7/9)
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.

● **Beau Brummell Ties, Inc., Cincinnati, O.**
June 14 (letter of notification) 1,000 shares ($1 par) capital stock. Shares will be offered for sale to certain employees. **Price**—$10 a share. No underwriting. **Proceeds**—Will be added to general funds.

● **Bell Brand Foods, Ltd., Vernon, Calif.**
June 14 (letter of notification) 100,000 shares ($1 par) capital stock and 917 shares ($100 par) preferred stock to be issued to subscribers in exchange for assets of a net value of $191,700 owned by subscribers as co-partners d.b.a. Bell Brand Foods, Ltd. No underwriting.

Benguet Consol. Mining Co., Manila (6/20-21)
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 $3.125 per share. For details see issue of March 21.

● **Boone County Coal Corp., Philadelphia (6/24-28)**
June 13 (letter of notification) 2,226½ shares common stock (no par) on behalf of the company and 3,973½ shares on behalf of Weldon Corp., Philadelphia, which controls the company. **Price**—$25 a share. **Underwriters**—Janney & Co. will act as underwriters for company offer and as agent for Weldon offer. **Proceeds**—Net proceeds to company for general funds.

Booth Fisheries Corp., Chicago
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. New York Public Service Commission June 13 limited the company to the issuance of $34,000,000 bonds and $7,000,000 preferred stock.

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 stockholders 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. **Underwriters**—Names to be filed by amendment. Probable bidders include Dillon, Read & Co., Inc.; The First Boston Corp.; Halsey, Stuart & Co., Inc.; Kidder, Peabody & Co. **Bids Invited**—Company received bids for the purchase of the bonds on June 17, but because of price and coupon limitations imposed on bidders, no bids were received.

California Oregon Power Co. (6/25)
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. **Bids Invited**—Standard is inviting bids for the purchase from it of 312,000 shares of common stock of California Oregon. Such proposals will be received by Standard at Room 1117, 231 South La Salle Street, Chicago 4, Ill., up to 10:30 a.m. (CST—11:30 a.m. Chicago DST) on June 25, 1946.

Candego Mines, Ltd., Montreal, Canada
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.

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.

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.

• Chadbourn Hosiery Mills, Inc., Charlotte, N. C. (7/8)

June 17, filed 25,000 shares ($50 par) cumulative convertible preferred stock and 25,000 shares ($1 par) common stock. Underwriters—R. S. Dickson & Co., Charlotte, N. C. Price—By amendment. Proceeds—Net proceeds will be used to enlarge and improve property of subsidiary, Larkwood Hosiery Mills, Inc., Charlotte; to redeem 4,000 shares of same subsidiary's 5½% cumulative preferred stock at $106 a share; to prepay $473,500 2% bank loans and to purchase machinery and equipment for mills of the company and its subsidiaries.

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. Price by amendment. Proceeds—Purchase of aircraft and spare parts for training costs and foreign route installation costs, etc.

City Stores Co., Philadelphia (6/25)

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.

• Clinton Industries, Inc., St. Louis (7/8)

June 19 filed 60,000 shares of capital stock (par $1). Underwriters—No underwriters. Offering—The shares will be offered to executives and key employees of company upon the exercise of options for purchase of such stock. Price—Options already issued provide for the purchase of the capital stock at $16.66⅔ a share. Proceeds—To be added to general funds. Business—Manufacture of corn products and candies.

Consolidated Retail Stores, Inc., St. Louis

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—To redeem unexchanged shares of $2.75 preferred at $53.50 a share and as additional working capital.

Consol. Vultee Aircraft Corp., San Diego, Cal.

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.

• Container Corp. of America, Chicago (7/2)

June 12 filed 141,496 shares ($20 par) capital stock. Underwriters—Kidder, Peabody & Co. Offering—Shares will be offered for subscription to present capital stockholders at rate of one share of new stock for each six shares held. Unsubscribed shares will be publicly offered by underwriters. Price by amendment. Proceeds—Company contemplates that net proceeds will be applied to payment of a portion of the costs of a construction and improvement program for manufacturing plants and facilities of Container and its subsidiaries. Business—Manufacture of corrugated and solid fibre shipping containers.

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.

• Coro, Inc., New York (7/5)

June 14 filed 134,814 shares common stock (no par). Underwriters — Emanuel Deetjen & Co. Offering—Company is offering 59,814 shares to stockholders for subscription in ratio of one new share for each seven shares held. Certain stockholders have waived their rights to subscribe for 45,600 shares. Six shareholders have agreed to sell 75,000 shares, which, together with unsubscribed shares being offered by the company, will be offered to the public through underwriters. Price by amendment. Proceeds—$375,000 will be applied for costs of constructing a four-story annex to company's Providence, R. I., plant; $250,000 for rehabilitation of Providence factory, machinery and equipment; $13,500 for purchase of land adjoining factory; remainder to replace working capital previously expended, to purchase equipment and fixtures for its Chicago offices and to increase working capital. Business—Manufacture of costume jewelry and simulated pearls.

Cyprus Mines, Ltd., Montreal, Canada

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.

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 (6/20-21)

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—Shares are being sold by stockholders.

Dewey and Almy Chemical Co., Cambridge, Mass. (6/26-27)

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. (6/25)

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.

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.

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.

• 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—Price by amendment (approximately $42 per share). Proceeds—Finance 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. Proceeds from $25,900,000 new bonds to be sold for cash and a new $8,500,000 seven-year bank loan will be used for construction and refinancing program.

• Florida Public Utilities Co., West Palm Beach, Fla. (7/2)

June 12 filed an unspecified number of shares of common stock (par $3). Underwriters—Starkweather & Co., New York, and Clement A. Evans and Co., Inc., Atlanta, Ga. Offering—The shares will be offered to the public. Price by amendment. Proceeds—Shares being registered are owned by J. L. Terry, President, who will receive net proceeds. Business—Public utility.

Flying Freight Inc., New York (6/28)

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

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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.

● Forest City Manufacturing Co., St. Louis, Mo. (7/8)

June 17, filed 280,000 shares ($1 par) common stock. **Underwriters**—Peltason, Tenenbaum Co., St. Louis. **Offering**—Shares will be offered publicly at $10 a share. **Proceeds**—Net proceeds go to the selling stockholders. **Business**—Manufacturer of junior and women's dresses.

FR Corporation, New York (6/21)

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.

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.

Funsten (R. E.) Co., St. Louis, Mo. (6/25-7/5)

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 (6/24-28)

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 (7/27)

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 $12.50 cash for each share of 7% preferred. The exchange offer expires at 3 p.m., June 26. Shares of first and second preferred not taken in exchange will be sold to Blyth & Co., Inc., and associates for resale to the public. **Price**—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. (6/25)

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.

● Globe Freight Airline, Inc., Hartford, Conn.

June 11 (letter of notification) 60,000 shares ($1 par) common stock. Price, $3 a share. No underwriting. For purchase of two DC-3 aircraft and equipment and for working capital.

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.

● Grand Valley Corp., New York

June 19 (letter of notification) 225,000 shares of common stock (par $1). **Underwriter**—Leven Brothers, New York City. Price to public $1 per share. Corporate purposes, such as reconditioning existing well, drilling new well, additional equipment, etc.

● Great Lakes Chemical Corp., Filer City, Mich.

June 12 (letter of notification) 118,728 shares common stock (par $1). Offering price, $1 a share. No underwriting. For drilling new brine wells, retirement of current notes and working capital.

● Great Lakes Plating Co., Chicago (7/8)

June 17 filed 130,000 shares ($1 par) common stock. **Underwriters**—Dempsey & Co., which owns and is selling the shares being registered, will select the underwriters and may include itself in the underwriting group. **Offering**—Of the total, 115,000 shares will be sold to underwriters for resale to the public, and 15,000 shares are to be offered to certain officers, directors and key employees of the company. **Price**—Price of the 115,000 shares by amendment. Price of the 15,000 shares to certain employees, $6.20 a share. **Proceeds**—Proceeds go to the selling stockholder. **Business**—Engaged in plating articles with various types of metallic finishes.

Grocery Store Products Co., Union City, N. J.

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

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.

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 (6/27-7/1)

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**—Prices by amendment. Of the 350,000 common shares, 50,000 will be offered by company without underwriting to certain key employees. The 20,000 shares of preference stock are being sold by C. N. Hilton, President. **Proceeds**—Net proceeds to the company will be added to general funds.

● Illinois Power Co., Decatur, Ill. (7/8)

June 17, filed 200,000 shares ($50 par) cumulative preferred stock and 966,870 shares (no par) common stock. **Underwriters**—By competitive bidding. Probable bidders include Blyth & Co., Inc. and Mellon Securities Corp. (jointly) and Morgan Stanley & Co. and W. E. Hutton & Co. (jointly). **Proceeds**—Net proceeds from the sale of preferred will be used to reimburse the company's treasury for construction expenditures. Net proceeds from the sale of common will be applied for redemption of 5% cumulative convertible preferred stock not converted into common prior to the redemption date. The balance will be added to treasury funds. **Business**—Public utility.

● Indian Lake Community Club, Inc., Denville, N. J.

June 14 (letter of notification) $5,000 4% debentures, due 1951. Holders of the company's $2,250 of debentures which mature Aug. 1, 1946, will be offered the right to exchange their debentures for a like amount of the new debentures. The remaining will be sold at $50 a unit. No underwriting. Of the proceeds, $900 will be used to satisfy demand notes and $1,850 to make club house repairs and improvements.

International Minerals & Chemical Corp., Chicago (7/9)

May 21 filed 145,834 shares of common stock (par $5). **Underwriters**—White, Weld & Co. **Offering**—Company is offering 131,769 shares to present common stockholders of record June 24 and holders of stock purchase warrants for subscription at the rate of one common share for each five shares held. Rights expire July 8. 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. (6/24)

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. **Proceeds**—Refunding improvements to physical properties, additional working capital. **Bids Invited**—Bids will be received for the purchase of the securities by the company at office of Chemical Bank & Trust Co., New York City, up to 10:30 a.m. EDST, June 24, the bidder to specify the coupon rate, not greater than 3% on the bonds and a div. rate not greater than 4% on the preferred stock.

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.

● James Gas Co., Inc., Arlington, Va.

June 11 (letter of notification) 3,500 shares (no par) capital stock. Price, $50 a share. **Underwriting**—Paul L. James, President and Treasurer, will consummate sales. 2,800 shares are to be offered in exchange for title to oil and gas leases. The remaining 700 shares will be sold for cash. For developing gas wells and other corporate purposes.

● Keynote Recordings, Inc., New York. (6/21-24)

June 12 (letter of notification) 79,000 shares common stock (par 50c) and warrants to purchase 27,000 shares of common. **Price**—$3.75 a common share and 5 cents a warrant. **Underwriter**—Simons, Linburn & Co. **Proceeds**—$35,000 for inventory; $20,000 for plating and mixing units for California plant; $65,000 for additional plant; $50,000 to recording artists, and balance to working capital.

● Koppers Co., Inc., Pittsburgh, Pa. (7/8)

June 18, filed 150,000 shares of cumulative preferred stock. **Underwriters**—Mellon Securities Corp. **Offering**—New preferred will be offered in exchange, on a share for share basis, for company's outstanding shares of 4¾% cumulative preferred. Unexchanged shares will be offered to the public. **Price**—By amendment. **Proceeds**—Net proceeds will be used to redeem unexchanged shares of old preferred at $107.50. **Business**—Products include those manufactured from crude and refined coal tar products and chemicals related thereto, bituminous protective coatings, treated and untreated forest products, coke and gas, machine shop and foundry products and construction of byproducts coke plants, chemical plants and related equipment and structures.

Kurz-Kasch, Inc., Dayton, Ohio (6/25)

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.

● Le Roi Co., Milwaukee, Wis. (7/8)

June 17, filed 40,000 shares of 4½% ($50 par) cumulative convertible preferred stock. **Underwriters**—Wisconsin Co. **Price**—By amendment. **Proceeds**—Net proceeds will be added to general funds. Company is planning a $1,025,000 plant expansion program for increasing its productive capacity. These expenditures are expected to include purchases of equipment, new tooling, expansion of the company's main plant at West Allis, Wis., and purchase of a plant at Cleveland, O. **Business**—Manufacturer of industrial gas and gasoline engines, portable air compressors, highway mowing machines and engine-generator sets.

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.

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 3½ 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 of $3.438 for $6 preferred and $3.313 for $5.50 preferred. Second preferred shares are 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

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.

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. (6/25-28)

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.

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.

• **Murphy (G. C.) Co., McKeesport, Pa. (7/3)**

June 13 filed 250,000 shares of common stock (par $1). **Underwriter**—Smith, Barney & Co. Price by amendment. **Proceeds**—Redemption of outstanding 4¾% preferred stock at $109 a share plus dividends. **Business**—Operation of a chain of 209 retail stores.

National Cellulose Corp., Syracuse, N. Y.

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 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.

New Issue Calendar

(Showing probable date of offering)

June 20, 1946

- Benguet Consolidated Mining Co.—Capital Stock
- Denman Tire & Rubber Co.—Preferred and Com.

June 21, 1946

- F. R. Corporation—Common
- Keynote Recordings, Inc.—Common

June 24, 1946

- Boone County Coal Corp.—Common
- General Builders Supply Co.—Preferred and Com.
- Iowa Public Service Co.— 10:30 a.m. EDST—Bonds, Preferred and Com.
- Nevill Island Glass Co. Inc.—Class A and Com.
- Ohio Edison Co., 12 Noon EDST—Common
- Timely Clothes, Inc.—Common
- Wisconsin Electric Power Co.—Bonds and Preferred

June 25, 1946

- Aeronautical Securities, Inc.—Capital Stock
- California Oregon Power Co.—Common
- City Stores Co.—Common
- Douglas & Lamason Co.—Common
- Funsten (R. E.) Co.—Preferred and Common
- Glenmore Distilleries Co.—Class B Common
- Jack & Heintz Precision Ind. Inc.—Pfd. and Com.
- Kurz-Kasch Inc.—Common
- Monogram Pictures Corp.—Common
- Mountain States Power Co.—Common
- One World Book Club Inc.—Preferred
- Peabody Coal Co.—Preferred and Cl. B Common
- Palymer Industries Inc.—Preferred and Common
- U. S. Hoffman Machinery Corp.—Preferred
- Western Frozen Foods Co.—Preferred
- Winslow Clay Products—Preferred and Common

June 26, 1946

- Baltimore & Ohio RR.—Equip. Trust Ctfs.
- Dewey & Almy Chemical Co.—Debs. and Com.
- Hilton Hotels Corp.—Preference and Common
- Mada Yellowknife Gold Mines Ltd.—Capital Stock
- Portsmouth Steel Corp.—Common
- Towmotor Corp.—Common
- Van Norman Co.—Common

June 27, 1946

- General Shoe Corp.—Common
- Willys-Overland Motors, Inc.—Preferred and Com.

June 28, 1946

- American Investment Co. of Illinois—Preference
- Flying Freight Inc.—Common

July 1, 1946

- Chicago & Southern Air Lines, Inc. (vtc)—Common
- Detroit Aluminum & Brass Corp.—Common
- El Paso Natural Gas Co.—Preferred and Common

July 1, 1946

- Portland Gas & Coke Co.—Bonds
- Reeves Brothers Inc.—Common
- Steep Rock Iron Mines Ltd.—Capital Stock
- Thalhimer Bros. Inc.—Preferred

July 2, 1946

- American Yarn & Processing Co.—Preferred
- Container Corp. of America—Capital Stock
- Florida Public Utilities Co.—Common
- Prestole Corp.—Preferred and Common

July 3, 1946

- Allied Stores Corp.—Common
- Murphy (G. C.) Co.—Common
- Segal Lock & Hardware Co.—Common

July 5, 1946

- Arkansas Western Gas Co.—Common
- Coro Inc.—Common
- North American Can Corp.—Preferred
- Rudy Furnace Co.—Common

July 7, 1946

- All American Aviation Inc.—Common

July 8, 1946

- Chadbourn Hosiery Mills, Inc.—Pfd. and Common
- Clinton Industries Inc.—Capital Stock
- Forest City Manufacturing Co.—Common
- Great Lakes Plating Co.—Common
- Illinois Power Co.—Preferred and Common
- Koppers Co.—Preferred
- Le Roi Co.—Preferred
- National Secur. & Research Corp.—Several Series
- National Secur. & Research Corp.—Trust Fund
- Radio-Keith-Orpheum Corp.—Common
- Rome Cable Corp.—Preferred
- Spiegel Inc.—Common
- Stratford Pen Corp.—Common

July 9, 1946

- Beatrice Foods Co.—Preferred
- Budd Co.—Common
- International Minerals & Chemical Corp.—Common

July 11, 1946

- Wyandotte Hotel Co. Inc.—Debentures & Common

July 15, 1946

- Sardik Food Products Corp.—Capital Stock
- Solar Manufacturing Corp.—Preferred

July 27, 1946

- General Cable Co.—First and Second Preferred

• **National Manufacture and Stores Corp., Atlanta, Ga.**

June 12 (letter of notification) 8,500 shares of common stock. Offering price, $35 a share. **Underwriters**—Headed by Clement A. Evans & Co., Inc. **Proceeds**—For redemption of outstanding $2.50 class A non-cumulative stock.

• **National Research Corp., Boston, Mass.**

June 14 (letter of notification) 8,000 shares ($1 par) common stock. Offering price, $37.50 a share. No underwriting. For general corporate purposes.

• **National Securities & Research Corp., N. Y. (7/8)**

June 17, filed 7,000,000 shares (bond series, low-priced bond series, preferred stock series, income series, speculative series, stock series, industrial stocks series, selected groups series and low-priced common stock series) in National Securities series. **Sponsor**—National Securities & Research Corp., New York. **Offering**—At market. **Proceeds**—For investment. **Business**—Investment trust.

• **National Securities & Research Corp., N. Y. (7/8)**

June 17, filed 300,000 shares in First Mutual Trust Fund. **Sponsor**—National Securities & Research Corp., N. Y. **Offering**—At market. **Proceeds**—For investment. **Business**—Investment trust.

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.

• **Norcross-Eldridge Inc., Rutland, Vt.**

June 7 (letter of notification) 2,500 shares ($100 par) preferred stock. Price, $100 a share. **Underwriters**—Stock will be sold in the State of Vermont by the company itself; in Massachusetts sales are to be made by Kidder, Peabody Co. For increasing working capital.

• **North American Car Corp., Chicago (7/5)**

June 14 filed 36,000 shares $2 cumulative convertible preferred stock (no par). **Underwriters**—Glore, Forgan & Co. Price by amendment. **Proceeds**—Of the net proceeds, $1,000,000 will be issued as a loan to a new subsidiary whose name tentatively is Illinois Refrigerator Car Co.; $200,000 to reimburse the company's treasury for its original investment in the capital stock of the new subsidiary. Company has purchased the entire outstanding shares of common of North Western Refrigerator Line Co. for $3,600,000. North Western will be dissolved and Illinois will assume all of its assets and liabilities and change name to North Western Refrigerator Line Co. New company will issue serial notes in the amount of $3,600,000; borrow the $1,000,000 from the parent company; redeem $1,163,843 of equipment trust certificates originally issued by predecessor and pay off its current bank loans amounting to $3,600,000. **Business**—Leasing tank and refrigerator cars on a rental and mileage basis.

• **O-My Food Products Co., Inc. Mountain View, Calif.**

June 13 (letter of notification) 1,050 shares ($100 par) non-assessable common to be offered publicly and 1,050 shares of common to be issued to Russell V. Stahl and Grace E. Stahl, who are the President and Vice-President of the company, in exchange for their partnership business to the company. Public offering price, $100 a share. Underwriter, William E. Stahl, Mountain View, Calif. Net proceeds will be used to purchase the physical assets of O-My Food Products Co., a co-partnership, for $53,000; for setting up a branch factory and operating 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,

(Continued on page 3390)

(Continued from page 3389)
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. **Bids Invited**—Bids for the purchase of the stock will be received at office of Commonwealth & Southern Corp., 20 Pine Street, up to 12 Noon EDST, June 24.

● One World Book Club, Inc., New York (6/25)
June 18 (letter of notification) 500 shares of preferred stock (par $100). Price, $100 per share. For general corporate purposes, including purchase of books and copyrights, distribution, advertising, etc. Not underwritten.

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**—To pay appraised value of the preferred stock, as to which stockholders shall file notice of dissent and demand payment for their shares.

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.

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.

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.

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.

● Polymer Industries Inc., Astoria, N. Y. (6/25)
June 18 (letter of notification) 22,800 shares of 6% preferred stock (par $5) and 50,000 shares of common stock (par 1 cent). **Offering**—To be offered in units of one share of preferred and two shares of common at $5.02 per unit. Not underwritten. Proceeds for working capital and other corporate purposes.

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**—To retire long-term debt, etc.

● Portland (Ore.) Transit Co.
June 18 filed $1,250,000 4% convertible debentures due June 1, 1966, and 200,000 shares of common stock (par $1). **Underwriters**—First California Co. **Proceeds**—To complete payment of purchase price for the capital stock of Portland Traction Co. and the properties of the Interurban Railway Division of Portland Electric Power Co., working capital, etc. Offering prices by amendment.

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**—Purchase the Portsmouth works and to provide funds for general corporate purposes.

● Prestole Corp., Toledo, Ohio (7/2)
June 12 filed 22,500 shares ($10 par) 5% cumulative convertible preferred stock and 60,000 shares of common stock (par $1). **Underwriters**—Ball, Burge & Kraus, Cleveland, and Stoetzer, Faulkner & Co., Detroit. Price by amendment. **Proceeds**—Of estimated ($477,000) net proceeds, company will use $163,192 as balance of purchase price of assets and business of Prestole Division of Detroit Harvester Co.; $50,000 for inventories of Prestole division; $63,400 as additional cost of plant at Toledo, Ohio, and remaining proceeds for purchase and installation of additional machinery and equipment and working capital. **Business**—Manufacture of metal fastening devices.

● Radio-Keith-Orpheum Corp., New York (7/8)
June 18 filed 670,000 shares of common stock (par $1). **Underwriters**—Lehman Brothers and Goldman, Sachs & Co. **Price**—By amendment. **Proceeds**—Atlas Corp., owner of 1,329,020 shares of common of RKO (approximately 35%) on May 31, is selling 650,000 shares of the total offering and will receive proceeds from these shares. The balance of 20,000 shares are to be purchased from the company by underwriters through the acquisition and exercise of option rights granted two company officials. The company will receive $160,000 from the exercise of the option rights which will be added to working capital. **Business**—Holding company. Its subsidiaries are engaged in motion picture production and other enterprises.

● Radio & Television, Inc., New York
June 14 (letter of notification) 99,000 shares of capital stock (par 10c). **Underwriters**—Kobbe, Gearhart & Co., Inc. **Price**—$3 per share. **Proceeds**—$52,555 to acquire trademark "Brunswick" for use on radio and television receiving sets and radio and phonograph combinations; balance, additional working capital.

● Reece Folding Machine Co., Woburn, Mass.
June 14 (letter of notification) 1,753 shares of stock. These shares issued and outstanding and were previously purchased by company on Boston Stock Exchange. Offering price, at market. No underwriting. To increase cash resources.

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.

Reynolds Pen Co., Chicago
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.

● Roadgrader Gauge Corp., Wilmington, Del.
June 14 (letter of notification) 8,000 shares (no par) common stock, **Price**—$25 a share. No underwriting. For general corporate purposes including improvement of road building equipment.

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.

● Rudy Furnace Co., Dowagiac, Mich. (7/5)
June 14 filed 100,000 shares of common stock (par $1). **Underwriters**—Keane & Co., Detroit. Price, $3 a share. **Proceeds**—Net proceeds, estimated at $244,770, will be used to pay off bank loans of approximately $230,000 and to increase working capital. **Business**—Manufacture of condensers for electrical refrigerators and other cooling devices and the manufacture of air-conditioning devices.

Sardik Food Products Corp., New York (7/15)
May 29 filed 175,000 shares of capital stock (no par). **Underwriter**—George F. Breen, New York. **Offering**—Stock will be offered to public at $16 a share with underwriters receiving a commission of $2 a share. Of the total being offered company is selling 155,000 shares and the remaining 20,000 shares are being sold by two stockholders. **Proceeds**—Working capital, purchase equipment and plant, etc. For details see issue of May 30.

● Seal-Peel, Inc., Detroit, Mich.
June 11 (letter of notification) 200,000 shares of common stock ($1 par). Offering price, $1 a share. **Underwriter**—A. H. Vogel & Co. **Proceeds**—For construction costs, to discharge land contract on premises being purchased and used by the company, for purchase of additional machinery and working capital.

Segal Lock & Hardware Co., Inc., N. Y. (7/3)
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 of record June 13 are given right to subscribe at $4 per share to new common shares at a rate of one share of common for each two shares of any stock held. Rights expire at 3 p.m. July 2. **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.

● Silverton Mines, Inc., Wallace, Idaho
June 10 (letter of notification) 400,000 shares of stock. Offering price, 35c a share. **Underwriter**—Glenn LeRoy Fish, Spokane, Wash. Use of proceeds not stated.

● Solar Manufacturing Corp., New York (7/15-19)
June 14 filed 80,000 shares of $1.12½ cumulative convertible preferred stock, series A (par $20). **Underwriters**—Van Alstyne, Noel & Co. Price by amendment. **Proceeds**—Net proceeds will be applied for the redemption of outstanding series A convertible preferred stock which are not converted into common stock. Such proceeds also will be used for additional manufacturing facilities in the amount of $600,000; for additional inventory amounting to $400,000, and for additional working capital. **Business**—Manufacture of fixed condensers used in connection with electrical currents.

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.
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**—To repay in full advances from American Telephone and Telegraph Co.

● Spiegel, Inc., Chicago (7/8)
June 19 filed a maximum of 329,580 shares of common stock (par $2). **Underwriters**—Glore, Forgan & Co., Chicago. **Offering**—The shares will be offered for subscription to common stockholders at the rate of ⅕th of a share for each share held. Unsubscribed shares will be offered to the public. **Price**—By amendment. **Proceeds**—Net proceeds will be used as follows: $3,050,000 to pay off short-term bank loans; $1,400,000 to acquire all of the capital stock of a corporation owning and operating a large home furnishing store; $750,000 to pay the annual instalment on its 2½% serial notes, and the balance as working capital. **Business**—Operation of retail and mail order business for the sale of clothing and household goods.

Stratford Pen Corp. (7/8-12)
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. (7/1-5)
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.

Thalhimer Brothers, Inc., Richmond, Va. (7/1)
June 10 filed 25,000 shares cumulative preferred stock (par $100). **Underwriter**—Kidder, Peabody & Co. **Offering**—Price by amendment. **Proceeds**—General corporate purposes.

Timely Clothes, Inc., New York (6/24-28)
June 4 filed 80,000 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—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 for improvements to plant and machinery, to retire certain promissory notes, and working capital.

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.

● **Union Trusteed Funds Inc., New York**
June 18 filed 100,000 shares of Union preferred stock fund. Underwriters—Lord, Abbett & Co., Inc. Offering—To be offered publicly at market. Proceeds—For investment. Business—Investment fund.

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 States Hoffman Machinery Corp., New York (6/25)
June 5 filed 30,000 shares of cumulative preferred stock (par $100). Underwriter—Hayden, Stone & Co. Price by amendment. Proceeds—Capital expenditures, purchase of additional equipment and for general funds.

Universal Camshaft Co., Muskegon Heights, Mich.
June 10 (letter of notification) 7,000 shares of common stock (no par). Offering price, $10 a share. No underwriting. For purchase of machinery and equipment and to provide working capital.

Vacuum Concrete Corp., Philadelphia
May 28 (letter of notification) 25,000 shares of common stock (par $1). Underwriter—Eastman, Dillon & Co. will act as agents. Price to public, $11 per share. Proceeds—To purchase additional equipment; to acquire assets of Vacuum Concrete, Inc., by retiring remaining outstanding stock and liquidation of its liabilities; to expand and develop patents, and for working capital.

Van Norman Co., Springfield, Mass. (6/26-27)
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., New York
June 10 (letter of notification) 79,000 shares of common stock (par $1) and warrants to purchase 40,000 shares of common stock. Underwriter—Eric & Drevers, New York. Price, $3.75 per share. Purpose—Working capital.

Virginia Red Lake Mines, Ltd.
June 24 filed 220,000 shares of capital stock (par $1—Canadian). Underwriters—Willis E. Burnside & Co., New York. Offering—Offering price to public 28 cents United States funds. For details see issue of Aug. 2, 1945.

Western Frozen Foods Co., Inc., Watsonville, Calif. (6/25)
June 6 100,000 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.

Willys-Overland Motors, Inc., Toledo (6/27-28)
May 17 filed 155,145 shares of $4.50 cumul. preferred stock, series A (no par), convertible on or before Dec. 31, 1953, and 310,290 shares of common stock ($1 par). 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. Unsubscribed common shares will be purchased by Willys Real Estate Realization Corp. 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% non-cumulative 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.

● **Winslow Clay Products, Philadelphia (6/25)**
June 18 (letter of notification) 500 shares of 6% preferred stock (par $100) and 2,500 shares of common stock (no par). Offering—To be offered in units of 1 preferred share and 5 common shares at $100 per unit. Proceeds—Additional machinery, supplies, repairs and working capital. Not underwritten. Business—Company has acquired the brick plant and clay pits formerly operated by Hydraulic Press Brick Co., at Winslow Junction, N. J.

Wisconsin Electric Power Co., Milwaukee (6/24)
May 22 filed $50,000,000 first mortgage bonds, due 1976, and 260,000 shares ($100 par) cumulative preferred stock. Probable bidders include The First Boston Corp.; Dillon, Read & Co.; Blyth & Co., Inc.; Halsey, Stuart & Co., Inc. (bonds); Wisconsin Co. (stock); Mellon Securities Corp. Bids Invited—Company is inviting bids for purchase of bonds and maximum of 260,000 shares of preferred stock; interest rate and dividend rate to be specified in bids. Bids will be received by company at Room 1901, 60 Broadway, New York, up to noon June 24.

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.

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.

Yank Yellowknife Gold Mines, Ltd., Tor., Ont.
Feb. 13 filed 600,000 shares of common stock (par $1). Underwriters—J. J. Carrick, Ltd., Toronto, Canada. Offering—Price to public 25 cents per share, United States funds. For details see issue of Feb. 21.

York (Pa.) County Gas Co.
May 8 filed $1,700,000 first mortgage bonds, due 1976. Will be sold at competitive bidding. Probable bidders include Halsey, Stuart & Co., Inc. Interest rate by amendment. Offering—Price by amendment. Proceeds—Refunding. For details see issue of May 9.

Young Radiator Co., Racine, Wis.
Jan. 29 filed 100,000 shares of common stock (par $1); also registered 40,000 shares of common for issuance upon exercise of warrants. Underwriters—Van Alstyne, Noel & Co. Offering—Price to public $8.25 per share. Of 40,000 warrants to purchase common stock at $8.25 per share prior to Feb. 1, 1951, 20,000 were issue to stockholders on recapitalization and 20,000 are being sold to underwriters at 10 cents per warrant share. Offering postponed indefinitely. For details see issue of Feb. 7.

Prospective Security Offerings

(NOT YET IN REGISTRATION)

● **INDICATES ADDITIONS SINCE PREVIOUS ISSUE**

Air Services, Inc., New York
April 1 company was reported planning sale of 150,000 shares of common stock through B. G. Cantor & Co. New York, as underwriter. Price about $2 per share Company's headquarters will be located within eight miles of New York City. Principal business will be student training and charter service

American 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.

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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 in o 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 isue 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. Probable bidders include Halsey, Stuart & Co. Inc.; Harris, Hall & Co. (Inc.) and Salomon Bros. & Hutzler.

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 underwri.er.

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.

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 wi h 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.
June 18 reported that probably one of the early developments when and if the merger of Chesapeake & Ohio Ry. and the Pere Marquette Ry. is approved will be a refunding operation to take in the debt of both roads. C. & O., it is expected, will take steps to refinance the refunding and improvement 3½s, due in 1996, of which $37,500,000 series D and $27,600,000 series E were outstanding at the close of 1945. The Pere Marquette has outstanding $59,749,000 first mortgage 3⅜s, series D, due in 1980. At the ICC hearings in April on the merger proposal, W. H. Wenneman stated that refinancing of the Pere Marquette issue would be undertaken promptly following consummation of the merger.

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.

• Cities Services Power & Light Co.
June 17 it was stated that with divestment by Federal Light & Traction Co. of its four New Mexico properties and merger of same into an intrastate company removed from SEC jurisdiction, it is anticipated that the shares of stock of the new company acquired by Cities Service, through ownership of Federal, will be sold through competitive bidding. Probable bidders: Blyth & Co., Inc.; First Boston Corp.; Otis & Co.; Harriman Ripley & Co.

Columbia Gas & Electric Corp., New York
April 12 it was stated that in final step in recapitalization program, corporation is expected to sell approximately $110,000,000 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.
June 18 company requested the SEC to approve the disposal of a sufficient number of common shares at competitive bidding to raise $20,000,000. Probable bidders include Morgan Stanley & Co.; Lehman Brothers; Shields & Co.; Harriman Ripley & Co., and Mellon Securities Corp.

Consumers, a subsidiary of the Commonwealth & Southern Corp., also proposes to increase the common from 2,000,000 to 6,000,000 shares and to issue 3,623,432 new common shares to its parent for the 1,811,716 now held by Commonwealth.

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.

• Continental Motors Corp., Detroit
June 13 corporation plans sale of approximately $12,000,000 convertible preferred stock to finance expansion and modernization of Muskegon plant, provide funds for acquisition of additional manufacturing facilities and working capital. Probable underwriters, Van Alstyne, Noel & Co.

• Derby (Conn.) Gas & Electric Corp.
June 18 corporation and three of its subsidiaries filed a petition with the SEC to grant the parent permission to issue additional securities. Proceeds would go to the subsidiaries as a loan to finance cost of additional facilities. The subsidiaries are Derby Gas & Electric Co.; Danbury & Bethel Gas & Electric Light Co. and Wallingford Gas Light Co. The parent corporation plans to issue $500,000 additional debentures and 20,066 additional common shares. Debentures will be sold to an institutional investor and stock offered to company stockholders.

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 Bro.hers 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.

• Engineering & Research Corp.
June 14 reported company, manufacturer of air coupes, contemplates the issuance of 300,000 shares of common stock, with Hemphill, Noyes & Co. as underwriters.

• Fairchild Engine & Airplane Corp.
May 28 corporation entered into an agreement with Smith, Barney & Co. and associates which provides that bankers will at any time during period from June 25, 1946, to and including June 28, 1946, make a single purchase from the corporation at $3.75 per share of such number of shares of the corporation's authorized but unissued common stock as corporation may elect to sell to them but not to exceed the lesser of (a) that number of shares which, when taken at the public offering price per share at which the bankers may resell said shares, will constitute an offering of $300,000, or (b) that number of shares of common stock into which the shares of preferred stock were convertible which were not converted on or prior to the redemption da.e. Agreement also provides that if any shares of common stock so purchased from corporation shall be resold by the bankers at more than $4.50 per share the bankers will upon all such sales, pay corpora.ion the difference between $4.50 and the price at which such shares are so sold.

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.

• Fox Metal Products, Inc., Denver, Colo.
June 19 reported company planning sale of 99,000 shares of common stock through Frank C. Moore & Co. as underwriter. Issue is expected to be filed with the Securities and Exchange Commission shortly. Offering price will be $3 a share. Proceeds for expansion.

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.

Highway Safety Appliances, Inc. (7/1)
June 17 company intends shortly to file by notification 25,000 shares of convertible preferred stock and 25,000 shares of common stock. Irving J. Rice & Co., New York, will be underwriters. It is expected that the preferred will be offered at $6 per share and the common at $3.75 per share. Company manufactures the Ilston Electric Sander for trucks and buses.

Hollander (A.) & Son, Inc., Newark, N. J.
July 25 stockholders will vote on splitting common stock 2½-for-1 and on authorizing an issue of $1,500,000 convertible preferred stock. Probable underwriter, Merrill Lynch, Pierce, Fenner & Beane.

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 on behalf of the company. **Proceeds**—For expansion, etc. First Colony Corp will be underwriter. Public offering price expected at $4 per share.

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.

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 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 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**
June 16 directors authorized an offer of stock subscription rights at $50 per share to holders of its common stock in ratio of one additional share of stock for each four shares held. Company intends to file a registration statement with the SEC about June 24. When registration statement becomes effective, subscription warrants will be mailed on or about July 22 to common holders of record of July 18, 1946. Warrants will expire if not exercised on or before Aug. 13. Probable underwriters include Glore, Forgan & Co. and Shield & 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.

● **National Gas & Electric Corp., New York**
June 11 company filed with SEC a voluntary plan of simplification and recapitalization calling for retirement of the company's entire funded indebtedness through a series of financing operations. The plan provides, initially, for redemption of the presently outstanding 5% first lien collateral trust bonds by using the proceeds of a new $2,100,000 secured bank loan, and the repayment of this bank loan with funds to be received by the corporation as a result of the refunding of the bonds of its wholly-owned subsidiaries—National Utilities Co. of Michigan, and Industrial Gas Corp. of Ohio. The new $980,000 first mortgage 3% bonds of the Michigan subsidiary would be sold privately at par and accrued interest through an investment group consisting of Battles & Co., Inc., Philadelphia; G. H. Walker & Co. of Providence, R. I., and Smith, Landeryou & Co., Omaha, Neb. Under the plan, National Gas & Electric also would dispose of its holdings in Northern Indiana Fuel & Light 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 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. Blyth & Co. will probably be underwriters.

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.

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.

● **Red Rock Bottling Co., Pittsburgh, Pa.**
June 19 reported company planning sale of 199,000 shares of common stock, through Frank C. Moore & Co. as underwriter. Issue expected to be filed shortly with the Securities and Exchange Commission. Public offering price will be $1.50 a share. Proceeds for expansion.

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.

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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.

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.

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.

● **Sun Chemical Co.**
June 18 reported that company plans early registration of $4,275,000 20-year sinking fund debentures and $1,-200,000 preferred stock, with Shields & Co. as underwriters.

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.

● **Trane Company**
June 18 it was reported that company plans the sale of additional common stock with Cruttenden & Co. as underwriter.

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.

Wisconsin Public Service Co., Milwaukee, Wis.
May 20 it was reported that Standard Gas & Electric Co. expected to sell a 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.**
June 14 New York Public Service Commission authorized company 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

Next Monday will be one of the busiest days in some time for investment banking interests what with securities of three large operating public utility firms up for sale via the competitive bidding route.

At least three banking groups are expected to bid for the $50,000,000 of new first mortgage bonds, due 1976, being offered by the Wisconsin Electric Power Co., largest utility issue brought out in some time.

This deal also involves the handling of exchanges and purchase of any unexchanged portion of 260,000 shares of new $100 par value preferred stock. Two of the banking groups are expected to see this part of the business also.

On the same day bankers will be bidding for $13,750,000 of first mortgage bonds, thirty-year maturity, and 42,500 shares of $100 par preferred stock of the Iowa Public Service Co. The size of this deal lends itself more readily to available banking facilities and bidding in this case could be a bit more lively.

The underwriting fraternity will have the opportunity, at the same time, of bidding for a block of 204,153 shares of common stock $8 par, of the Ohio Edison Co.

Five groups are known to be in the running for this business which was cleared for bidding after the SEC had heard protests from a minority group which wanted it held in abeyance until after the entire Commonwealth & Southern Corp., plan had been approved.

Phila. Electric Power

Dealers reported a splendid reception for yesterday's offering of $30,000,000 of new first mortgage bonds, due 1975, of the Philadelphia Electric Power Co., which were offered at a price of 102.567 to return a yield of just about 2.50%.

Since the successful banking group paid the company a price of 102.089 for the issue on Tuesday, it proved one of the closest deals on record in the corporate field with a spread of less than ½ point indicated.

This one must have measured fully up to the liking of the Securities and Exchange Commission, since that body which usually withholds clearance for 48-hours, promptly gave the "green light" to the transaction.

A high-rated issue, its quality presumably appealed to large institutional investors particularly Philadelphia banks and insurance companies.

Banking Mergers

The consolidation currently being negotiated between the First Boston Corp., and the Mellon Securities Corp., must go down as one of the best kept secrets in the trade.

Viewed as a "natural" since neither firm greatly overlaps the other it was considered as the forerunner of several other possible combinations.

Whatever the other motivating factors, it appears that the matter of capital necessary to swing the big underwritings that crop up these days is paramount. The resulting firm will be well up among the largest in the field and, accordingly, the more able to meet the growing competition.

A Little Too Rich

What happened on Monday when bankers refrained from submitting bids for California Electric Power Co.'s $16,000,000 of 30-year bonds may be more significant than it appeared at the time.

It suggests at least that underwriters have reached a point where they can't afford to pay "through the nose" just for the satisfaction of winning an issue. The company in this instance had specified that it would not accept a bid of less than 104 for an interest rate of 3%, or a 2.80% cost basis to the company.

Bankers calculated that they could not resell the issue profitably in the current market. It could be that the fringes of the "sellers' market" which has ruled for so long a period are finally wearing thin.

The company did, however, receive five bids for its offering of 169,636 shares of $1 par common stock with the best tender being $12.60 a share. Others ranged down from $12.359 to $11.55 a share.

Market Chills Offerings

The reactionary mood of the stock market presumably was responsible for the decision of underwriters to defer public offering of at least two stock issues which were tentatively due on the market yesterday.

One of these was Barium Steel Corp.'s projected issue of 350,000 shares of $1 par value stock for funds to pay off bank debt and expand working capital. A second was Denman Tire & Rubber Co.'s 50,000 shares of 5% cumulative convertible preferred stock.

Silver Price Increase Voted by Senate Group

An increase in the price of silver sold by the Treasury for domestic manufacture from the present 71.11 cents to 90.3 cents an ounce has been recommended by the Senate Appropriations Committee, the Associated Press reported from Washington on June 9. Provisions for this and a further increase to about $1.29 an ounce after July 1, 1948, were written into a Treasury Department appropriation bill for the fiscal year starting July 1. Under the latter provision, domestic producers of silver would be paid "the full monetary value" less such charges as the Secretary of the Treasury shall determine should be made for coinage, after July 1, 1948. Silver, for which domestic producers now receive from the Treasury 71.11 cents an ounce, is worth to the Government, when coined, $1.29 an ounce. The increase in value is known as seigniorage.

Taylor's Recall Sought

A group of Protestant churchmen who recently visited the White House were said, by one of their number, to have received assurances from President Truman that Myron C. Taylor, who has been the President's personal representative at the Vatican, would be recalled as soon as the peace treaties were signed, according to Associated Press advices from Richmond, Va., on June 5. The statement was made by Dr. John A. MacLean, representing the southern Presbyterian churches as one of the committee of 11 that called on the President. "In the minds of Protestants," he continued, "the chief objection to the appointment of Mr. Taylor is that it clearly violates the principle of separation of church and state which is so large and important a part of the foundation of our Government."

It was reported that the White House had declined to comment on Dr. MacLean's statement.

A Fear Campaign to Perpetuate Controls

(Continued from page 3444)

honest surveys in the nation indicate that at least 80% of the meat being sold the public is Black Market and from 25 to 30% above ceilings; butter was selling on the Black Market in New York this week at a dollar and a quarter a pound—in many places new cars demand almost any Black Market price asked—used cars are almost entirely in the Black Market — honest distribution has broken down and honest production of needed goods for the veteran and the householder has slowed up to a trickle.

Chester Bowles, through his unsound and unworkable price policies, is more responsible for this condition than any one else. Through his refusal to recognize that production cannot be had at a loss, and his continued refusal to decontrol products that are in ample supply, it has become necessary for Congress to act before Mr. Bowles and his price policies throw us into complete chaos.

No Lobby Against Price Controls

He complains of an organized lobby to defeat price control. I have seen no lobby, but I have seen dozens of agonized producers of food, clothing and goods who have come to Washington time and again, petitioning and supplicating the autocratic authority of Mr. Bowles to give them a reasonable price so that they can survive and produce. Usually they are pushed into the vicious circle from one official to another, often ending up after exhausting weeks and months of delay with the first official they contacted, who then says, "NO." Mr. Bowles seems to think that wages and materials can go up 25 to 50% and not affect the price.

The real lobby, the greatest of all time, has been organized by OPA itself. Last year Mr. Bowles, who has been an advertising man, and his organization, spent two and a half million dollars of public money on the most beguiling, misleading, and extravagant propaganda, trying to sell controls to the public—schools, societies, clubs, and other organizations were flooded with expensive literature designed to appeal to each of them. Newspapers and magazines have been flooded with items, stories, and releases—short and long radio talks and programs have been cleverly designed and fed to the American people—the whole pattern has been one of praise of Mr. Bowles and the creation of fear—of dire consequences if he is restrained in any way, in his tightening grip on the throat of rapid and full American reconversion and production. About five hundred people have been employed in his "Information" Department, and they have done their job well—they have fooled the American people.

People Are Awakening

I believe, however, that the American people are awakening, that the wage earner, the house wife, the farmer, are all beginning to realize that something is wrong.

The Senate Banking and Currency Committee and the House of Representatives are no longer being fooled by Mr. Bowles, and his propaganda has been stripped of its color photography and kindergarten drawings. The facts have been developed and they show that we are now suffering from lack of necessities — that OPA is not correcting the situation even though it has had unlimited power and latitude—that Congress must spell out the rules if we are to have adequate production and if we destroy the Black Markets.

The recommendations of the Senate Banking and Currency Committee do not destroy OPA but they do establish sound administrative methods, based upon evidence and facts, that can be administered effectively by any capable administrator who desires to do so. While, based upon facts, the Committee recommends decontrol of meat and dairy products so that honest markets and full supply can be had by the public, still a great part of our prices and our rents are left under price control for a time.

We hear much about OPA's record in this War as compared to price control in World War I. In the last War, price control was successfully operated with a paid personnel of less than 250 persons. Mr. Bowles has had about 64,000 paid employees in OPA in this war—the record shows that during each War, prices rose about the same. If you add the subsidies and the Black Market prices as well as the inferior grades of materials in this present period, the actual price the public pays for necessary items (when it can get them) is higher than it was during the last war.

OPA can present charts and impressive figures but they don't tell the actual story as it affects the average worker, the veteran and the entire public. Lumber and building materials have been shut off at the source because of unsound price policies.

Yes, we are being fooled by OPA and recovery is being retarded by its present policies.

Chant of "No Crippling Amendments"

Mr. Bowles chanted the hymn of fear and of control for over a year—his slogan has been "No crippling amendments"—what I think he really means is "No interference with my absolute authority." Whenever we seem on the verge of returning to the system of American full production and distribution, he puts on the witchhunter's mask, throws a mystic powder on the fires of public emotion and conjures up the spectres of economic catastrophy and class hatred — he shouts that the rich are trying to destroy the poor, and he intones that he alone is the true prophet. In effect he confesses failure and looks for a whipping boy.

What America must have is full production of food and essential goods—if we get that then the law of supply and demand will take care of our problem in a free economy. OPA, however, by testimony of Mr. Porter, Director, says that its job is to keep that law of supply and demand from operating. Certain controls, such as rents, should be maintained but when the arbitrary controls of OPA in field of production that are able to reasonably supply the demand are maintained, with no assurance of the intention of the government or the administrators to free them so that production can be secured, then the American public, through its elected representatives, must act for the long range best interest of our future and of a free economy.

Rye, Wheat Futures Trading Halted

An unprecedented action by the Chicago Board of Trade on June 13 discontinued all trading in wheat and rye futures and the July and September deliveries of corn and barley, with the declaration, according to United Press Chicago advices, that the government's program of grain shipments to famine stricken areas prevents the board from maintaining a "free, open and orderly market." Oat futures and the cash grain market were not affected.

The action which became effective immediately was followed a few hours later by a similar move by the Kansas City Board of Trade, where all futures trading was suspended, the "Journal of Commerce" stated, June 14.

William B. Bosworth, acting secretary of the Chicago Board, stated that the tight supply situation prevents fulfillment of future contracts by delivery of actual grain and in the event price controls are lifted would enable purchasers to require liquidation "at exorbitant and extortionate prices."

The board ordered that settlement of interest be made at "the closing price quotations." Trading in the specified options stopped at 12:23 p.m., Central daylight time, today with wheat at $1.98½, corn at $1.46½, rye at $1.58½ and barley at $1.35½, all ceiling prices. Outstanding contracts will be settled "without delivery."

The order to settle at present ceilings came as a relief to shorts, who have been unable to obtain the grain necessary to fulfill commitments even by bidding ceiling price. They had feared they would be forced to settle at sky-high prices once price controls were removed and the expected bullish sentiment took hold of the market.

Officials declined to comment on how long the banned futures would be off the board. Mr. Bosworth's statement, issued after a special meeting of the board of directors, indicated there would be no change in the directors' stand until the tight supply-demand situation eases.

Says Labor Policy Fosters Inflation

Dr. Leo Wolman, Director of National Bureau of Economic Research, Inc., lays blame on the Government fixing wages to such heights as to assure rising costs and prices.

Declaring that the administration's labor policy has pushed us farther along the road to inflation, Dr. Leo Wolman, Director of the National Bureau of Economic Research, Inc., and Professor of Economics at Columbia University told members of Grocery Manufacturers of America, Inc., at Shawnee-on Delaware, June 17 that no one knows when the inflationary race between wages and prices will end but everyone knows that its end will leave America in trouble and facing extraordinarily difficult problems of economic and political adjustment.


Prof. Leo Wolman

Dr. Wolman delivered his address at the opening session of a three-day meeting of the grocery manufacturers at Shawnee Country Club.

Discussing postwar economic problems and their effects upon industry, Dr. Wolman charged that postwar production had been held up by "nation-wide labor monopolies, strong enough to defy the public interest and to dictate the terms on which they were willing to settle."

Although some of the largest strikes have ended, Dr. Wolman continued, many small companies and communities are still torn by conflict, and there is no assurance that more serious strikes will not break out again before the year is over.

"Our labor policy has pushed us farther along the road to inflation," he said. "Since last summer we have been steadily pushing up costs and prices are bound to follow. The method of collective bargaining, upon which we staked so much, has proved a total failure. In negotiations between labor and industry, it broke down altogether. The Government then assumed the function of fixing wages and bears the responsibility of raising them to such heights as to assure rising costs and rising prices."

"Against our best judgment and in the face of repeated warnings, we have started the familiar spiral—the race between wages and prices. No one knows how long that race will last. Everyone knows that it will end—not quietly and without evil effects—but in trouble and with extraordinarily difficult problems of economic and political adjustment."

Ehrlich and McDowell With B. G. Cantor Co.

B. G. Cantor & Co., 61 Broadway, New York City, announce that Irving Ehrlich is now associated with them as manager of the investment research department, and Harold M. McDowell as manager of the trading department. Mr. Ehrlich was previously manager of the trading department for Hill, Thompson & Co.

Over $4,000,000 Contributed to Date to Greater N. Y. Fund

A total of $4,419,212 has been raised to date in the Greater New York Fund's 9th Annual Campaign on behalf of 415 local hospitals, health and welfare agencies. This is $380,915 more than the amount contributed at this time in the 1945 campaign, and represents 74.8% of the $5,900,000 goal for this year. This was announced last week by N. Baxter Jackson, President of the Chemical Bank and Trust Company and general Chairman of the Fund's 1946 Campaign, at the third report luncheon in the Grand Ballroom of the Hotel Roosevelt.

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